



HIMACHAL PRADESH POWER CORPORATION LIMITED			
Balance Sheet As At 31st March 2014		(Rs in Lacs)	
Particulars	Note No	As at 31.03.2014	As at 31.03.2013
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds:			
(a) Share Capital	3	1,18,238.96	92,972.21
(b) Reserves & Surplus		(1,932.44)	
(2) Share application money pending allotment	4	50.00	7,316.75
(3) Non-Current Liabilities:			
(a) Long-term borrowings	5	1,72,926.35	1,13,503.34
(b) Other Long term liabilities	6	23,983.80	23,983.80
(c) Long term provisions	7	1,994.78	1,379.68
(4) Current Liabilities:			
(a) Other current liabilities	8	17,753.14	21,277.42
Total		3,33,014.59	2,60,433.20
II. ASSETS			
(1) Non-current assets:			
(a) Fixed assets			
(i) Tangible assets	9.1	23,194.81	22,132.34
(ii) Intangible assets	9.2	396.30	656.70
(iii) Capital work-in-progress	9.3	2,37,605.07	1,75,367.74
(b) Non-current investments	10	398.00	378.00
(c) Long term loans and advances	11	13,220.51	16,489.72
(2) Current assets:			
(a) Inventories	12	50.83	50.06
(b) Cash and cash equivalents	13	39,463.81	29,306.31
(c) Short-term loans and advances	14	18,597.52	15,728.47
(d) Other current assets	15	87.74	323.87
Total		3,33,014.59	2,60,433.20

See accompanying notes to the Financial Statements


(Sudershan K. Sharma)
Company Secretary


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


(Amarjeet Singh)
Director (Finance)


(Devendra K. Sharma)
Managing Director

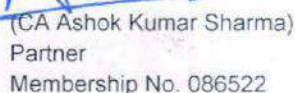
This is the Balance Sheet referred to in our report of even date.

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



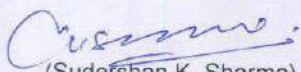
Place: Shimla

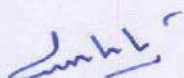
Date: 17/03/2015



(CA Ashok Kumar Sharma)
Partner
Membership No. 086522

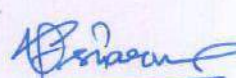
HIMACHAL PRADESH POWER CORPORATION LIMITED			
Statement of Profit and Loss for the year ended 31st March 2014 (Rs in Lacs)			
Particulars	Note No	As at 31.03.2014	As at 31.03.2013
I. Revenue			
Revenue from operations		-	-
Miscellaneous Income	23	2,811.06	-
Total Revenue (A)		2,811.06	-
Expenses			
Employee Benefit Expenses	16	480.04	-
Finance/Interest Cost	18	2,589.89	-
Depreciation and Amortization expenses	20	724.37	-
Other expenses	21	941.34	-
Total Expenses (B)		4,735.64	-
Profit/Loss before extra ordinary items & tax (A+B)		(1,924.58)	-
Extra Ordinary Items			
Loss of Fixed Assets			-
Kashang HEP	7.72		
Shongtong HEP	0.14	(7.86)	
Profit/Loss Before Tax			
Income Tax		-	-
Profit/Loss after tax		(1,932.44)	-
EPS		(18.08)	

See accompanying notes to the Financial Statements


(Sudershan K. Sharma)
Company Secretary


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


(Amarjeet Singh)
Director (Finance)


(Devendra K. Sharma)
Managing Director


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

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

Place: Shimla

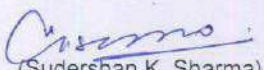
Date: 17/03/2015






(CA Ashok Kumar Sharma)
Partner
Membership No. 086522

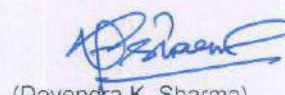
HIMACHAL PRADESH POWER CORPORATION LIMITED		
(Rs in Lacs)		
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2014		
Particulars	Year ended 31.3.2014	Year ended 31.03.2013
(A) Cash flow from operating activities	(1,932.44)	
Loss of Fixed Assets	7.86	
Depreciation	724.37	
Finance/Interest Cost	2,589.89	
Operating profit before Working Capital change	1,389.68	
Inventories	(0.77)	19.88
Other Current Assets	236.13	471.83
Loans and Advances(Short & Long term)	2,331.53	(12,957.76)
Long Term Provisions	615.10	1,144.80
Interest Income	(2,798.79)	
Other Current Liabilities	(3,524.28)	10,947.95
Cash Generated from Operation	(1,751.40)	(373.31)
Less Income Tax Paid	(1,931.37)	(1,408.00)
Net Cash flow before extra ordinary item	(3,682.77)	(1,781.31)
Less Loss of assets from troential rain & flood	(7.86)	
Net Cash from operating activity	(3,690.63)	(1,781.31)
(B) Cash flow from Investing activities		
Net Expenditure on Fixed Assets	(1,985.60)	(3,491.33)
Depreciation in CWIP	459.16	1,114.18
Expenditure on CWIP*	(49,278.81)	(57,683.81)
Investment in JV with EMTA	(20.00)	(75.50)
Net Cash used in Investing activity	(50,825.25)	(60,136.46)
(C) Cash flow from Financing Activities		
Share Capital	18,000.00	20,612.71
Long Term Borrowings -net of repayments	59,423.02	37,141.76
Finance Charges less interest earned	(12,749.62)	(5,715.88)
Net Cash from Financing activity	64,673.39	52,038.59
Gross Total (A+B+C)	10,157.51	(9,879.18)
Add: Opening Cash and Equivalents	29,306.31	39,185.49
Closing Cash and Equivalents	39,463.82	29,306.32

* Net Expenditure on CWIP is net of depreciation and finance charges


(Sudershan K. Sharma)
Company Secretary


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



(Amarjeet Singh)
Director (Finance)


(Devendra K. Sharma)
Managing Director

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



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

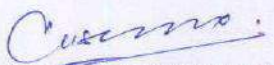

(CA Ashok Kumar Sharma)
Partner
Membership No. 086522

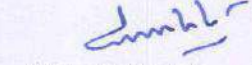
Place: Shimla


Date: 17/03/2015

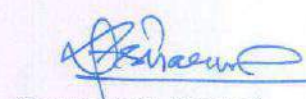
HIMACHAL PRADESH POWER CORPORATION LIMITED				
Expenditure During Construction	Note No.	Amount (Rs in Lacs)	Amount (Rs in Lacs)	Amount (Rs in Lacs)
		As at 31.03.2014	During 2013-14	As at 31.03.2013
EXPENSES (A):				
Employees' Benefits Expenses	17	33,325.19	6,314.56	27,010.63
Finance/Interest Cost	19	31,624.17	12,958.52	18,665.65
Depreciation Expenses	20	2,809.48	459.16	2,350.32
Other Office and Administrative Expenses	22	35,899.39	30,101.33	5,798.06
TOTAL (A)		103,658.23	49,833.57	53,824.65
Less: Miscellaneous Income	23	15,251.53	422.04	14,829.48
NET EXPENDITURE (B) (Carried forward to CWIP)		88,406.70	49,411.53	38,995.17

