

HIMACHAL PRADESH POWER CORPORATION LIMITED,
SHIMLA-4
(A STATE GOVERNMENT UNDERTAKING)



2ND ANNUAL REPORT

2007-08

Himachal Pradesh Power Corporation Limited
(A State Government Undertaking)
2nd Floor, Uttam Bhawan, Shimla-171004

No. HPPCL/CS/Notice/2009-374-78

Dated: 26th August, 2009

Notice of Second Adjourned Annual General Meeting of the Company

“Notice is hereby given that the **Second Adjourned** Annual General Meeting of the Shareholders of the **Himachal Pradesh Power Corporation Limited** will be held on Wednesday, 16th September, 2009 at 12:00 PM at Office-Chamber of the Chief Secretary, H.P. Secretariat, Shimla-171002 to transact the following business:”

Ordinary Business:

To receive, consider and adopt the Annual Accounts of the Company for the year ended 31st March, 2008, Directors' Report and Report of Auditors thereon alongwith the comments of the Comptroller and Auditor General of India as on that date.

Place : Shimla
Dated: 26.08.09

By order of the Board of Directors

Sd/-
Company Secretary

Note:

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.

Himachal Pradesh Power Corporation Limited, Shimla-4

Proxy form

I / We member (s) of the Himachal Pradesh Power Corporation Limited, Shimla, 171004 do hereby appoint _____ of _____ as my proxy to attend and vote for me/us and on 16.09.2009 at 12:00 PM and at any adjournment thereof.

Signatures

Signed this on 26.08.09

Affix Rs.5/-
Revenue stamp

Himachal Pradesh Power Corporation Limited, Shimla-4

Board of Directors as on 16TH September, 2009

Smt. Asha Swarup, IAS	Chairperson
Sh. Subhash Chander Negi, IAS	Director
Sh. Arvind Mehta, IAS	Director
Sh. Ravinder Kumar Juneja	Director
Sh. C. M. Walia	Director
Sh. Bhagat Singh Negi	Director
Sh. Tarun Kapoor, IAS	Managing Director

Auditors:

R. AHUJA & ASSOCIATES

Chartered Accountants

3 (IInd Floor), Kasauli Road,

Sector-2, Parwanoo-173220 (H.P.)

Phones : 01792-232372 (O), 232072 (R), 094180-78772 (M)

Email : rahuja@bsnl.in

Bankers:

Punjab National Bank, New Shimla

Himachal Pradesh Power Corporation Limited, Shimla-5

DIRECTORS' REPORT 2008

Dear Members,

Your Directors are pleased to present the Second Annual Report of the Company for the year ended March 31, 2008 along with the 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 in December 2006 under the Companies Act 1956, with the objective to plan, promote and organize the development of all aspects of hydroelectric power on behalf of Himachal Pradesh State Government (GoHP) and Himachal Pradesh State Electricity Board (HPSEB) in the State of H.P. in the equity participation of 60:40. The special Purpose Vehicles namely Pabbar Valley Power Corporation Limited (PVPCL) and Kinner Kailash Power Corporation Limited (KKPCL), earlier owned by HPSEB have now been ordered to be merged with HPPCL with the objective of developing new hydro projects in their respective river basins.

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

2. Mission, Aims, and Targets:-

- Mission: Development and prosperity in Himachal Pradesh through Power generation.
- Aim: To come up as a major power generating company of India with good managerial and technical capabilities.

- Target: To develop 3000 MW Power generating capacity by March 2017 and; 5000 MW by the year 2022.

3. In-Hand Projects at a Glance:-

Initially, HPPCL has taken over staff and projects initiated by PVPCL (Sawra Kuddu, 111 MW) and KKPCL (Kashang three stages, 243MW). So far 7 Nos. HEPs have been allotted to HPPCL. The up to date status of all projects is as under:-

i) SAWRA KUDDU HYDRO-ELECTRIC PROJECT (111 MW)

Sawra Kuddu HEP (111 MW), a run-of river scheme has been contemplated as a power generation development on the Pabbar River in Shimla District (HP) near Rohru. The project comprises of a piano key weir, an intake structure to draw 78 cumecs discharge through 3 Nos. openings, surface gutter type desilting arrangement divided into 3 Nos. portions, each 80 m long 19.5 m wide & 10.5 m deep for exclusion of silt particles down to 0.2 mm size, 11.145 km long, 5 m dia D-shaped Head Race Tunnel, 14 m dia 82 m high underground restricted orifice type surge shaft, 4 m dia steel lined pressured shaft, trifurcating in 2.30 m dia branch shafts, to feed 3 Nos. 37 MW capacity each vertical axis Francis turbines, housed in an 90 m x 14 m x 39 m size underground Power House cavity located on the left bank of the Pabbar river near Snail village. This will generate 386 MU under a gross head of 213.50 m to @ Rs 2.54/- per unit. Likely date of commissioning is Dec., 2012. The project is being financed by ADB (Asian Development Bank). All the statutory clearances has been accorded by respective agencies. For the construction of project, work has been divided in 4 Nos. packages namely;

1. Barrage Package-(Awarded to M/s Patel Engineering Ltd. on 25.08.09.) i/c construction of intake/diversion structure up to HRT- Under mobilization.
2. HRT- (Awarded to Coastal Kirloskar JV on 18.06.07) i/c construction of HRT up to Surge shaft- 850 m Adits+1913 M HRT=2763 m excavated.

3. Power House Package-(Awarded to M/s Patel Engineering Ltd. on 22.01.09) i/c C/o of surge shaft, pressure shaft, PHC & THC- Work on 5 fronts is in progress.
4. Electro-Mechanical Package-(Awarded to M/s ANDRITZ Hydro on 05.02.09).

ii) RENUKA Ji DAM PROJECT (40 MW)

Renuka Ji Dam project, conceived as a drinking water supply scheme for the National Capital Territory of Delhi, with an incidental power benefit of 40 MW to HP Govt. it envisages construction of 148 m high rock fill dam on river Giri at Dadahu in Sirmaur district and a powerhouse at toe of dam. The project will ensure 45640 ha m of live water storage in its reservoir and a firm water supply to the tune of 23 cumecs to Delhi besides generating 221.22 MU per annum @ Rs 2.00/- per unit exclusively for use of Himachal Pradesh. The Dam will also result in generating additional power of 93.83 MU by existing 60 MW Giri HEP. Total cost of the project at September, 2008 price level is Rs. 2676.04 crore, which shall be borne by Govt. of India/ Govt. of Delhi and other beneficiary states. The cost of power components will be governed by HPPCL.

iii) INTEGRATED KASHANG HYDRO-ELECTRIC PROJECT (243 MW)

Integrated Kashang HEP (243 MW) envisages development of Kashang and Kerang Streams, tributaries of the river Sutlej comprising four distinct stages as under: -

- Stage-I (2x65 MW-1 unit standby): Comprising diversion of the Kashang stream, at El.2829 m, to an underground powerhouse located on the right bank of Satluj near Powari Village will generate 245.80 MU under a gross head of approximately 830 m @ Rs 2.85/- per unit. The work for civil & hydro-mechanical package stands awarded to M/s HCC Ltd. on 13/02/09 for an amount of INR 296, 90, 69, 576. The contractor has started the work w.e.f. 09/04/09 and the likely date of commissioning is Dec, 2012. The project is being financed by ADB (Asian Development Bank).

- Stage-II & III (195 MW): Comprising diversion of the Kerang stream, at El. 2872 m, into an underground water conductor system (K-K Link) leading to upstream end of Stage-I water conductor system, augmenting the generating capacity of Stage-I powerhouse, using Kerang waters over 820 m head available in Kashang Stage-I powerhouse to generate 790.63 MU per annum @ Rs 1.65/- per unit. The likely date of commissioning is Dec., 2013. The project is being financed by ADB (Asian Development Bank).