See accompanying notes to the Financial Statements


(Sudershan K. Sharma)
Company Secretary


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


(Amarjeet Singh)
Director (Finance)



(Devendra K. Sharma)
Managing Director

Place: Shimla

Date: 17/03/2015



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


(CA Ashok Kumar Sharma)
Partner
Membership No. 086522

HIMACHAL PRADESH POWER CORPORATION LTD.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2014

1. Overview of Company:

Himachal Pradesh Power Corporation Limited (HPPCL) was incorporated in December, 2006 under the Companies Act, 1956, with the objective to plan, promote and organize development of hydroelectric power on behalf of Govt. of Himachal Pradesh and Himachal Pradesh State Electricity Board Limited (HPSEBL) in the state of HP with equity participation from Govt. of Himachal Pradesh and Himachal Pradesh State Electricity Board Limited (HPSEBL) in the proportion of 60:40. However, actual equity participation of the State Government, Himachal Pradesh Infrastructure Development Board (HPIDB) and HPSEBL respectively is in the ratio of 45:45:10 (See Note 3.1)

2. Significant Accounting Policies:

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

The financial statements are prepared under the historical cost convention on accrual basis in line with the generally accepted accounting principles in India. These statements have been prepared in accordance with applicable mandatory Accounting Standards and relevant presentational requirements of the Companies Act, 1956.

2.2 Fixed Assets:

Fixed Assets are stated at historical cost less depreciation and impairment losses, if any. Cost comprises the cost of procurement/construction inclusive of any attributable cost (i.e. freight, taxes, duties and incidental expenses) of bringing the asset to its working condition for its intended use.

2.3 Depreciation:

- Depreciation has been provided for on Written down Method at the rates and in the manner specified in schedule XIV of Companies Act, 1956.
- 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.
- Assets costing Rs. 5,000/- or less are depreciated fully in the year of procurement. Assets like temporary sheds/erections and small kitchen items have been fully depreciated.
- Expenditure on software is recognized as 'Intangible Asset'.

2.4 Capital Work in Progress:

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

2.5 Profit & Loss Account :

- Profit and Loss account is prepared for the first time during the year, therefore corresponding previous year figures are not applicable.



- Earnings per Share have been arrived at by dividing the Net Loss by weighted average number of shares during the year. Earnings per Share equity share (Par Value 1000/- each) is -18.08
- All revenue expenditures of projects, which are relating to implementation of power project or incidental there to incurred during the period prior to commencement of commercial operations are classified as "Expenditure during construction/"Capital Work in Progress" as the case may be. On commencement of commercial operation or completion of construction of the concerned assets these costs would be capitalized / apportioned on the assets, on appropriate basis.
- The expenditure at HO and Sunder Nagar unit has been treated as revenue expenditure except for salaries which is treated as expenses relating to project under construction and therefore forms parts of expenditure during construction period.
- A natural calamity has struck at Kashang HEP which has caused a financial loss of Rs 7,72,503/- and the same has been written off. Assets worth Rs.13,691/- has also been written off at Shong Tong.

2.6 Investments:

The company has invested 50% in joint venture with EMTA. The objective of joint venture is investment in coal block for ensuring the uninterrupted fuel supply thereto. It is valued at cost,

2.7 Inventories:

Inventories consist of consumable items at project sites and valued at cost for which consumption entries have not been passed.

2.8 Foreign currency transactions

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

Foreign Exchange Payment during 2013-14:

To Lahmeyer International GMBH	Euro	51699.99
	INR	4280759.19

2.9 Expenditure during construction period:

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

2.10 Retirement Benefit:

I. Defined Contribution Plan (Provident Fund):

Corporation's Contribution paid/payable during the year to Provident Fund is recognized in the statement of Incidental Expenses during construction Pending Allocation.

II. Defined Benefit Plan (Gratuity):

Liability towards Gratuity for the year has been provided on the basis of Payment of Gratuity Act, 1972 in respect of HPPCL employees.



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

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

2.11 Prior period adjustments:

HPPCL follows the practice of making adjustments for prior period items through expenses/income of previous year in the current year.

2.12 Provision, Contingent Liabilities & Assets:

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

2.13 Income Tax:

- I. No provision for Income Tax for the current year has been made as all generating units of HPPCL are currently under construction.
- II. Advance tax for the 3rd qtr Rs. 1,31,00,000.00 and 4th Qtr Rs. 7,10,00,000.00 has been deposited during the FY 2013-14.
- III. For the FY 2007-08 and 2008-09 HPPCL has preferred an appeal before the Hon'ble H.P. High court against the orders of the Income Tax Appellate Tribunal, Chandigarh.
- IV. For the FY 2008-09 Assessing Officer has raised a demand of RS. 943 Lakhs u/s 271 (1) (c) of Income Tax Act, 1961, company has filed an appeal with CIT (A) Solan which was dismissed.
- V. An Appeal has been filed with Income Tax Appellate Tribunal, Chandigarh for the FY 2009-10. The decision for which is awaited.
- VI. For the FY 2010-11, against the demand of Rs. 8,93,04,970.00 raised by ACIT which was deposited, the company preferred an appeal with CIT (A) Solan was dismissed.
- VII. The Assessment for FY 2011-12 and FY 2012-13 is pending with ACIT.

2.14 Entry Tax :

H.P. Excise and Taxation department's has raised entry tax demand relating to year 2010 to 2014 amounting to Rs. 13,39,84,139/- (including interest & Penalty for Rs.6,60,54,395/-) in Sawra Kuddu HEP and Rs. 1,80,49,325/- (including interest & Penalty for Rs.66,31,962/-) in Sainj HEP respectively. The above said liabilities as per contract were supposed to be paid by the Contractors and seek reimbursement from the company. Because of default of the Contractor the company have to deposit the above amounts. At both the units the company is going into appeal for waiver of interest and penalty. At Sawra Kuddu HEP the whole amount of entry tax, interest and penalty have



been deposited, however the contractor account has been debited for recovery of interest and penalty.

2.15 Contingent Liabilities:

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

Particulars	Amount in Lacs	
	As at 31.03.2014	As at 31.03.2013
Capital Works	25792.19	16304.47

B) Counter claim filed by the Company not acknowledged are enumerated below:-

Particulars	Amount in Lacs	
	As at 31.03.2014	As at 31.03.2013
Capital Works	15000.00	

In addition to this Bank Guarantees amounting Rs. 546.10 Lacs have been given as on 31.03.2014.

II. The above contingent liabilities do not includes claims against pending cases in respect of other matters where the amount cannot be quantified.

2.16 Capital Commitments:

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

Currency	(Amount in Lacs)	
	As on 31.03.2014	As on 31.03.2013
Indian Rupees	186765.65	228988.65
Euro	27.86	39.76
US \$	52.40	93.89
CHF	8.03	8.60

2.17 Tidong-II HEP:

The Tidong-II (60MW) Hydro Power Project was allotted to HPPCL on 24.10.2008. The cumulative expenditure on this power project is Rs 103.24 Lacs up to 31st March 2014. A Special Leave Petition filed on behalf of State Government and HPPCL before Hon'ble Apex Court on 28th March, 2011 was set aside by the Hon'ble Apex Court on 8 August 2011. Tidong HEP has now been allotted to M/S Gammon India Ltd. Activity-Wise Detail of expenditure on the investigations and infrastructural works of the project incurred by HPPCL on Tidong-II has been forwarded to Directorate of Energy GoHP, so that same could be forwarded to developer for reimbursement as per the provisions contained in the MoU signed with the party, according to which it has to reimburse the expenditure incurred up to the date of signing the Implementation Agreement with compound interest @ 10% per annum within three months of the Implementation Agreement.