- Stage-IV (48 MW): This stage is an independent scheme harnessing the power potential of Kerang, stream upstream of the diversion site of Stage-II. In this scheme, a head of approximately 300 m could be utilized to develop power of 48 MW in an underground powerhouse located on the right bank of Kerang stream. The project is in investigation stage.

iv) SHONGTONG-KARCHAM HYDRO-ELECTRIC PROJECT (402 MW)

Shongtong Karcham Hydroelectric project, a run-of-river scheme on the river Sutlej in Distt. Kinnaur of HP, envisages construction of 24.15 m long diversion barrage, near village Powari, to divert 464 cumecs discharge to 4 Nos. sedimentation chambers, each 300 m long. Water from sedimentation chambers is further conduited through water conductor system comprising 8020 m long 10.00 m dia circular HRT, terminating in 39.5 m dia surge shaft and 3 Nos. 5.1 m steel lined pressure shafts, to feed 3 Nos. vertical axis Francis Turbines, housed in an underground powerhouse, located on the left bank of the river Satluj near village Ralli will generate 1735.46 MU under a gross head of 146 m, @ Rs 1.67/- per unit of power. The project is in investigation stage and land acquisition and statutory clearances are being acquired/accorded. The project is to be constructed through EPC mode & documents are under preparation. Likely date of award is 15.04.10 & scheduled to be commissioned by April, 2014. The project is being financed by ADB (Asian Development Bank).

v) SAINJ HYDRO-ELECTRIC PROJECT (100 MW)

Sainj HEP has been contemplated as a run of the river development on river Sainj, a tributary of River Beas in Kullu Distt. of HP. The project comprises of a diversion barrage on the river Sainj near Village Niharni, intake arrangement on right site of barrage for drawing 35.88 cumecs of water, an underground desilting arrangement with two chambers of 145 m x 15 m x 7 m size each to eject all silt particles down to 0.2 mm, a 6300 m long 3.76 m dia modified horse shoe shaped Head Race Tunnel, an underground restricted orifice type 9 m dia, 87 m high surge shaft and one 2.75 m dia 550 m long steel lined pressure shaft taking off from surge shaft and further bifurcating to feed two Nos. Pelton vertical axis turbines, each generating 50 MW and 399.57 MU in 90% dependable year under a gross head of 409.60 m in an underground power house on right bank of river Sainj near village Suind @ Rs 2.51/- per unit. The project is to be executed on EPC mode. Pre-bid meeting with shortlisted 8 firms held on 30/07/09. The minutes and amendments have been sent to ADB for approval. The likely date of award of work is Feb., 2010 & that of commissioning is June, 2013. The project is being financed by ADB (Asian Development Bank).

vi) Chirgaon-Majhgaon HEP (42 MW)

Chirgaon-Majhgaon hydel project has been contemplated as a run of the river scheme on Pabbar as a peaking station. It is located in Rohru tehsil of Shimla Distt. and is approachable from Shimla by road comprising first 30 km on Hindustan Tibet road is that NH-22 and balance 80 km on Theog-Dhamwari state highway. The proposed intake site & balancing reservoir are located near village Chirgaon on Theog-Dhamwari state highway. The power house site of this project has been proposed near village Majhgaon upstream of Rohru. It envisages utilization on Dhamwari-Sunda & Andhra HEP tail water through a gross head of 211.05 m & installed capacity of 42 MW. It will generate 147.48 MU per annum @ Rs 2.86/- per unit. Efforts are being made to enhance its capacity and investigations are underway.

vii) Tidong-II HEP (60 MW)

Tidong-II Hydroelectric Project located in Kinnaur Distt. Of Himachal Pradesh is a run of the river type development proposed to harness the hydel potential of River Tidong between Charang & Lamber village. The project envisage construction of concrete gravity dam on the river Tidong just upstream of Daibu bridge for diversion of a design discharge of 13.45 cumecs, underground desilting arrangement in to a 5.036 km long, 2.60 finished diameter head race tunnel on the right bank of Tidong river. The tunnel terminates in a 3.50 m diameter underground surge shaft. The water from surge shaft shall be further conveyed through 1 No. 2.10 m diameter, 825 m long steel surface/underground penstock bifurcating to 2 Nos. generating units in an underground power house at Lamber. A gross head of 531.60 m is available at the power station, which shall be utilized to generate 211.65 MU per annum @ Rs 2.04/- per unit. The work for land acquisition & other statutory clearances are under process and the project is in investigation stage.

4. Diversification

The HPPCL, apart from Hydro Power Development, intends to diversify its Power Development activities in other areas such as Thermal, renewable sources of energy mainly solar, wind power etc. with a basic idea to have a long term Corporate Plan for planned implementation of Power Projects to meet the growing energy demand, ensuring environment and ecological balance for contributing towards the progress and prosperity of the State. For this HPPCL is to meet the challenges of dynamically transforming business and environment to build a sustainable relationship with the stakeholders for maximum benefits and economic growth by achieving performance excellence. Recently in a joint venture with EMTA, HPPCL has entered into an agreement to generate 500 MW Thermal Power at Raniganj, West Bengal to meet out the winter power demands of state due to lean flow in water streams. The work will be awarded after tariff based bidding. The possibilities of wind & solar power are being explored.

It is further emphasized that HPPCL under direction of the State Govt. is fully committed towards its environment conservation. HPPCL is planning to enhance its generation capacity in near future and the future plan is as follows:-

Future Plan	
Hydro	2500 MW
Hydro PPP	500MW
Thermal JV/PPP	1000MW
Solar	10MW

The HPPCL is fully committed to harness the entire potential of HP in environmental friendly manner at the earliest so that not only HP benefit in terms of revenue but also contribute towards development of nation by meeting the acute power shortage, enhancing infrastructure, agriculture production, quality of life of its citizen and establishing it as a power house for nation particularly for North India. Thus HPPCL will be a big asset for the state of HP and will emerge as a major player in the power sector on national level shortly.

5. Environment

HP Power Corporation Limited not only obtains environment and forest clearances for all its projects but also scrupulously complies with various conditions and stipulations contained therein. It punctually adheres to various rules, regulations and orders on the subject. In addition to adherence to the state and national laws, the HPPCL also observes compliance with the Asian Development Bank's environmental safeguards. While designing its projects, it avoids Protected Areas (National Parks, Wild Life Sanctuaries and Biosphere Reserves) even by compromising generation capacity of the project. Wherever it is inevitable, HPPCL compensates for the loss beyond statutory stipulations. All the approved Environment Management Plans (EMP) are implemented diligently with a view to ensure safeguarding environment and improving the same wherever possible. To this end the HPPCL goes beyond the provisions in EMP.

6. Rehabilitation and Resettlement

HP Power Corporation Limited has prepared a very forward looking Resettlement & Rehabilitation (R&R) Plan for its Projects. This R&R Plan has been approved by the Government of HP and also it has been adopted as the standard for all hydropower projects in the state.

Further, HPPCL also contributes to the Local Area Development Fund (LADF) in the districts concerned as per provision of HP Hydro Power Policy. In addition to LADF, the HPPCL has taken a decision to contribute 2 % of its Carbon Revenue for sustainable development in the area of the concerned project contributing Carbon Revenue.

HPPCL has formulated and is implementing a few schemes, as part of the Corporate Social Responsibility (CSR), which also assists in better rehabilitation of the Project Affected Families (PAFs). These new schemes are in addition to R&R Plan and LADF contribution.

7. Human Resources

The total approved posts of the Corporation are 993 and as on today 869 employees are on the rolls. Most of the strength is from HPSEB.

Your company gives utmost importance for the enrichment of skills and towards this in-house and external training programmes are organized in all disciplines and all levels. As a result, under capacity building programme, the Corporation has approved various trainings programmes i.e. external training, seminar, Exposure visit within India and outside India and In House training during the year, 2008 & 2009, we have already conducted the following training programme under capacity building:-

“Work Done By Training Cell Upto 31st December, 2008”

Sr. No.	Items	Targets Achieved upto 31 st December, 08
1.	EXTERNAL TRAININGS	10 Persons covered in 34 mandays
2.	EXPOSURE VISITS	6
3.	WORKSHOPS	3
	IN-HOUSE LECTURES	3
4.	SEMINARS	1

“Revised training programme upto 31st dec, 2009 and likely achievements upto 31st august, 2009”

1) External Trainings

Present Targets	Likely to Achieve till 31st August, 09	Revised Targets
70 Persons to be covered in 350 mandays	96 Persons covered in 348 mandays	Total 200 Persons to be covered in Approx 900 mandays

2) Exposure Visits

Present Targets	Likely to Achieve till 31st Aug, 09	Revised Targets
11	11	25

3) Workshops & In-House Lectures

Present Targets	Likely to Achieve till 31st Aug, 09	Revised Targets
15	Workshops 7 In House Lectures 13	20

4) Seminars

Present Targets	Likely to Achieve till 31st August, 09	Revised Targets
5	2	5

8. Industrial Relations

The work of Hydel generation is extended mostly through Contractors / Contractors Companies. In order to accomplish goals and objectives of organization, due attention has been focused on Industrial Relation issues. During the year 2008-09, we have taken number of steps to maintain peaceful and proper Industrial Relation in all the HEPs of HPPCL. Regular Meetings are held with the representatives of the various

Associations/Unions to sort out the local issues as well as policy related matters. Recreational, Cultural and Sports functions on different occasions were also held, thus, resulting better employee-employer relations and cordial industrial relations during the year.

9. Directors' Responsibilities Statement

The Directors' confirm that in the preparation of the annual accounts for the year ended March 31, 2008:

- The applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- That the directors had selected such accounting policies and applied them consistently except as disclosed in the Notes on Accounts and made judgment 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;
- That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- That the directors had prepared the annual accounts on a going concern basis.

10. Auditors Report

M/s Rajiv Ahuja & Associates CA, Parwanoo were appointed as the Statutory Auditors of the Company for the financial year ended 31st March, 2008 by the Comptroller & Auditor General of India. The auditors have audited the accounts and submitted their report on 3rd June, 2009, which is annexed.

11. Changes in Name, Objects And Articles Of Association

Pursuant to your company's expansion activities from Himachal to other States in India and abroad, venturing into new activities such as Thermal, Solar, Wind power etc., the main objects of the Company were changed in August 2008, and the changed main objects are now as under:-

1. (a) to plan, promote organize and execute Power Projects in Hydro Electric Power, Thermal Power, Solar Power, Wind Power and other renewable sources of energy, within and outside the Country/overseas.