2.18 Some of the balances shown under Current Liabilities, Loans and advances are subject to confirmations, reconciliation and consequential adjustment, if any.

2.19 Payment to Auditors includes:

(Rs in Lacs)		
Particulars	2013-14	2012-13
Fee to Auditors	2.64	1.27
Certification fee	0.67	
Reimbursement of Expenses	-	0.99
Total	3.31	2.26

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

2.21 Related Party Disclosure:

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

a) Related Parties-Key Management Personnel:

Whole Time Directors:

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

2.22 Remuneration to key management personnel:

(Rs in Lacs)			
Sr. No.	Particulars	As on 31.03.2014	As on 31.03.2013
1	Salary and Allowances (MD)	13.96	6.65
2	Salary and Allowances (Directors)	51.41	47.11
	Total	65.37	53.76

2.23 The previous year figures have also been reclassified/regrouped/rearranged wherever necessary due to implementation of ERP Software (SAP) to confirm to this year's classification.

2.24 Land acquisition expenses LADA, Relief and Rehabilitation expenses, Environment and Ecology expenses, CAT plan have been grouped under the head other office and administrative expenses amounting to Rs. 20,848.86 Lacs (Transferred to Expenditure during construction period) which shall be transferred to land next year.

2.25 Interest on loan has been treated as capital cost in accordance with AS-16 except for interest due to the State Government on ADB Imprest loan account, on accrual basis, amounting to Rs. 2589.89 Lacs has been treated as revenue expenditure. A sum of Rs.2950.00 Lacs on account of interest has been paid to the State Government during the year.



3) SHARE CAPITAL

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	As at 31.03.2013
AUTHORISED SHARE CAPITAL (15000000 Equity Shares of Rs 1000/- each)	1,50,000.00	1,00,000.00
ISSUED, SUBSCRIBED AND FULLY PAID UP CAPITAL 118,23,896 Equity Shares of Rs. 1000/- each (fully paid up) {For Previous Year: 92,97,221 Equity Shares of Rs. 1000/- each (fully paid up)}	1,18,238.96	92,972.21
Total Paid Up Capital	1,18,238.96	92,972.21

1) The company has issued only one class of shares referred to as equity shares having a par value of Rs. 1000/- each. All equity shares carry one vote per share without restrictions and are entitled to dividend, as and when declared. All shares rank equally with regard to the company's residual assets.

2) An investment of Rs. 10179.82 Lacs made by HPSEBL in the amalgamating companies i.e. M/S PVPCL and KKPCL has been accounted for at the time of merger (31.07.2007). Shares in respect of this amount has already been issued to HPSEBL.

3.1) Detail of shareholding more than 5% shares in company:

Name of Shareholder	Amount (Rs in Lacs)	Amount (Rs in Lacs)
	As at 31.03.2014	As at 31.03.2013
HP Govt.	53,217.50	27,950.75
HPIDB	53,714.77	53,714.77
HPSEBL	11,306.69	11,306.69
TOTAL	1,18,238.96	92,972.21

3.2) Reconciliation of shares outstanding is set out below:

PARTICULARS	As at 31.03.2014	
	No. of shares	Amount (Rs in Lacs)
No of shares at the beginning (as on 01.04.2013)	92,97,221	92,972.21
No of shares issued during the year	25,26,675	25,266.75
No of shares at the end (as on 31.03.2014)	1,18,23,896	1,18,238.96

4) ADVANCE SHARE APPLICATION MONEY

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	As at 31.03.2013
A) Share Application money pending allotment	50.00	7,316.75
B) HPSEB (Expenditure) Share Application pending allotment	-	-
TOTAL	50.00	7,316.75

The Government of HP has provided advance share application money to the tune of Rs. 50.00 Lacs upto 31.03.2014. Shares to the tune of Rs. 25,266.75 Lacs has been issued to HP Govt. during the FY 2013-14.

Shares against the advance Share Application money will be issued during FY 2014-15

5) LONG TERM BORROWINGS:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	As at 31.03.2013
Long Term Loans		
KFW Loan (Raised for Shongtong HEP, sanctioned on 19.12.2012 and on 29.07.2013 respectively)	6.17	-
PFC Loan (Raised for Kashang HEP & Sawra Kuddu HEP, sanctioned on 28.02.2003 and on 14.03.2005 respectively, Principal and interest payable in quarterly installments)	2,501.39	3,661.83
Sawra Kuddu HEP	1751.39	
Kashang HEP	750.00	



State Govt Loans (ADB) (Installment of principal & interest payable yearly on 15th January each year)			
Corporate Office	26632.76	152,093.93	109,841.51
Sawra Kuddu HEP	48316.74		
Kashang HEP	38917.07		
Sainj HEP	33091.63		
Shongtong HEP	5135.73		
Interest Payable on Govt. Loan (Deferred)		18,324.87	-
TOTAL		172,926.35	113,503.34

There have been no defaults in repayment of any of the loans or interest thereon at the end of the year. Interest on Government Loan from GoHP for the FY 2013-14 amounting Rs.11522.00 Lacs and first installment of Principal Repayment due on 15th January, 2014 works out to be 5618.00 Lacs, Total deferement for 17140.00 Lacs has been approved by GoHP vide letter no.MPP-F(5)-3/2007-III dated 17.04.2014 in addition to last year's deferement for 4475.00 Lacs.

6) LONG TERM LIABILITIES:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	As at 31.03.2013
Advances from Other States Pending Allocation	23,983.80	23,983.80
TOTAL	23,983.80	23,983.80

The Renukaji Dam Hydro Electric project is being implemented by HPPCL as a national project and is fully funded by the Government of India and Governments of beneficiary states. Contributions received from the Delhi Jal Board and the Haryana Government aggregating Rs. 23,983.80 Lacs has been shown as "Liabilities for Government Departments" under the head "OTHER CURRENT LIABILITIES" as on 31.03.2014 as no MOU has yet been finalized in this regard.