12. BOARD OF DIRECTORS

Since the last date of AGM of the Company, the following officers of the State Govt. and HPSEB were appointed as Directors of the Company:

Sr. No.	Name	Designation	Date of appointment
1.	Sh. Ravi Dhingra, IAS.	Chairman	24-01-2008
2.	Sh. Arvind Mehta, IAS	Director	22-01-2008
3.	Sh. Chander Mohan Walia	Director	31.10.2007
4.	Sh. Ajay Mittal, IAS	Director	01-01-2008
5.	Sh, Tarun Kapoor, IAS	Director/Managing Director	03-02-2008
6.	Sh. Shri Kant Baldi, IAS	Director/Managing Director	24-01-2008
7.	Smt. Asha Swarup, IAS	Chairperson	20-06-2008
8.	Sh. Ravinder Kumar Jain, IAS	Director	28-08-2008

9.	Sh. Ar un Kumar Sharma	Director	22.01.2008
10.	Sh. Subhash Chander Negi	Director	29.05.2009
11.	Sh. Bhagat Singh Negi	Director	01.01.2009

Since the last date of AGM of the Company, the following officers have ceased as Directors of the Company:

Sr. No.	Name	Designation	Effective Date
1.	Sh. Arun Kumar Sharma	Director	01.01.2009
2.	Sh. Ravi Dhingra, IAS.	Chairman	20-06-2008
3.	Sh. Ravinder Kumar Jain	Director	31.08.2009
4.	Sh. Ajay Mittal, IAS	Director	29.05.2009
5.	Sh. Shri Kant Baldi, IAS	Director/Managing Director	03-02-2008
6.	Sh. Jai Prakash Negi, IAS	Director	22.01.2008
7.	Sh. Sutanu Behuria, IAS	Director	22.01.2008
8.	Kanwar Shamsher Singh	Director	22.01.2008
9.	Sh. Roshan Lal Chauhan	Director	22.01.2008

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

13. Audit Committee

Although, the provisions of section 292 (A) of the Companies Act 1956 are not applicable yet, during the year, the Audit committee was constituted on 30.04.2008 with the following Officers/ Directors of the Board.

- i). Pr. Secretary (MPP& Power)
- ii). Pr. Secretary Finance
- iii). Managing Director

The GM (Finance) is the secretary to the audit committee.

So far, the audit committee has held 3 Nos. of meetings.

14. SHARE CAPITAL

The Authorized Share Capital of the Company as on today is Rs. 300.00 crores. The issued subscribed & paid up capital of the Company is Rs. 288.18 crores. Whereas the Authorized Share Capital as on 31st March 2008, was Rs.50.00 Crores and issued subscribed & paid up capital of the Company was Rs.1.00 Crores.

15. ACCOUNTS

The project being in construction stage, no commercial operations had yet commenced, as such profit and loss account statement has not been prepared. However, a statement depicting details of transactions has been included in the accounts. With the physical transfer of assets of PVPCL and KKPCL in HPPCL, the balances of most of accounts heads appearing in books of PVPCL and KKPCL as on 31.07.07 have been transferred to HPPCL on 01.08.07.

16. Particulars required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988

a) Conservation of Energy

The Company does not consume any non-renewable energy in its projects or offices.

b) Foreign Exchange Earning and Out-Go

There is no import and export of foreign exchange during this year and as such this information can be treated as Nil.

c) Technology Absorption

This information can be treated as Nil.

17. Particulars of Employees pursuant to Section 217(2a) of the Companies Act, 1956

The information under Section 217(2A) of the Companies Act, 1956, for the year ending 31st March, 2009 is **nil**.

18. Statutory and other Information

a) Industry Overview

Power is the backbone for economic development. India needs to sustain 8% to 10% economic growth rate over the next 25years, if it is to eradicate poverty and meet its human development goals. To deliver a sustained growth rate of 8% through 2031-32 and to meet the lifeline energy needs of all citizens, India needs at least increase in its primary energy supply by 3 to 4 times and its electricity generation capacity by 5 to 6 times of 2003-04 levels. With this base, India's commercial energy supply would need to grow from 5.2% to 6.1% per annum, while its total primary energy supply would need to grow at 4.3% to 5.1% annually. By 2031-32, power generation capacity must increase to nearly 8,00,000 MW from the current capacity of around 1,60,000 MW inclusive of all captive plants.

As regards hydro potential, India has an estimated hydro potential of about 1,50,000 MW of which only about 36917 MW has been commissioned so far. The bulk

of the potential yet to be developed is along the Himalayas i.e. hill states of Himachal, Uttarakhand, Arunachal Pradesh, Sikkim.

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.

The information required to be furnished as per the Companies Act 1956, Government Guidelines, and, Code of Corporate Governance of your Company on the following issues.

b) Corporate Governance

HPPCL continuously strive to bring the best practices expected of us by all the stake holders in the conduct of our business. Though, the company is a private limited and unlisted company as on date, to the extent applicable, the information on the subject is furnished as under:

c) Board of Directors

1.1 Size of the Board

HPPCL is a Government Company within the meaning of Section 617 of the Companies Act, 1956. The present share-holding is 60:40 between the Government of H.P. and Himachal Pradesh State Electricity Board. As per Articles of Association, the power to appoint Directors vests in the Government of H.P. The Strength of the Board shall not be less than 3 and not more than 10. These numbers include all whole-time, part-time Directors.

1.2 Composition & Tenure of the Board

As on 31st March 2008, the Board comprises of 7 members, consisting of 3 whole-time Directors; 4 part-time official-directors representing Government of H.P and Himachal Pradesh State Electricity Board.

1.3 Board Meetings

The Board Meetings are held normally at Shimla to facilitate large participation of Directors. From the last Annual General Meeting, 13 Board Meetings were held and almost all the Directors have attended these meetings.

1.4 Applicability of Section 274 (1)(g)

Since the Corporation is a Govt. Company, clause (g) of sub section (i) of section 274 of the Companies Act 1956 is not applicable to the Corporation in terms of notification No. G.S.R. 829 (E) dated 21.10.03.

19. Merger of Companies:

The Government of Himachal Pradesh has taken a decision on 31.07.2007 to merge the Kinner Kailash Power Corporation Limited & Pabbar Valley Power Corporation Limited (Companies promoted by HPSEB) in the H. P. Power Corporation Ltd. (A State Govt. Undertaking). The action to merge these Companies is in process. The confirmation petition by the Ministry of Corporate Affairs has been asked to be filed.

20. 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 Audit Department.

21. Others

There is no decision to buy back its shares during the year under report under section 77A of the companies Act, 1956.

22. Acknowledgements

Your Directors gratefully acknowledge the continuous support and assistance provided by the Departments of State Govt. such as Deptt. of Power, Deptt. of Finance, Deptt. of Forests, HPSEB, 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, PFC, REC and Banks etc.

The Board convey 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 of HPSEB and other agencies for their institutional support. The Directors would also like to thank the office of A.G. H.P. and C.A.G. of India, who have made efforts in conducting and finalizing the audit report of the Company.

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

Thanking you

For and on behalf of Board of Directors

Place: Shimla.

Date: 16.09. 2009

Sd/-
(Tarun Kapoor) IAS
MANAGING DIRECTOR

HIMACHAL PRADESH POWER CORPORATION LIMITED



H.P. POWER CORPORATION LIMITED				
Balance Sheet As At 31st March-2008 (in Rs.)				
Particulars	Schedule No.		Amount	Amount
			As at 31.03.2008	As at 31.03.07
SOURCES OF FUNDS				
1. Shareholder's Funds:				
Share Capital	1		10000000	50000
(a) Share Application Money Pending Allotment of Shares			791100000	3980000
(b) Reserves & Surpluses	2			
I) Capital Reserve			123682000	0
II) Grant & Incentives (MNES)			14063000	0
2. Loans Funds	3		751628008	0
Total			1690473008	4030000
APPLICATION OF FUNDS				
1. Fixed Assets	4			
Gross Block			459935030	0
Depreciation			20753987	0
Net Block			439181043	0
Capital Work in Progress including incidental expenses Pending Allocation			1703134461	6273
Total Capital Expenditure			2142315504	6273
2. Investments	5		250000	0
3. Current Assets, Loans & Advances:	6			
a) Cash & Bank Balances			502900326	4028615
b) Other Current Assets			91671668	2616
c) Loans & Advances			283030531	0
Total (A)			877602525	4031231
Less: Current Liabilities & Provisions	7			
(a) Liabilities			1434740646	2631529
(b) Provisions			41246077	1063
Total (B)			1475986723	2632592
Net Current Assets (A-B)			-598384198	1398639
Miscellaneous Expenditure to the extent not written off: Pre Operating Expenses			146291702	2625088
SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS	9			
Total			1690223008	4030000

Sd/-
(B.S.Negi)
Sr. Manager (Finance)

Sd/-
(Sudershan Sharma)
Company Secretary

Sd/-
(S.G Negi)
General Manager (Finance)

Sd/-
(C.M Walia)
Director

Sd/-
(Tarun Kapoor)
Managing Director

As per our report of even dated
For R.Ahuja & Associates
Chartered Accountants

Place: Shimla
Date: 03.06.2009

Sd/-
Rajiv Ahuja Proprietor
Membership No. 082182

|

(Amount in Rs.)

<i>Schedule-1 Share Capital</i>			Amount	Amount
			As at 31.03.2008	As at 31.03.07
AUTHORISED SHARE CAPITAL				
500000 Equity Shares of Rs 1000/- each			500000000	500000000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL				
10000 Shares of Rs. 1000/- each (fully paid up)			10000000	50000
A) Advance Share Capital			791100000	3980000
TOTAL			801100000	4030000

(Amount in Rs.)

<i>Schedule-2 Reserves & Surplus</i>			Amount	Amount
			As at 31.03.2008	As at 31.03.07
I) Capital Reserve			123682000	0
II) Grants & Incentives (MNES)			14063000	0
TOTAL			137745000	0

Schedule-3 Loan Funds

			Amount	Amount
			As at 31.03.2008	As at 31.03.07
<u>Secured Loans</u>				
PFC Loan (PVPCL)		287285175	287285175	0
<u>Unsecured Loans</u>				
PFC Loan (KKPCL)		380367833		
REC Loan (KKPCL)		83975000	464342833	0
TOTAL			751628008	0

Schedule-4 FIXED ASSETS & CWIP

			Amount	Amount
			As at 31.03.2008	As at 31.03.07
Gross Block		Annexure A	459935030	0
Less Depreciation			20753987	0
Net Block			439181043	0
Capital Works in Progress including Incidental Expenditure Pending Allocation		Annexure B	1703134461	6273
TOTAL			2142315504	6273

Schedule-5 INVESTMENTS		Amount	Amount
		As at 31.03.2008	As at 31.03.07
Fully paid -up ordinary shares 25000 of Rs. 10/- each in Himachal EMTA		250000	0
TOTAL		250000	0

Schedule-6 CURRENT ASSETS, LOAN & ADVANCES		Amount	Amount
		As at 31.03.2008	As at 31.03.07
CURRENT ASSETS			
CASH AND BANK BALANCES			
I) Cash in hand (Including Imprest)		24767	45
II) Bank Balances with scheduled bank			
i) In current Account		61160997	50000
ii) In fixed Deposits		441714562	3978570
TOTAL (A)		502900326	4028615
B) OTHER CURRENT ASSETS			
Interest Accrued but not due on F.D.R.		1290922	2616
Pre paid expenses		66765	0
Stores & Spares		46689	0
Recoverable from Contractor/Supplier		1576180	0
Security		29100	0
Forest Department		5853000	0
BVPCL (Due for PFC)		18222592	0
BVPCL (Remittance)		1991326	0
HPSEB Shimla (Sainj)		5900000	0
HPSEB Shimla		26910206	0
Income Receivable from Rest House		3330	0
GIS		140168	0
Festival Advance		1600	0
Settlement with HPSEB		4757783	0
HPSEB Benevelant Fund		104110	0
Receivable From BVPCL		6963368	0
Misc. Recovery E.M.D		21510	0
Inventories		17793019	0
TOTAL (B)		91671668	2616
C) LOANS & ADVANCES			
GPF Recoverable/advance (including HPSEB)		5932505	0
Advances to others/ Contractors		267161334	0
Advances to staff		579915	0
HPSEB T & C Advance		1796682	0
HBA		18175	0
Warm Clothing Advance		64770	0
Advance to HPSEB (Construction of Power)		7474900	0
Car Advance		2250	0
TOTAL (C)		283030531	0

Schedule-7 Current Liabilities & Provisions		Amount	Amount
		As at 31.03.2008	As at 31.03.07
A (I) Current Liabilities			
Retention Money		4022079	
Audit Fee Payable		21236	11224
Payable to Govt. HP (HPIDB)		30000	2607780
Sales Tax Payable		685340	0
Expenses Payable/Provision for Exp		11460088	12525

Payable to Contractors		12111138	0
Salary & Wages payable		5958566	0
E.M.D.		4171355	0
Recoveries from Staff (Payable to HPSEB)		164479	0
Other Payables		181348	0
Bills Payable		488966	0
Leave Encashment Payable		51355	0
Advance from HPSEB		345327256	0
Other Misc. Recoveries (including HIMFED Staff)		47161	0
Sundry Creditors		1225327	0
GPF Payable (including GPFAG)		490015	0
GIS Payable		85654	0
Security		11216483	0
Royalty		214236	0
TDS Payable		1362477	0
Payable to HPSEB		2605567	0
Payable to HPSEB (Remittance)		352298	0
Settlement with HPSEB		12749816	0
BVPVCL		1736458	0
Share Allotment Pending till Effective Date of Amalgamation		1017981948	0
Total A		1434740646	2631529
B Provisions			
Amount Payable		40783816	0
Income Tax Payable	1880230		
Less: TDS Recoverable	1709545		
Net Income Tax Payable		170685	0
FBT Payable		291576	1063
Total B		41246077	1063
Grand Total (A+B)		1475986723	2632592

H.P. POWER CORPORATION LIMITED.

Statement of Incidental Expenses during construction

(Amount in Rs.)

Particulars	Schedule		
		As at 31.03.2008	As at 31.03.07
EXPENDITURE			
Employees remuneration and benefits	8	376375233	0
Material Issued/Consumed		2748305	0
Honorarium		12000	12000
Application fee		10000	10000
Postage & Telegram		66937	55
Printing & Stationery Exp.		1192371	1100
Hospitality exp.		339431	1500
Telephone Expenses		1774459	160
Elect., Water & Fuel Charges		2158083	0
Bank Charges		115634	0
Consumable Stock		159061	0
Rent		2155245	0
Rates & Taxes		56165	0
Books/News Papers & Periodicals		92455	0
Fringe Benefit Tax		590307	1063
Interest on FBT A/c		19170	0
Legal & Professional Charges		490770	0
Registration Fees		9900	0
Misc. Expenses (including O-Mis)		21331901	0
Freight & labour		35366	0
Insurance		71065	0
Petty balances written off		28	0
Vehicles Running and maiteance		4233901	0
Hired Vehicle Charges.		2542704	0
Training & Seminar		11000	0
General Repair & Mtc.		3030634	0
Repair & Mtc. Of Building		29804	0
Office Mtc.		9310	0
Books & Periodicals		4318	0
Gift & Presentation A/c		35119	0
Misc Expenses		2218344	0
Entertainment Exp. A/c		105342	0
Board Meeting Expenses		16169	0
Incidental Store Expenses		174928	0
Auditor's remuneration:			0
a) Audit fee		102295	11236
Misc Expenses		2867	345
Depreciation		18722621	0
Survey & Investigation		75301278	0
Publicity and Advertisemnet		1598733	0
Interest on Term Loan		200184753	0
Transit Camp Expenses		116658	0
Consultancy Fee		14564836	0
Expenses Relating to P. Year		7369726	0
Stores & Spares Consumed		85560	0
Total		740264786	37459
Less:			
Miscelleneous Receipts.			
Interest on FDR's (Gross)		15944653	31186
Less: Provision of Income Tax		1880230	0
		14064423	31186
Sale of Tender Forms		453800	0
Misc. Income/excess provision written bacjk		19347578	0
HBA Interest		7962	0
Net transferred to Capital work in progress			
(Pending allocation) & Misc. Expenditure to the extent not w/o		706391022	6273
Total		740264786	68645

Sd/- (B.S.Negi) Sr. Manager (Finance)	Sd/- (Sudershan Sharma) Company Secretary	Sd/- (S.G Negi) General Manager (Finance)	Sd/- (C.M Walia) Director	Sd/- (Tarun Kapoor) Managing
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Schedule-8 Employees Remuneration & Benfits			
		As at 31.03.2008	As at 31.07.07
Employees Remuneration & Benfits			
Salary & Wages		368116389	0.00
Outsource Man Power		1141087	0.00
Medical re-imbursement to Staff		2099653	0.00
Medical re-imbursement to MD		3717	0.00
TA To M/D		39867	
Travelling & Local conveyance		3147241	0.00
Staff Welfare		43401	0.00
Leave Encashment		1585965	
Employer Contribution(CPF)		11799	0.00
Employer Contribution(EPF)		173314	0.00
Administrative Charges		2800	0.00
Exgratia		10000	
Total		376375233	0