7) LONG TERM PROVISIONS:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	As at 31.03.2013
Provision for Pension Contribution	522.51	147.61
Provision for Gratuity	290.42	234.03
Provision for Leave encashment	1,181.85	998.04
TOTAL	1,994.78	1,379.68

8) OTHER CURRENT LIABILITIES:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	As at 31.03.2013
Liabilities for Employees' Remuneration and Benefits	271.59	157.24
Liabilities for Contractors & Suppliers	9,819.96	10,211.50
Liabilities for Government Departments	960.96	822.68
Interest Accrued but not due on Unsecured Loans	3,647.85	9,753.17
Interest Accrued but not due on Secured Loans	73.14	85.60
PFC Loan Payable	580.22	-
Provision for expenses	2,233.31	-
Taxes and Duties Payable	166.11	247.23
TOTAL	17,753.14	21,277.42

9.1 & 9.2) TANGIBLE AND INTANGIBLE ASSETS:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	As at 31.03.2013
Gross Tangible Assets	26,212.59	24,242.06
Less: Depreciation	3,017.78	2,109.72
Net Tangible Assets	23,194.81	22,132.34
Gross Intangible Assets	912.37	897.30
Less: Depreciation	516.07	240.60
Net Intangible Assets	396.30	656.70
Total Net Block (Fixed Assets)	23,591.11	22,789.04



HIMACHAL PRADESH POWER CORPORATION LIMITED

FY 2013-14

9) FIXED ASSETS

Note No.9.1

TANGIBLE ASSETS (A)

Particulars	Dep. Rates	GROSS BLOCK					DEPRECIATION					NET BLOCK		NET BLOCK
		Balance As at 1.4.2013	Addition	Transfer/ Sale	Total As at 31.03.2014	Up to 31.03.2013	Previous Year		For the Year	Total Depreciation	As at 31.03.2014	As at 31.03.2013		
							Deletion	Addition						
LAND - LEASEHOLD	0.00%	430.50	28.28	430.50	28.28	0.00	0.00	0.00	0.00	0.00	28.28	430.50		
LAND - FREEHOLD	0.00%	15858.80	1063.22	113.64	16808.37	0.00	0.00	0.00	0.00	0.00	16808.37	15858.80		
RESIDENTIAL BUILDINGS	5.00%	1830.91	411.19	0.24	2241.85	279.27	0.00	0.00	156.11	435.38	1806.47	1551.63		
NON RESIDENTIAL BUILDINGS	10.00%	45.34	0.00	0.00	45.34	15.76	0.00	0.00	2.92	18.68	26.66	29.58		
TEMPORARY SHEDS/ERECTIONS	100.00%	483.94	0.27	0.01	484.20	483.94	0.00	0.00	0.00	483.94	0.26	0.00		
"ROADS, BRIDGES & TRAFFIC TUNNELS "	5.00%	2917.43	943.96	3.03	3858.35	236.01	0.00	0.00	222.60	458.61	3399.75	2681.42		
PLANT (CURRENTLY FOR WATER TREATMENT)	15.33%	3.56	0.00	0.00	3.56	1.96	0.00	0.00	0.25	2.21	1.36	1.60		
"OFFICE MACHINARY (LIKE LAB, FIRE SAFETY)	13.91%	92.58	59.96	0.10	152.44	34.92	0.00	0.00	12.90	47.82	104.62	57.66		
ELECTRONICS & ELECTRICAL ITEMS	13.91%	213.17	7.05	0.00	220.22	80.93	0.00	0.00	20.97	101.90	118.32	132.24		
FURNITURES & FIXTURES	18.10%	381.78	19.16	0.70	400.24	175.42	0.00	0.00	38.28	213.70	186.54	206.36		
COMPUTERS & DATA PROCESSING MACHINES	40.00%	1863.29	0.67	15.07	1848.90	719.30	0.00	0.00	445.04	1164.34	684.56	1143.99		
VEHICLES	25.89%	96.72	0.00	0.00	96.72	77.62	0.00	0.00	4.94	82.56	14.15	19.10		
KITCHEN ITEMS	13.91%	0.81	0.03	0.00	0.84	0.16	0.00	0.00	0.49	0.64	0.19	0.65		
SMALL OFFICE ITEMS	100.00%	0.00	0.04	0.00	0.04	0.00	0.00	0.00	0.00	0.00	0.04	0.00		
HELIPAD	19.00%	23.24	0.00	0.00	23.24	4.43	0.00	0.00	3.58	8.00	15.24	18.82		
Total (A)		24,242.06	2,533.83	563.30	26,212.59	2,109.72	-	-	908.06	3,017.78	23,194.81	22,132.34		
Previous Year's Total		20123.84	4198.44	80.22	24242.06	1200.01	3.25	67.44	845.52	2109.72	22132.34			

Note No.9.2

INTANGIBLE ASSETS (B)

		GROSS BLOCK				DEPRECIATION					NET BLOCK	NET BLOCK
Particulars	Dep. Rates	Balance As at 1.4.2013	Addition	Transfer/ Sale	Total As at 31.03.2014	Up to 31.03.2013	Previous Year		For the Year	Total Depreciation	As at 31.03.2014	As at 31.03.2013
							Deletion	Addition				
SOFTWARE	40.00%	897.30	15.07	0.00	912.37	240.60	0.00	0.00	275.47	516.07	396.30	656.70
Total (B)		897.30	15.07	0.00	912.37	240.60	0.00	0.00	275.47	516.07	396.30	656.70
Previous Year's Total		78.22	819.09	0.00	897.30	36.13	0.00	0.00	204.47	240.60	656.70	
Grand Total (A+B)		25139.36	2548.90	563.30	27124.96	2350.32	0.00	0.00	1183.53	3533.85	23591.11	22789.04

Note: Opening Balances of Fixed Assets (Gross Block) have been regrouped/rearranged according to its nature.



9.3)

HIMACHAL PRADESH POWER CORPORATION LIMITED (Rs. In Lacs)			
CAPITAL WORK IN PROGRESS			
Particulars	As at 31.03.2014	During FY 2013-14	As at 31.03.2013
Residential Buildings	1,222.47	(259.33)	1,481.80
Non Residential Buildings	979.67	70.68	908.99
Civil Works	108,625.02	28,994.63	79,630.40
Roads, Bridges & Culverts	2,116.76	(376.49)	2,493.25
Electro-Mechanical Works	35,674.94	11,720.86	23,954.08
Construction Power	579.51	579.51	
Preliminary Expenses	-	(538.16)	538.16
Environmental and Rehabilitation Costs	-	(20,123.41)	20,123.41
Survey & Investigation	-	(7,242.49)	7,242.49
G.Total	149,198.37	12,825.80	136,372.57
Expenditure During Construction	88,406.70	49,411.53	38,995.17
Total (Carried forward to Balance Sheet)	237,605.07	62,237.33	175,367.74

CAPITAL WORK IN PROGRESS (Rs. In Lacs)							
Particulars	Residential Buildings	Non Residential Buildings	Civil Works	Roads, Bridges & Culverts	Electro-Mechanical Works	Construction Power	G.Total
Sundernagar	1.03						1.03
Sawra Kuddu HEP	601.21		46394.02	1214.35	17601.52	23.61	65834.71
Kashang HEP	363.33	199.73	29825.32	251.05	10483.96	175.35	41298.76
Sainj HEP	163.60	339.24	32405.68	594.11	7583.45	176.65	41262.74
Renukaji Dam Project	84.96	341.12		0.21			426.28
Shongtong HEP				51.30	6.00	203.89	261.19
Nakthan HEP		0.09			0.00		0.09
Gyspa HEP	8.35	99.49		5.74			113.58
G.Total	1,222.47	979.67	108,625.02	2,116.76	35,674.94	579.51	149,198.37



10) NON-CURRENT INVESTMENTS

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	As at 31.03.2013
Investment in EMTA-Unquoted (at cost)	398.00	378.00
TOTAL	398.00	378.00

HPPCL has made an investment of Rs 398.00 Lacs in the equity of Himachal EMTA Power Limited (HEPL) which has been established as HPPCL's joint venture with EMTA for setting up a (2*250 MW) thermal power plant. HPPCL has 50% equity participation in HEPL.