ANNEXURE 'A' FIXED ASSETS & DEPRECIATION (CONSOLIDATED)						Annexure-A					
		GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Balance	Addition		Total	Depreciation	Accumulated Dep. Trferred on Merger	Depreciation for the Period	Total	As at	As at
Particulars	Dep. Rates	As at 1.4.2007		Assets Taken Over on Merger	As at 31.03.2008	upto 31.03.2007			Depreciation	31.03.08	31.03.07
Land	0%	0	0	366145654	366145654	0	0	0	0	366145654	0
Building	5%	0	0	61731273	61731273	0	9017901	1757112	10775013	50956260	0
Building Store	5%	0	0	178523	178523	0	83664	3162	86826	91697	0
Office Equipments	13.91%	0	1128052	1104335	2232387	0	251989	98210	350199	1882188	0
Plant & Machinery	13.91%	0	0	5590312	5590312	0	2929571	246738	3176309	2414003	0
Wireless System	13.91%	0	0	6105428	6105428	0	865151	485948	1351099	4754329	0
Furniture & Fixtures	18.10%	0	2617898	1615907	4233805	0	306123	237686	543809	3689996	0
Vehicles	25.89%	0	3161413	6215930	9377343	0	1795562	1137157	2932719	6444624	0
Project Planner	40%	0	0	260000	260000	0	0	153920	153920	106080	0
Computer	40.00%	0	1312730	2669067	3981797	0	883931	401656	1285587	2696210	0
Shed	100%	0	0	98508	98508	0	98507	0	98507	1	0
Total		0	8220093	451714937	459935030	0	16232399	4521588	20753987	439181043	0

Annexure 'A continue' FIXED ASSETS & DEPRECIATION (HEAD OFFICE)									
		GROSS BLOCK			DEPRECIATION			NET BLOCK	
Particulars	Dep. Rates	As at 1.4.2007	Addition	Total	up to 31.03.2007 upto 31.07.2007	For the Year	Total Depreciation	As at 31.03.08	As at 31.07.07
Vehicles	25.89%	0	3161413	3161413	0	386783	386783	2774630	0
Furniture & Fixtures	18.10%	0	2617898	2617898	0	92495	92495	2525403	0
Office Equipments	13.91%	0	1128052	1128052	0	21735	21735	1106317	0
Computer	40.00%	0	1312730	1312730	0	96751	96751	1215979	0
Total			8220093	8220093	0	597764	597764	7622329	0

Annexure 'A continue' FIXED ASSETS & DEPRECIATION (RENUKAJI HEP) As on 31.03.08									
		GROSS BLOCK			DEPRECIATION			NET BLOCK	
Particulars	Dep. Rates	As at 1.8.2007	Addition	As on 31.03.08	up to 31.07.2007 upto 31.07.2007	For the Year	Depreciation As on 31.03.08	As at 31.03.08	As at 31.07.07
Vehicles	25.89%	0	535920	535920	0	77336	77336	458584	0
Shed	100.00%	98508	0	98508	98507	0	98507	1	0
Building (Store)	5.00%	178523	0	178523	83664	3162	86826	91697	0
Furniture & Fixtures	18.10%	23068	105468	128536	21473	4887	26360	102176	0
Computer	40%	0	124860	124860	0	26200	26200	98660	0
Office Equipments									
(i)	13.91%	0	80432.00	80432	0	6236	6236	74196	0
(ii)	13.91%	0	4600.00	4600	0	343	343	4257	0
Total		300099	851280	1151379	203644	118163	321807	829572	0

78453

Annexure 'A continue' FIXED ASSETS & DEPRECIATION (SAWARA-KUDDU HEP) As on 31.03.08									
		GROSS BLOCK			DEPRECIATION			NET BLOCK	
Particulars	Dep. Rates	As at 1.8.2007	Addition	As on 31.03.08	up to 31.07.2007 upto 31.07.2007	For the Year	Depreciation As on 31.03.08	As at 31.03.08	As at 31.07.07
Land	0	185063665	90334165	275397830	0	0	0	275397830	185063665
Building	5%	6449920	0	6449920	725885	190801	916686	5533234	5724035
Computer	40%	878687	0	878687	498959	101261	600220	278467	379728
Furniture & Fixtures	18.10%	793872	137630	931502	175405	76719	252124	679378	618467
Office Equipments	13.91%	595813	17382	613195	186683	38292	224975	388220	409130
Vehicles	25.89%	1487179	0	1487179	347510	196707	544217	942962	1139669
Plant & Machinery	13.91%	423586	0	423586	124202	27762	151964	271622	299384
Software	40%	260000	938080	1198080	106017	127181	233198	964882	153983
Total		195952722	91427257	287379979	2164661	758723	2923384	284456595	193788061

Annexure 'A continue' FIXED ASSETS & DEPRECIATION (KASHANG)

		GROSS BLOCK			DEPRECIATION			NET BLOCK	
Particulars	Dep. Rates	As at 1.8.2007	Addition	As on 31.03.08	up to 31.07.2007 upto 31.07.2007	For the Year	Depreciation As on 31.03.08	As at 31.03.08	As at 31.07.07
Land		59589785	31158039	90747824	0	0		90747824	59589785
Plant & Machinery	13.91%	911531		911531	74805	77592	152397	759134	836726
Vehicles-Light	25.89%	644588	935644	1580232	226067	236311	462378	1117854	418521
Furniture & Fixtures	18.10%	396184	34175	430359	80326	51930	132256	298103	315858
Office Equipments	13.91%	75,284		75284	13106	5766	18872	56412	62178
Project Planner	40%	0	260000	260000	0	153920	153920	106080	0
Computers	40%	233720		233720	220082	3637	223719	10001	13638
Wireless System	13.91%	167825		167825	30043	12777	42820	125005	137782
Total		62018917	32387858	94406775	644429	541933	1186362	93220413	61374488

Annexure 'A continue' FIXED ASSETS & DEPRECIATION (GANVI)									
	GROSS BLOCK				DEPRECIATION			NET BLOCK	
Particulars	Dep. Rates	As at 1.8.2007	Addition	As on 31.03.08	up to 31.07.2007 upto 31.07.2007	For the Year	Depreciation As on 31.03.08	As at 31.03.08	As at 31.07.07
Building	5%	55281353		55281353	8292016	1566311	9858327	45423026	46989337
Wireless System	13.91%	5937603		5937603	835108	473171	1308279	4629324	5102495
Plant & Machinery	13.91%	4255195		4255195	2730564	141384	2871948	1383247	1524631
Vehicles-Light	25.89%	2612599		2612599	1221985	240020	1462005	1150594	1390614
Furniture & Fixtures	18.10%	125510		125510	28919	11655	40574	84936	96591
Office Equipments	13.91%	330824		330824	52200	25838	78038	252786	278624
Computers	40%	233720		233720	58873	46626	105499	128221	174847
Total		68776804	0	68776804	13219665	2505005	15724670	53052134	55557139

Annexure 'B'

H.P. POWER CORPORATION LIMITED								
CAPITAL WORK IN PROGRESS & INCIDENTAL EXPENDITURE								
S.N		SAWARA-KUDDU HEP	RENUKA HEP	GHANVI HEP	INTEGRATED KASHANG HEP	CORPORATE OFFICE	GRAND TOTAL	
		As at 31.03.2008	As at 31.03.2008	As at 31.03.2008	As at 31.03.2008	As at 31.03.2008	As at 31.03.2008	As at 31.03.07
A)	C.W.I.P							
1	HEAD Race Tunnel	42236082					42236082	0
2	Land (Site Development)			7190712	11336524		18527236	0
3	Building			8734403	2199844		10934247	0
4	Civil Works			102494398	184449007		286943405	0
5	Line Cable Network				145160513		145160513	0
6	Power House	29460431					29460431	0
7	J-Power (Civil Works)	20369074					20369074	0
8	Surge Shaft	317608					317608	0
9	K-Building	46629796					46629796	0
10	Main Access Tunnel	2005563					2005563	0
11	R-Communications	81723232					81723232	0
12	X-Enviourment	5053378	613440				5666818	0
13	LADA	19495104					19495104	0
14	CAT-Plan	22207536	693184				22900720	0
15	Plantation	7162321					7162321	0
16	Intake	231415					231415	0
17	Hydroloc Works			21032611	732092		21764703	0
18	Capital Expenditure Not Represented by Fixed Assets		1033777				1033777	0
19	Survey, Investigation & Associated Expenditure	0	112952078	1534928	257807002		372294008	0
	Total A	276891540	115292479	140987052	601684982	0	1134856053	0
B)	Incidental Expenses Pending Allotment	84852025	18563145	163362387	304231885	-2731034	568278408	6273
	TOTAL (A+B)	361743565	133855624	304349439	905916867	-2731034	1703134461	6273

	As at 31.03.2008	As at 31.03.2008	As at 31.03.2008	As at 31.03.2008	As at 31.03.2008	As at 31.03.2008	As at 31.03.07
Miscellaneous Expenditure To the extent not written off	138112614	0	0	5554000	2625088	146291702	2625088

HIMACHAL PRADESH POWER CORPORATION LTD.

Balance Sheet abstract and company's general business profile

I.	Registration details Registration No. <table border="1" style="display: inline-table;"><tr><td>U40101HP2006SGC030591</td><td></td></tr></table> Balance Sheet date <table border="1" style="display: inline-table;"><tr><td>31</td><td>03</td><td>08</td></tr></table>		U40101HP2006SGC030591		31	03	08	State code <table border="1" style="display: inline-table;"><tr><td>0</td><td>6</td></tr></table> (Rs. in '000)		0	6																																																																					
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II.	Capital raised during the year Public issue <table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table> Bonus issue <table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>		N	I	L	N	I	L	Right issue <table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table> Private placement <table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>		N	I	L	N	I	L																																																																
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III.	Position of Mobilisation and Deployment of Funds Total Liabilities <table border="1" style="display: inline-table;"><tr><td>3</td><td>1</td><td>6</td><td>6</td><td>4</td><td>6</td><td>0</td></tr></table> Sources of Funds Paid Up Capital <table border="1" style="display: inline-table;"><tr><td>1</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr></table> Share Application Money <table border="1" style="display: inline-table;"><tr><td>7</td><td>9</td><td>1</td><td>1</td><td>0</td><td>0</td></tr></table> Secured Loans <table border="1" style="display: inline-table;"><tr><td>2</td><td>8</td><td>7</td><td>2</td><td>8</td><td>5</td></tr></table> Application of Funds Net Fixed Assets <table border="1" style="display: inline-table;"><tr><td>4</td><td>3</td><td>9</td><td>1</td><td>8</td><td>1</td></tr></table> Net Current Assets <table border="1" style="display: inline-table;"><tr><td>(-)</td><td>5</td><td>9</td><td>8</td><td>3</td><td>8</td><td>4</td></tr></table> Accumulated Losses <table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>		3	1	6	6	4	6	0	1	0	0	0	0	0	7	9	1	1	0	0	2	8	7	2	8	5	4	3	9	1	8	1	(-)	5	9	8	3	8	4	N	I	L	Total Assets <table border="1" style="display: inline-table;"><tr><td>3</td><td>1</td><td>6</td><td>6</td><td>4</td><td>6</td><td>0</td></tr></table> Reserves & Surplus <table border="1" style="display: inline-table;"><tr><td>1</td><td>3</td><td>7</td><td>7</td><td>4</td><td>5</td></tr></table> Unsecured Loans <table border="1" style="display: inline-table;"><tr><td>4</td><td>6</td><td>4</td><td>3</td><td>4</td><td>2</td></tr></table> Investments <table border="1" style="display: inline-table;"><tr><td>2</td><td>5</td><td>0</td></tr></table> Work In Progress <table border="1" style="display: inline-table;"><tr><td>1</td><td>7</td><td>0</td><td>3</td><td>1</td><td>3</td><td>4</td></tr></table> Misc. Expenditure not written off <table border="1" style="display: inline-table;"><tr><td>1</td><td>4</td><td>6</td><td>2</td><td>9</td><td>2</td></tr></table>		3	1	6	6	4	6	0	1	3	7	7	4	5	4	6	4	3	4	2	2	5	0	1	7	0	3	1	3	4	1	4	6	2	9	2
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AUDITOR'S REPORT
TO THE MEMBERS OF
HIMACHAL PRADESH POWER CORPORATION LIMITED

- 1) We have audited the attached Balance Sheet of **Himachal Pradesh Power Corporation Limited**, Shimla as at 31st March, 2008 and the Statement of Incidental Expenses during construction (pending allocation) for the year ended on March 31, 2008 annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We have conducted the audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order 2003, issued by the Central Government of India in terms of Sub- section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given thereto, we enclose in Annexure-A, a statement on the matters specified in paragraph 4& 5 of the said Order.

4) Further to our comments in Annexure-A referred to above in paragraph 3, we report that:

- A) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- B) In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of those books. The books of accounts have been maintained manually. In the case of Kashang and Ghanvi Projects, the cash book and ledger from 01.08.2007 to 31.03.2008 have been maintained in the same registers in which they were maintained by Kinner Kailash Power Corporation upto 31.07.2007.
- C) Two Companies namely, Kinner Kailash Power Corporation Ltd. (KKPCL) and Pabbar Valley Power Corporation Ltd. (PVPCL) have been amalgamated with H.P. Power Corporation Ltd. with effect from the appointed date of 31.07.07. The merger has been approved by the members of these companies "in principle" on 11.09.2007 subject to the directions/modifications of Ministry of Corporate Affairs (MCA) and Company Law Board (CLB). The amalgamation in the nature or merger has been accounted for under "Pooling of Interest Method". All the assets, liabilities and reserves of the transferor companies have been recorded at the existing carrying amount in the same form as they were appearing in the audited accounts as on 31.07.2007. The accompanying accounts are after incorporating assets and liabilities of KKPCL and PVPCL at their respective book values as on 31.07.2007 as per the audited accounts.

The final order on Company's petition with CLB is pending as on the date of audit. Hence, the Balance Sheet is subject to modifications and conditions that may be imposed by MCA and CLB.

- D) A number of assets and liabilities have been transferred by Himachal Pradesh State Electricity Board (HPSEB) to Pabbar Valley Corporation Ltd. (PVPCL) and Kinner Kailash Power Corporation Ltd. (KKPCL) which have now become assets and liabilities of the Company by virtue of amalgamation. Besides, HPSEB had been disbursing funds to the

Company, PVPCL and KKPCL from time to time. There is no information available with the Company as what portion of amount or assets (less liabilities) received from HPSEB is to be treated as Equity capital and which portion is to be treated as loan. The Company is also remitting funds to HPSEB on account of recoveries made from employees. All these funds have been shown under "Current assets", "Loans & advances" and "Current liabilities". As per our information, reconciliation and confirmation are pending in all these cases. The Company has not computed total amount due to or due from HPSEB as on 31.3.2008. In the absence of relevant details, we are unable to ascertain effect on assets and liabilities of the Company.

- E) Balance in the account of Beas Valley Power Corporation Ltd. (BVPCL) appears both under Current assets and Current liabilities on account of various transactions. The accounts with BVPCL are subject to reconciliation. No balance confirmation was available for our verification. In the absence of relevant details, we are unable to ascertain effect on assets and liabilities of the Company.
- F) Current liabilities include a sum of Rs. 1,01,79,81,948/- as "Share allotment pending till effective date of amalgamation". This amount represents the value of shares to be issued to transferor companies upon scheme of amalgamation coming into effect.
- G) Fixed Assets are categorized as per the generic term of that item. In our opinion, they should have been categorized as per the Detailed project report in conformity with Schedule XIV of the Companies Act, 1956 for comparison therto in future. Fixed assets transferred from a separate entity (i.e. HPSEB) should have been accounted for at cost (i.e. net of depreciation).
- H) A sum of Rs.12,36,82,000/- is included in Reserves and Surplus in respect of Renuka Project. This amount has been received from Delhi Jal Board. In our opinion, it is in the nature of advance till the project is completed. No.

resolution for the treatment of the same as advance for capital or reserve has been passed.

- I) Grants & incentives amounting to Rs. 1,40,63,000/- have been incorporated from KKPCCL. These relate to MNES Grant (Ghanvi HEP). No. documentary evidence was available for our verification and their treatment in the accounts cannot be commented by us.
- J) Miscellaneous income includes a sum of Rs.60,000/- cheque deposited in to bank by Renukaji HEP. The source of cheque is not available with the Project. Hence, it cannot be commented upon whether this amount is correctly depicted in the Balance Sheet or not.
- K) Balances standing in the names of various parties appearing under Current assets, Loans and advances and Current liabilities are subject to reconciliation with parties and confirmation from the parties.
- L) Fixed assets of the Company are not insured.
- M) Detail of Fixed assets has been prepared by the Company but it is not in accordance with the Fixed assets register prescribed under the Companies Act, 1956.
- N) As per an Office order issued by H.P. State Electricity Board, Ghanvi HEP which was part of Kinner Kailash Power Corporation Ltd. and now amalgamated with HPPCL, has been detached from KKPCCL (implying HPPCL) with effect from 01.04.2008. We were not provided with further details in the matter as to whether HPPCL has passed any resolution in this regard and whether this Project has been detached from HPPCL.
- O) As the Company is a Government Company, it is exempted from the provisions of Section 274(1)(g) of the Companies Act,1956 regarding disqualification of Directors.
- P) The Balance Sheet and the Incidental Expenses during construction pending allocation dealt with by this report are in agreement with the books of account of the Company.
- Q) In our opinion , the Balance Sheet and the Incidental Expenses during construction pending allocation dealt with by this report comply with the

Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956 to the extent applicable except:

- a) AS-16 relating to Borrowing costs has not been applied. The interest on borrowings is shown under Incidental expenses during construction pending allocation. In the absence of related calculations, we are unable to verify the borrowing costs which should have been appropriated to the related qualifying assets.
 - b) No provision has been made for the liability for encashment of unavailed leaves payable to employees & gratuity on death/resignation/superannuation as required by Accounting Standards AS-15. The amount thereof is unascertained.
- R) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant Accounting Policies in Schedule 9 and read with other notes appearing in Schedule 9 and elsewhere in the accounts and subject to following:
- a) **During the financial year 2006-07 as per the Notes on accounts para No.(ii) the Company had commenced business immediately after its incorporation on 18.12.2006. Therefore, a profit and loss account was prepared for the period from 18.12.2006 to 31.03.2007 and a loss of Rs.5,31,291/- was computed. This included Rs.5,25,018/- on account of "Miscellaneous expenditure (Preoperative expenses) written off".**
During the financial year 2007-08, as per Significant accounting policies para No. (h) and Notes on accounts paras No. (iv) & (v), no Profit & loss Account has been prepared as the company has not started commercial generation of electricity. Accordingly, all expenses (less income) for the year 2007-08 have been capitalized and even the expenses treated as revenue expenses during 2006-07 have been capitalized. The loss for the year 2006-07 of Rs.5,31,291/- has been reduced to Nil by transferring

Rs. 5,25,018/- to “Miscellaneous expenditure to the extent not written off” and Rs.6,273/- to “ Incidental expenses during construction period pending allocation”.