11) LONG TERM LOANS AND ADVANCES

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	As at 31.03.2013
Capital Advances:		
Advances to Contractors/Others	13,220.51	16,472.81
Advance to HPPTCL against works-Unsecured considered good	-	16.91
TOTAL	13,220.51	16,489.72

12) INVENTORIES

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	As at 31.03.2013
Inventories	50.83	50.06
TOTAL	50.83	50.06

Inventories are valued at cost (FIFO method).

13) CASH AND CASH EQUIVALENTS

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	As at 31.03.2013
Cash and Bank Balances		
(1) Cash in hand (including Imprest)	0.57	0.70
(2) Stamps in hand	0.17	0.15
(3) Bank Balances with schedules banks		
(i) Current Deposits	31,402.03	20,296.93
(ii) Term Deposits with maturity period upto 12 months	8,061.04	9,008.54
TOTAL	39,463.81	29,306.31

14) SHORT TERM LOANS AND ADVANCES:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	As at 31.03.2013
Advances to H.P. Govt Departments	12,957.55	1,376.70
Advances to Employees	0.74	2.60
Advances to Land Acquisition Officer	-	10,271.53
Recoverable from Govt Departments	85.42	301.14
Recoverable from Contractors/Suppliers/Consultant	500.49	822.40
Recoverable from Staff	1.93	-
Advance Tax Deposit/TDS/Recoverable from Tax Authorities	4,877.78	2,946.41
Security/EMD Deposited	142.58	-
Interest Recoverable	4.82	-
Prepaid Expenses	26.21	7.68
TOTAL	18,597.52	15,728.47



15) OTHER CURRENT ASSETS

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	As at 31.03.2013
Interest Accrued but not due on Deposits with Banks	66.84	300.79
Other Current Assets	20.90	23.08
TOTAL	87.74	323.87

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

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	As at 31.03.2013
Salaries, Wages, Allowances and Benefits	151.68	-
Contribution to Provident and Other Funds	53.73	-
Leave Salary and Pension Contribution	217.47	-
Welfare Expenses	57.17	-
TOTAL	480.04	-

17) EMPLOYEE BENEFITS EXPENSES (Expenditure During Construction):

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	During 2013-14	As at 31.03.2013
Salaries, Wages, Allowances and Benefits	30,323.93	5,846.38	24,477.55
Contribution to Provident and Other Funds	368.58	-	368.58
Leave Salary and Pension Contribution	2,045.62	374.34	1,671.28
Travelling Exp.	21.39	21.39	-
Medical Exp.	31.13	31.13	-
Welfare Expenses	534.54	41.32	493.22
TOTAL	33,325.19	6,314.56	27,010.63

Disclosures required by AS-15 in respect of provision made towards various employees benefits are made in Note No 2.10

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

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	As at 31.03.2013
Interest on Term Loans	2,589.30	-
Bank Charges/LC Charges	0.56	-
Others-FBT/Service Tax Interest	0.03	-
TOTAL	2,589.89	-

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

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	During 2013-14	As at 31.03.2013
Interest on Term Loans	31,596.76	12,958.18	18,638.57
Bank Charges/LC Charges	25.87	0.34	25.53
Others-FBT/Service Tax Interest	1.54	-	1.54
TOTAL	31,624.17	12,958.52	18,665.65

20) DEPRECIATION EXPENSES:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	During 2013-14	During 2012-13
Depreciation for the year (Transferred to Profit & Loss Account)	724.37	-
Depreciation for the year (Transferred to Expenditure During Construction)	459.16	1,114.18
TOTAL	1,183.53	1,114.18



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

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	As at 31.03.2013
Repairs and Maintenance Vehicle	9.49	-
Repairs and Maintenance Office Equipments	3.16	-
Repairs and Maintenance Plant and Machinery	0.25	-
Repairs and Maintenance Buildings	12.65	-
Repairs and Maintenance Others	0.57	-
Office Expenses	1.50	-
Hospitality and Entertainment Expenses	4.74	-
Meeting Expenses	11.46	-
Communication Expenses	154.19	-
Rent, Rates and Taxes	87.44	-
Consultancy Fees	157.78	-
Annual Technical Support-SAP	281.54	-
Vehicle Running Charges & Insurance Charges	100.49	-
Training Expenses	8.01	-
Fees & Subscription	3.08	-
Electricity & Water Expenses	48.56	-
Printing & Stationary	13.83	-
Books, Periodicals & Newspapers	3.59	-
Freight & Labour Charges	1.17	-
Raising Day Expense	3.68	-
Legal & Professional Charges	9.21	-
Postage & Telegram Expenses	2.19	-
Publicity & Advertisement Expenditure	10.33	-
Expenditure on Transit Camps/Guest House	4.57	-
Business Promotion Expenses	7.00	-
Insurance-Other Assets	0.87	-
TOTAL	941.34	-

22) OTHER OFFICE AND ADMINISTRATIVE EXPENDITURE(Expenditure During Construction):

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	During 2013-14	As at 31.03.2013
Repairs and Maintenance Vehicle	42.13	-	42.13
Repairs and Maintenance Office Equipments	19.29	3.31	15.98
Repairs and Maintenance Plant and Machinery	86.94	0.09	86.85
Repairs and Maintenance Buildings	290.59	31.72	258.87
Repairs and Maintenance Others	77.10	0.72	76.37
Office Expenses	930.79	-	930.79
Hospitality and Entertainment Expenses	144.59	6.80	137.79
Meeting Expenses	28.57	5.30	23.27
Misc Expenses	148.29	2.35	145.93
Communication Expenses	262.91	24.20	238.71
Rent, Rates and Taxes	677.83	93.26	584.57
Consultancy Fees	1,377.26	33.71	1,343.56
Annual Technical Support-SAP	167.56	163.93	3.63
Vehicle Running Charges & Insurance Charges	1,610.76	292.09	1,318.67
Training Expenses	230.79	3.49	227.30
Fees & Subscription	0.70	0.70	-
Electricity & Water Expenses	42.86	42.86	-
Printing & Stationary	20.26	20.26	-
Books, Periodicals & Newspapers	4.14	4.14	-
Freight & Labour Charges	0.32	0.32	-
Prepaid Expenses	1.16	1.16	-
Raising Day Expense	1.36	1.36	-
Legal & Professional Charges	24.57	24.57	-
Postage & Telegram Expenses	1.28	1.28	-
Publicity & Advertisement Expenditure	9.52	9.52	-
Expenditure on Transit Camps/Guest House	1.24	1.24	-
Business Promotion Expenses	410.77	47.14	363.63




Land Acquisition Expenses	3.36	3.36	-
LADA	3,111.29	3,111.29	-
Relief and Rehabilitation Costs	3,560.44	3,560.44	-
Environmental and Ecology exp.	6,087.70	6,087.70	-
CAT Plan	8,089.43	8,089.43	-
Study and Research	12.13	12.13	-
Survey & Investigation	8,250.09	8,250.09	-
Preliminary expenses	166.67	166.67	-
Consumables Stores	4.70	4.70	-
TOTAL	35,899.39	30,101.33	5,798.06


Indirect Expenditure during construction period on Survey and Investigation, LADA, Relief & Rehabilitation, environment & ecology, administrative expenses of the Projects has been taken as "Incidental Expenditure during construction" and grouped/carried to capital work in progress.

23) MISCELLANEOUS INCOME:

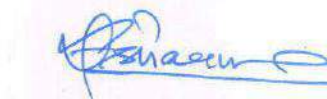
PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2014	During 2013-14	As at 31.03.2013
Transferred to Profit & Loss Account			
Interest on Bank Deposits/FDR's	2,774.01	2,774.01	-
Interest from Banks	24.79	24.79	-
Income from Providing Design Works/Lab Receipts	12.27	12.27	-
TOTAL	2,811.06	2,811.06	-
Expenditure During Construction			
Interest from Banks	13,466.68	-	13,466.68
Interest from Employees	0.16	-	0.16
House Rent Collection from employees/Other recovery	66.48	31.90	34.58
Interest from Govt Departments	38.58	-	38.58
Income from Contractors	653.63	366.41	287.22
Income from Transit Camp/Guest House	1.37	1.37	-
Miscellaneous Receipts	1,024.63	22.36	1,002.27
TOTAL	15,251.53	422.04	14,829.48

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


(Sudershan K. Sharma)
Company Secretary


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


(Amarjeet Singh)
Director (Finance)


(Devendra K. Sharma)
Managing Director

Place: Shimla
Date: 27/03/2015



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


(CA Ashok Kumar Sharma)
Partner
Membership No. 086522

SHARMA RAJEEV & ASSOCIATES

CHARTERED ACCOUNTANTS

19/7, Old Bus Stand, Gandhi Chowk, Hamirpur- 177001, HP
Telephone: 01972-223560 Mobile: 9810359364, 9418073460
Email: ashokkumar_sharma33@yahoo.com

Independent Auditors' Report

To

The Members of Himachal Pradesh Power Corporation Limited
Report on the Financial Statements

We have audited the accompanying financial statements of Himachal Pradesh Power Corporation Limited. ('the Company'), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and the 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

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ('the Act') which shall continue to apply in respect of section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



SHARMA RAJEEV & ASSOCIATES

CHARTERED ACCOUNTANTS

Basis for Qualified Opinion

Non- Current Assets

Fixed Assets and Capital Work-in-Progress

1. The CWIP consist of Road & bridges and Residential Building amounting to Rs. 824.31 Lacs and Rs. 493.35 Lacs respectively which were put to use during August, 2011. The said amounts are being carried under CWIP instead of being capitalized under the respective Non-Current Tangible Fixed Assets; consequently it has resulted in overstatement of CWIP and understatement of Non- Current Assets Tangible Fixed Assets by the above said amounts.

The above qualification has consequential effect on depreciation as well.

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

The amounts accounted as CWIP during the year under audit with respect to machinery purchased under electro mechanical contract at the Project Unit Sainj of the Company, consist of taxes and duties (excise duty) amounting to Rs.317.93 Lac. The said sum has been paid following the contractual terms which provide for reimbursement of applicable taxes and duties paid by the contractor in relation to the outsourced machinery supplied to the Company on production of documentary evidence of payment of duty.

It is observed that, in contravention of above said notification, Company has reimbursed excise duty. The Company has waived the requirement of obtaining documentary evidence with regard to duties, and reimbursed the said amount of excise duty to the Contractor. In absence of documentary evidences, we could not verify the genuineness of reimbursement of the duties of Rs.255.33 Lac.

3. The Non- Current Tangible Fixed Assets consist of 'Lease hold Land' amounting to Rs. 28.28 Lac. acquired on 28.02.2012. The value of the said Lease hold Land is not being amortised by the Company in contravention to AS-6 Depreciation accounting read with AS-19, Leases which requires the amortization of leasehold assets over its useful life. This has resulted in overstatement of Leasehold Land and understatement of CWIP by Rs. 1.88 Lacs.
4. Fixed Assets of Project Unit, Integrated Kashang HEP, of the Company, amounting to Rs.118.69 Lac were damaged due to unprecedented and torrential rain fall during the period 15.06.2013 to 17.06.2013. The Board has accorded consent to write off the assets in meeting dated 25.07.2014.
The provision for loss of fixed assets has not been made. Consequently it has resulted into understatement the loss and overstatement the value of the assets by Rs.118.69 Lac.
5. The company has not provided for liability towards award to land owners to the tune of Rs. 3120.00 Lacs in respect of Renukaji project where Hon'ble high court of H.P.has



SHARMA RAJEEV & ASSOCIATES

CHARTERED ACCOUNTANTS

given the decision. Consequently it has resulted in understatement of Fixed Assets i.e. Land and Current Liabilities by above said amount.

Investments

6. The Company has made an investment of Rs 398.00 Lacs in the equity of Himachal EMTA Power Limited (HEPL) which has been established as Company's joint venture with EMTA for setting up a (2*250 MW) thermal power plant. The Company has 50% equity participation in HEPL.

An event has occurred after balance sheet date which requires review of Investments as per AS -13. The Hon'ble Supreme Court of India (SC) judgment cancelling all allotments coal blocks and terming all captive coal block allocations since 1993 as illegal, the value of Investment in the aforesaid Joint Venture of the Company requires revaluation and provision for long term diminution in value of investment in the books of accounts.

In the absence of any review of value of investment in the Joint Venture done by the Company and estimation of provision to be made, we are unable to quantify the impact of the adjustments, if any, arising from revaluation of investments on the financial statements.

Current Assets, Loans and Advances

7. We draw attention to Note No.2.13, according to which though Company has paid the Income tax Rs.4877.78 Lac as at 31.03.2014 and has also paid penalty of Rs. 943.28 Lac after balance sheet date. The Company has not provided for Income Tax Expense since inception in the books of accounts. Consequently Reserves and surpluses are overstated and Current Liabilities under stated/(alternatively short term loans and advances are overstated) by the provision for income tax Rs.5821.06Lac.
8. The Company has not received confirmation of balance in respect of capital advances, advances to Govt. department, advance to employees and advance to consultant/supplier/contractor amounting to Rs.18652.25 Lac out of aggregate advances of Rs.26940.25 Lac. Due to non-availability of confirmation of aforesaid balance, we are unable to quantify the impact of adjustment, if any, arising from reconciliation and settlement of account balances on the financial statement.
9. The Capital Expenses amounted to Rs.3,563.80 Lac relating to land acquisition, relief & rehabilitation, are land cost but have been accounted for as CWIP. Consequently it has resulted into understatement of Land value and overstatement of CWIP by the above said amount.

Current Liabilities

10. The Current Liabilities consist of Rs. 39.55 Lacs as GPF Liability since the year 2009. The Company is unable to reconcile /identify the beneficiaries of this liability. Consequently. We are unable to comment on the existence of this liability.
11. The Income Tax provisions relating to TDS has not been complied with in relation to payments made to the contractors in respect of services rendered at Project Unit, Sainj of the Company. The Company has not deducted/provided for the payment of TDS Rs.45.62 Lac u/s.194J and Rs.0.56Lac u/s.194C. Consequently the TDS payable is understated by Rs.46,18 Lac.