Had the accounting policy not been changed, the loss for the year which is Nil in the accounts would have been Rs.2,65,27,306/- (20% write off of Miscellaneous expenditure: Rs2,92,58,340/-minus Net gain: Rs.27,31,034/- under capital work in progress of Corporate office) and accumulated loss as on 31.03.2008 which is nil in the accounts, would have been Rs.2,70,58,597/-. Similarly as on 31.03.2008, the amount of “Miscellaneous expenditure to the extent not written off” shown in the Balance Sheet as Rs.14,62,91,702/- would have been Rs.11,65,08,344/- and “Capital work in progress including incidental expenses pending allocation” shown in the Balance Sheet as Rs.1,70,31,34,461/- would have been Rs.1,70,58,59,222/-.

- b) “Incidental expenses pending allocation” as on 31.03.08 amount to Rs.70,63,91,023/-. Out of this, a sum of Rs.13,81,12,614/- has been included in “Miscellaneous expenditure to the extent not written off”. This is as per the Balance Sheet of Pabbar Valley Corporation Ltd. as on 31.07.2007.
- c) Inventories amounting to Rs.1,77,93,019/- have been included in “Other current assets” in the Balance Sheet instead of showing separately. In this way, Other current assets have been overstated by this amount and Inventories have been understated by this amount.
- d) Expenses payable amounting to Rs. 4,07,83,816/- have been included in “Provisions” in the Balance Sheet instead of showing them under “Current liabilities “. In this way, the provisions have been overstated by this amount and current liabilities have been understated by this amount.
- e) Term Loans amounting to Rs.75,16,28,008/- have been obtained from Power Finance Corporation Ltd. (PFC) and Rural Electrification

Corporation Ltd. (REC). These loans were obtained by PVPCL and KKPCL (through HPSEB) which became Company's liability upon amalgamation of KKPCL and PVPCL with the Company. A sum of Rs.28,72,85,175/- from PFC is secured by Movable assets, both present and future of Sawra Kuddu HEP. A sum of Rs.38,03,67,833/- was obtained from PFC by BVPCL (through HPSEB) which was later transferred to KKPCL. As per Memorandum of Agreement, the borrower was to create first charge by way of mortgage in favour of PFC of all the immovable properties etc. We are informed that till date no charge has been created on any asset towards this loan and therefore, it has been categorized as unsecured loan. For loan from REC amounting to Rs.8,39,75,000/-, no documents were available for our verification. Hence we are unable to comment on that loan. Neither any accounts statements nor any balance confirmations are available in case of all the loans. Notices for repayment and interest received by BVPCL from PFC are redirected to HPPCL and the Company pays to PFC directly.

- f) Several expenses of Pabbar Valley Corporation Ltd. and Kinner Kailash Power Corporation Ltd. upto 31.07.07 which were not accounted for by them in the audited accounts up to 31.07.07 have been accounted for by the Company in regular expenses/project expenses instead of showing them under separate head. In the absence of exact detail of such expenses booked, we are unable to arrive at the exact amount involved.
- g) The statement of Incidental Expenses during construction pending allocation gives detail of expenses as on 31.03.2008 and 31.03.2007. The detail of expenses during the period 1.4.2007 to 31.3.2008 is not given. The detail of expenses on 31.03.08 includes expenses of KKPCL and PVPCL also. Detailed expenses of all the projects are given in the Notes on accounts.
- h) The Company has acquired building on rent from HIMFED for which HIMFED has demanded a rent of Rs. 3,33,888/- upto 31.03.2008. In absence of any agreement with HIMFED in this regard, the Company

has disputed the demand. No provision of this amount has been made in the accounts.

- i) Some cases of land acquisition are pending with different authorities. The amount of liability is unascertained and therefore no provision thereof has been made in the accounts.

and other comments given above, give the information required by the companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2008; and
- ii) in the case of the Statement of Incidental Expenses during construction pending allocation for the year ended on that date.

For R. Ahuja & Associates
Chartered Accountants

Sd/-

Rajiv Ahuja, Proprietor
Membership No.082182
Shimla, June 03, 2009

Schedule-9

NOTES ON ACCOUNTS FORMING PART OF BALANCE SHEET

1. Significant Accounting Policies:

a) Basis of Preparation of Financial Statements.

The Corporation follows the mercantile system of Accounting and Recognizes income and expenditure on accrual basis. The accounts are prepared on the historic cost basis and are in accordance with the Generally Accepted Accounting Principles.

b) Fixed Assets.

(i) Fixed Assets are stated at cost of procurement/construction inclusive of freight, taxes, duties and incidental expenses.

(ii) Payment/Liabilities made/provided provisionally towards award, compensation, rehabilitation and other expenses other than the amount deposited with land acquiring authorities are treated as cost of land.

c) Depreciation

Depreciation has been provided for on Written Down Method at the rates and in the manner specified in schedule XIV of Companies Act 1956.

d) Revenue Recognition

Interest on FDR's has been accounted for on accrual basis as they are earned and other miscellaneous Receipts are accounted for on actual basis.

e) Capital Work in Progress.

Expenditure during construction period is being included under Capital work in Progress and the same shall be allocated to respective fixed assets on the completion of construction.

f) Investments

Investments are stated at Cost.

g) Inventories.

Inventories are valued at cost (FIFO Method).

h) Incidental Expenses during Construction

Since the company has not started commercial operation and as such Profit and Loss Account has not been prepared. However, the statement showing incidental expenditure during construction (pending allotment) has been prepared.

i) Accounting on amalgamation.

Accounting for amalgamation is done under pooling of interest method as per Accounting Standard-14 issued by the Institute of Chartered Accountants of India.

j) Retirement benefits.

Actual liabilities in respect of earned leaves and gratuity will be accounted for at the time of actual encashment of leave / payment of gratuity on death / resignation/ superannuation.

k) Grants.

Government grants are recognized in terms AS-12.

l) Prior period adjustments.

The corporation follows the practice of making the adjustments through expenses/income related to earlier years in respect of prior period items.

NOTES ON ACCOUNT

i) Amalgamation

- a) Kinner Kailash Power Corporation Ltd. and Pabbar Valley Power Corporation Ltd. were engaged in setting up of Hydro power genera projects in the State of Himachal Pradesh. Consequent upon the decision of Govt. of Himachal Pradesh vide its notification no. MPP-F(2)-5/2005-II dated 31st July 2007, both the companies were merged with the H.P Power Corporation Ltd. The Amalgamation is in the nature of Merger as per Accounting Standard 14 issued by the Institute of Chartered Accountants of India. So, all the assets and liabilities are taken over at their book values stated as on 31.07.2007. The Board of Directors as well as Shareholders of the respective corporations have also approved the merger "in principle" in their meetings held on 11th Sept. 2007. The HPPCL has filed petition for merger with CLB which is pending for final orders. As the result of decision of Board of Directors and Share holders approving the amalgamation for KKPCCL and PVPCL, the assets and liabilities of these Companies as of 31.07.07 have been taken over at their respective book value in the accounts of the Company and the expenditure incurred by these companies have been incorporated in the accounts of HPPCL after 31.07.07. Upon the scheme of merger coming into effect and upon vesting of transferor companies into transferee company the shares will be issued as under:-
- b) The transferee company shall (without further application, act or deed) issue at par and allot to the shareholders (HPSEB) of the transferor companies equity shares in transferee company in the following proportions.
- 1) 406920 Equity Shares of Rs. 1000/- each in the Transferee Company fully paid up for all the equity shares held by them in the transferor company No. 1 (PVPCL) on the effective date.
 - 2) 611062 Equity shares of Rs. 1000/- each in the Transferee Company fully paid up for all the equity shares held by them in the transferor company No. 2 (KKPCCL) on the effective date.
- c) The said Equity shares in the Transferee Company to be issued to the share holders of the transferor companies shall rank pari-passu in all respects, to the existing Equity shares in the transferee company from the appointed date. Such shares of the transferee company to be issued to the shareholders of the transferor company will, for all purposes, be deemed to have been held by each such member from the appointed date.
- d) The shares to be allotted to the shareholders of the transferor companies upon this scheme coming in to effect are shown under current liabilities as "Share Allotment Pending till effective date of Amalgamation".

ii) Contingent Liability not provided for.

The corporation has acquired building from HIMFED with effect from ----- . The rent demanded by HIMFED upto 31st March, 2008 is Rs.---- which the company has not agreed on being exorbitant as compared to PWD rates. No provision of this sum has been made in the books of accounts pending settlement.

iii) The Provision for Current Income Tax of Rs. 4407656/- is provided in the books. There is no deferred tax liability for the period.

iv) Amortization of Preoperative expenses.