SHARMA RAJEEV & ASSOCIATES CHARTERED ACCOUNTANTS

12. The Company has not made provision for demand of Entry Tax of Rs. 21.34 Lac and demand for Interest and penalties of Rs.377.66 Lac at Unit Kashang. Consequently, CWIP and recoverable from Contractor are understated by Rs.21.34 Lac and Rs.377.66 Lac respectively and Current liabilities understated by Rs.399Lac.
13. The Company has not received confirmation of balance in respect of the Other Current Liabilities of Rs.9819.96 Lac and Rs.960.96 Lac due to Contractors/suppliers and Government Departments respectively. Due to non-availability of confirmation of aforesaid balance, we are unable to quantify the impact of adjustment, if any, arising from reconciliation and settlement of account balances on the financial statement.

Non- Current Liabilities

14. We draw attention to Note No.2.10 (ii & iii), the Company has been making provision for defined employee benefit in respect gratuity and leave encashment of Rs.1472.27 Lac as at 31.03.2014. The provision is not in compliance with AS 15 which requires actuarial assumptions and estimates. In absence of actuarial assumptions and estimates we are unable to quantify the impact of the adjustments required, if any, in this regard.
15. We draw attention to Note No. 2.15 contingent liabilities are understated by Rs.11696.00 Lac by not taking into account claims of land acquisition cost of Renukaji Dam Project.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects/possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
- ii) In the case of Statement of Profit and Loss, of the loss for the year ended on that date; and
- iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of matter

We draw attention to Note No.2.14, stating that HP Tax On Entry of Goods Into Local Area Act, 2010, department has raised entry tax demand relating to year 2010 to 2014 amounting to Rs. 13,39,84,139/- (including interest & Penalty for Rs.66054395/-) in Sawra Kuddu Unit and Rs.1,80,49,325/- (including interest & Penalty for Rs.66,31,962/-) in Sainj Unit respectively.

The above said liabilities as per contract were supposed to be paid by the Contractors and seek reimbursement from the company. Because of default of the Contractor the company has to deposit the above amounts. At both the Units the Company is going into appeal for waiver of interest and penalty.



SHARMA RAJEEV & ASSOCIATES

CHARTERED ACCOUNTANTS

At Sawra Kuddu HEP, the whole amount of entry tax, interest and penalty have been deposited; however, the contractor account has been debited for recovery of interest and penalty. We do not qualify our opinion in this regard.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (amendment) Order 2004, (the order) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. Except for the effects/ possible effects of the matters described under Basis of Qualified Opinion paragraph, 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. Except for the effects/ possible effects of the matters described under Basis of Qualified Opinion paragraph, 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. Except for the effects/ possible effects of the matters described in the Basis of Qualified Opinion paragraph, the Balance Sheet, Statement of Profit and Loss , and Cash Flow statement dealt with by this report are in agreement with the books of account;
 - d. Except for the effects/ possible effects of the matters described in the Basis of Qualified Opinion paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
 - e. Being a Government Company pursuant to the notification no. GSR-829(E) dated 21.10.2003, issued by Govt. of India, provisions of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, are not applicable to the Company.

For Sharma Rajeev & Associates
Chartered Accountants
Firm Regn.No.10073N



(CA Ashok Kumar Sharma)
Partner
Membership No. 086522
Date: 17th March, 2015
Place: Shimla



SHARMA RAJEEV & ASSOCIATES

CHARTERED ACCOUNTANTS

ANNEXURE TO THE INDEPENDENT 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 2014.

- (i) (a) The Company has generally maintained proper records showing full particulars including quantitative details of fixed assets. However, situation/location of fixed assets is not mentioned in assets register.
(b) The fixed assets have been physically verified by the management during the year. No material discrepancies were noticed on such verification except for fixed assets of Integrated Kashang HEP amounting to Rs.118.69 Lac destroyed due to flood and the same have not been dealt with in the books of accounts.
(c) Substantial part of the fixed assets has not been disposed off during the year.
- (ii) (a) The inventory has been physically verified by the management at reasonable intervals.
(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification.
- (iii) (a) The Company has not granted any loans secured or unsecured to any companies, firms or other parties covered in register maintained under section 301 of the Companies Act, 1956.
In view of the above, the clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the Order are not applicable.
(e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in register maintained under Section 301 of the Companies Act, 1956.
In view of the above, the clauses 4(iii) (f) and 4(iii) (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of inventory and fixed assets and goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.
- (v) (a) According to the information and explanations given to us, during the year under audit there have been no contracts or arrangements which need to be entered in the register maintained under section 301 of the Companies Act, 1956.
In view of the above, the clause 4(v)(b) of the Order is not applicable.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposit from the public under Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956.



SHARMA RAJEEV & ASSOCIATES CHARTERED ACCOUNTANTS

- (vii) The Company has an internal audit system through independent professional firms. In our opinion Internal Audit reports are not as per reporting requirements assigned in scope work. There is a need to enforcing the compliance with scope of work and to ensure uniformity in reporting. There is also a need to timely monitor and taking actions on the report of Internal Auditors.
- (viii) In our opinion and according to information and explanation given to us, the maintenance of cost accounting records under clause (d) of sub-section (1) of section 209 of the Act, as prescribed the Central Government are not applicable as the Company has not commenced commercial operations.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues have generally been regularly deposited with the appropriate authorities and there are no undisputed dues outstanding as on 31st March 2014 for a period of more than six months from the date they became payable except for the followings:

S No.	Statute/Act	Nature of due	Period (Financial Year)	Amt. in Lac (Rs.)
1	H P Tax on entry of goods into Local Area Act 2010,	Entry Tax	2010-2014	665.71
2	H P Tax on entry of goods into Local Area Act 2010	Entry Tax	2011-14	21.34
3	H P Tax on entry of goods into Local Area Act, 2010	Interest	2010-2014	205.00
4	H P Tax on entry of goods into Local Area Act 2010,	Penalty	2010-2014	448.11
5	Income Tax Act, 1961	TDS u/s 194 J	2013-2014	45.62
6	Income Tax Act, 1961	TDS u/s 194 C	2013-2014	0.56

(b) The disputed statutory dues aggregating to Rs.66.31Lac that have not been deposited on account of matters pending before appropriate authorities are detailed below:

S. No.	Statute/Act	Nature of due	Period	Amt. in Lac (Rs.)	Forum before which pending
1.	Entry Tax Act,	Interest	2010-2014	6.35	Addl. Excise & Taxation Commissioner-cum-Appellate Authority
2.	H P Tax on entry of goods into Local Area Act 2010,	Penalty	2010-2014	59.96	-do-

- (x) The Company has accumulated losses of Rs.1932.44Lac. It has incurred cash losses Rs.1208.07 Lac during the financial year covered by our audit. There were no cash losses in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.



SHARMA RAJEEV & ASSOCIATES CHARTERED ACCOUNTANTS

- (xii) According to the information and explanations given to us, Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a Nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanations given to us, the term loans have been applied for the purpose for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investments.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by way of public issue during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) According to the information and explanations given to us and as represented by the Management and based on our examination of the books and records of the company and in accordance with generally accepted auditing practices in India, no fraud has been noticed by us or reported by the Management during the course of our audit.