During the year 2006-07 the preoperative expenses towards Registration of Company are amortized over a period of five years from the year in which these have been incurred. During 2007-08 it was decided to write off only after the commencement of commercial generation of the electricity. In view of this, the necessary adjustments have been carried out in the current year's account. Therefore, after rectification the total expenditure of Rs. 2625088/- incurred during the year 2006-07 have now been depicted under the head "Misc. Expenditure to the Extent not written off".

v) Profit and Loss Account:

During the year 2006-07, Profit and Loss account was prepared instead of Statement of Incidental Expenses during construction period (Pending allocation) and a sum of Rs. 531291/- was shown as loss. After carrying out the adjustments as explained at point (iv) above the remaining amount of Rs. 6273/- has also been rectified and shown in the statement of incidental expenses during construction period (pending allocation) in the current year accounts.

vi) In the opinion of the Board of Directors, the value of current assets, loans and advances etc. if realized in ordinary course of business, shall not be less than the amount at which the same are stated in the Balance-Sheet.

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

viii) The corporation has made an investment of Rs. 250000/- with Eastern Minerals and Trading Agency(EMTA) for setting up (2*250 MW)thermal power project in joint venture with 50% equity participation. An MOU was signed on 4th January, 2007. This is a long term investment in shares which are unquoted.

ix) None of the employees of company are covered under Sec. 217 (2A) of the Company Act, 1956.

x) The Renuka Dam Hydro Electric project is being constructed by HPPCL with the contribution of Government of India and Government of Delhi and Government of Himachal Pradesh. Delhi Jal Board is acting as Nodal agency for the construction of dam. Thus, the amount received from Delhi Jal Board amounting to Rs. 123682000/- has been shown under the head 'capital reserve'

xi) Consequent of upon the Government orders referred to at (i) of "Notes on Accounts", the assets and liabilities of both the amalgamating Companies has been taken over by HPPCL alongwith its staff strength as on 31st July, 2007. Thus, the expenditures made after 1st Aug, 2007 on KKPCL & PVPCL has also been incurred by HPPCL.

xii) The balances due to and from parties are subject to confirmation by them.

xiii) The details of incidental expenditure pending allocation is given below:-

Particulars	SWARA-KUDDU HEP	RENUKA HEP	GANVI HEP	INTEGRATED KASHANG HEP	CORPORATE OFFICE	GRAND TOTAL
Employees remuneration and benefits	66866903	13195504	119394559	170977913	5940354	376375233
Material Issued/Consumed	2748305					2748305
Honorarium					12000	12000
Application fee					10000	10000
Postage & Telegram	54807	8409			3721	66937
Printing & Stationery Exp.	658765	93939	90218	254755	94694	1192371
Hospitality exp.	76032	142257			121142	339431
Telephone Expenses	642679	106073	261467	577256	186984	1774459
Elect., Water & Fuel Charges	466742	37216	290437	1300365	63323	2158083
Bank Charges	83265	19487	4949	7833	100	115634
Consumable Stock	11075	44718	0		103268	159061
Rent	920833	48855	90644	1017904	77009	2155245
Rates & Taxes	600	0	0	30000	25565	56165
Books/News Papers & Periodicals	21515	4149	22228	35785	8778	92455
Fringe Benefit Tax	146454	78635	24000	76425	264793	590307
Interest on FBT A/c		3065	0		16105	19170
Legal & Professional Charges	97336	0	97697	287350	8387	490770
Registration Fees	9900					9900
Misc. Expenses (including O-Mis)	21331901		0			21331901
Sale Tax Paid		0	0		0	
Freight & labour	636	0	0		34730	35366
Insurance	15466	10858	0		44741	71065
Petty balances written off		0	0		28	28
Vehicles Running and maintenance	318347	105411	2064551	1408533	337059	4233901
Hired Vehicle Charges.	2116529	273783	0		152392	2542704
Training & Seminar		0	0		11000	11000
General Repair & Mtc.	156293	292796	2596943	-15398		3030634
Repair & Mtc. Of Building	29804					29804
Office Mtc.		0	0		9310	9310
Books & Periodicals		0	0		4318	4318
Gift & Presentation A/c		0	0		35119	35119
Misc Expenses		22395	1154426	1041523	0	2218344
Entertainment Exp. A/c		0	3651	22732	78959	105342
Board Meeting Expenses		0	0		16169	16169
Incidental Store Expenses			174928			174928
Auditor's remuneration:		0	0		0	
a) Audit fee	69823	0	0	10000	22472	102295
Misc Expenses		0	0		2867	2867
Depreciation	1093952	119873	15724670	1186362	597764	18722621
Survey & Investigation	72601436	2669601	0	30241		75301278
Publicity and Advertisemnet	1088474	43815	46788	150871	268785	1598733
Interest on Term Loan	49514904		23907943	126761906		200184753

Particulars	SWARA-KUDDU HEP	RENUKA HEP	GANVI HEP	INTEGRATED KASHANG HEP	CORPORATE OFFICE	GRAND TOTAL
Interest on FBT			0			116658
Transit Camp Expenses	116658		0			14564836
Consultancy Fee	14564836		0			7369726
Expenses Relating to P. Year	6093915	1227946	40000	7865		85560
Stores & Spares Consumed		85560	0			
Total	241918185	18634345	165990099	305170221	8551936	740264786
Less:						
Miscellaneous Receipts.						
Interest on FDR's (Gross)	1341256	0	966909	486453	13150035	15944653
Less: Provision of Income Tax	0	0	0	0	4407656	4407656
					8742379	11536997
Sale of Tender Forms	198800	0	196900	58100		453800
Misc. Income/excess provision written back	17413489	71200	1457900	391824	13165	
HBA Interest			6003	1959		19347578
Net transferred to Capital work in progress (Pending allocation) & Misc. Exp to the extent not written off.	222964639	18563145	163362387	304231885	-203608	7962
						708918448
Total	241918185	18634345	165990099	305170221	8551936	740264786

- xiv) The authorized share capital of the company as on 31.03.08 was Rs. 5000 lacs which has been increased to Rs. 50000 lacs during subsequent year. As the matter of enhancement of authorized share capital was in progress, the share application money received during the year under report exceeds authorized share capital.
- xv) The details of amount due from directors of the company:-

(1) Amount due from Director

	Current Year	Previous year.
Amount due from Managing Director	NIL	NIL
Maximum Amount Due at any time during the year.	NIL	NIL
Amount due from Directors.	NIL	NIL
Maximum amount due at any time during the year	NIL	NIL

(2) Expenses of Chairman

	Current Year	Previous year.
A. Remuneration	NIL	NIL
B. Travelling Allowances	NIL	NIL
C. Telephone Expenses	NIL	NIL
D. Vehicle Expense.	24548	NIL
E. Medical Expenses.	NIL	NIL

(3) Expenses of Managing Director

	Current Year	Previous Year
A. Remuneration	440398	NIL
B. Travelling & Allowances.	62606	NIL
C. Telephone Expenses.	13407	NIL
D. Vehicle Expenses	99286	NIL
E. Medical Expenses	3717	NIL

(4) Expenses of Director.

	Current Year	Previous Year
A. Remuneration	498639	NIL
B. Travelling & Allowances.	20960	NIL
C. Telephone Expenses.	14764	NIL
D. Vehicle Expenses	52032	NIL
E. Medical Expenses	1528	NIL

- ii) The previous year's figures have been regrouped /recasted wherever felt necessary.
iii) Figures appearing have been rounded off to the nearest rupee.

Sd/- (B.S.Negi) Sr. Manager (Finance)	Sd/- (Sudershan Sharma) Company Secretary	Sd/- (S.G.Negi) General Manager (Finance)	Sd/- (C.M.Walia) Director	Sd/- (Tarun Kapoor) Managing Director
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As per our report of even date
For R. Ahuja & Associates

Chartered Accountants

Place: Shimla
Date: 03.06.2009

Sd/-
Rajiv Ahuja Proprietor
Membership No. 082182

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF H.P. POWER CORPORATION LIMITED FOR THE YEAR ENDED 31 MARCH 2008

The preparation of financial statements of H.P. Power Corporation Limited for the year ended 31 March 2008 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 3 June 2009.

I, on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of H.P. Power Corporation Limited for the year ended 31 March 2008. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under Section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.

1. Balance Sheet

Sources of Funds

Current Liabilities and Provisions (Schedule-7) Other Payables- Rs. 1.81 lakh.

The above does not include Rs 1.58 lakh representing amount payable on account of rent of hired building. This has resulted in under statement of “current liabilities” as well as incidental expenses during construction- Rent”.

2. Balance Sheet abstract and company's general business profile.

Total liabilities should have been indicated as Rs. 3166459731 (Sources of Funds-Rs 1690473008 Plus Current Liabilities & Provisions-Rs. 1475986723) instead of Rs. 1690473008.

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

Place: Shimla

Sd/-

Date: 26-08-2009

Pri. Accountant General