For Sharma Rajeev & Associates
Chartered Accountants
Firm Regn.No. 10073N



(CA Ashok Kumar Sharma)

Partner

Membership No. 086522

Date: 17th March, 2015

Place: Shimla



**Report to the Directions under section 619(3) (a) of the
Companies Act, 1956
H.P. POWER CORPORATION, SHIMLA
Financial Year 2013-14**

Corporate Governance and Audit Committee

(1) Whether the Company has been listed on the stock exchanges? If yes, the names of the stock exchanges may please be indicated ?. If so, whether the provisions of listing agreement of SEBI are being followed by the Company?	No
(2) Whether the Company has 50% independent directors on their Board as required under SEBI guidelines?	Not applicable.
(3) Whether the Company has formed an Audit Committee in compliance with Section 292A of the Companies Act, 1956. If not, indicate the extent of non-compliance?	Audit committee exists, consisting of three members i.e. Principal Secretary (Finance) , Principal Secretary (MPP & Power) and MD of the Company.
(4) Whether Audit Committee has discussed the qualifications made in the Auditor's report as well as important comments, audit paras of Government Audit and has given recommendations for taking appropriate corrective action in the next year's accounts?	No
(5) Whether the Audit Committee has examined the replies to paragraphs, mini reviews, sectoral reviews, comprehensive appraisals, etc included in various Audit reports of the C&AG before their submission to Government Audit / Committee on Public Undertakings?	No
(6) Whether the Audit Committee has reviewed and discussed with the Management, and the internal and external auditors, the adequacy and effectiveness of the accounting and financial controls, including the Company's financial and risk management policies?	No, however, the annual accounts for 2013-14 have been considered and recommended for approval of the Board on 27.01.2015.
(7) Whether the Board of Directors (BOD) has reported in the Director's Report to the shareholders compliance to their responsibility statement under section 217(2AA) the Companies Act, 1956?	Yes, it is being complied.
(8) Whether CEO/CFO certificate has been obtained in terms of listing agreement?	Not applicable.

Business Risk.

Comment on:

(1) Any new Statutory or Regulatory requirement or change in Government policy that could impair the financial stability or profitability of the entity.	No new regulatory /statutory provisions come in place during the year which has adverse impact on financial stability and profitability of the Company. An event has occurred after reporting date which suggests that the investment by the Company in joint venture M/s Himachal EMTA Power Ltd. of Rs.398.00 lac as at 31.03.2014. The value of this investment has been impaired, keeping in view the decision of Hon'ble Supreme Court with respect to de-allocation of coal blocks.
(2) Unusually rapid growth if any, especially compared with that of other companies in the same Industry.	No
(3) The process used for identification of business risks and steps taken to mitigate it by the Management	There is exist system of identification of business risks through monthly review meetings and necessary steps have been taken to mitigate the risks.
(4) Unrealistically aggressive sales or profitability incentive programs, if any.	The Company is in construction stage , therefore, not applicable.
(5) The system of making a business plan, short term/long term & reviews of the same vis-à-vis the actual?	The Company is in construction stage and work in progress is being reviewed to achieve scheduled date of completion.
(6) The capital expenditure/capital invested not put to use.	No such observation come across during our audit.
(7) The cost benefits analysis of major capital expenditure/ expansion including IRR and pay back period.	During period under audit, no new major capital expenditure or expansion taken place.



(8) The existence of Macro, Sector and Operation threats that could drive fundamental changes in business model. Indicate in brief.	At the Project Unit Integrated Kashang. of the Company, the work of Kiran Khud Tunnel stage II & III is on hold due to environment clearance not being received. It may adversely affect the project operations.
Disinvestment (if applicable)	
(1) What is the mode of disinvestment (i.e. Trade sale, Management & Employees Buy Out, Mass privatization, Public auction, Flotation, Liquidation, Private placement).	Not applicable.
(2) What is the present stage of disinvestment process?	Not applicable.
(3) If the company has been selected for disinvestment, please report: (a) Has the company accounted for all its assets (including intangible assets), liabilities, income, and expenditure as per the requirement of relevant Accounting Standards and nothing is left out of books? (b) Whether the assets of the company, especially land, valued at nominal cost has been revalued keeping in view the fair market rate for consideration of the net worth of the Company for the purpose of sale? (c) Whether the committed reserves and general reserves created over the years are disclosed distinctly? If utilization of general reserves is substantial, specify the conditions of utilization and whether these conditions are covered under the byelaws/articles of the Company and provisions of the Companies Act, 1956? (d) Whether any investment was made by the Company during the process of Disinvestment? If so, whether such investments were in the interests of the company or did they have the effect of extending undue advantage to the Bidders?	Not applicable. Not applicable. Not applicable. Not applicable.
System of Accounts & Financial Control	
(1) Whether the allocation of duties and responsibilities including the delegation of powers at various levels of management is fair/proper/justifiable and the same have been adequately defined?	The BODs in its meeting held on 01.12.2008 has made delegation of Powers to the Managing Director with powers to sub delegate. Accordingly, the MD had further sub-delegated the powers to the various functionaries of the Company., and thereafter, no review of powers have taken place. However, the MD is delegating powers from time to time as and when needed.
(2) Examine the systems of accounts & Financial Control being followed by the company and give your views as regards their deficiencies along with suggestions for remedial measures?	<p>1) The Company has adopted SAP ERP system . It is observed that Head Office as well as Project Units are making manual accounting transactions instead of System generated transaction. The POs and BOQ , receipt of Materials / service are not mapped /entered in the system resulting in to manual payments to the Vendors instead of Payments through System. In order to reap the advantage of SAP System of Accounting manual payments should be not be allowed or exceptionally allowed with appropriate authority.</p> <p>2) The payments made to employees on account of Imprest are not debited to employee account instead directly debited to the Expense Account, which is against the generally accepted accounting principles in India (that debit should be made to the person whom payment is made).</p> <p>3) The Payments are processed manually instead of being routed through SAP ERP system.</p>



<p>(3) Please report which of the accounting policies adopted by the Company are not in conformity with the accounting policies applicable to the the same sector, particularly the Government Companies. What is the impact of such policy on the accounts.</p>	<p>The Company has been charging depreciation as per the Companies Act schedule XIV, whereas the accounting manual of the Company (para 2.07) states that since the rates and methodology notified under the Electricity Act, 2003 are inconsistent with the rates given in Schedule XIV of the Companies Act, 1956 and the former being special Act, the former shall prevail over the rates notified under Schedule XIV of the Companies Act by virtue of Section 616(c) of the Companies Act, 1956. It has its impact on valuation of fixed assets and determination of tariff rates.</p>
<p>(4) Notes to Accounts, qualifications in Auditor's Report and comments of the C&AG may be reviewed for the last 3 years and state whether the Management has taken rectificatory action?</p>	<p>We have reviewed the compliance to the observations of CAG in the Supplementary Audit report and found that rectification entries have been passed in the books of accounts except the qualification stated under para no.3 for the financial year 2012-13, wherein, CWIP of an amount Rs. 7.22 crore pertaining to residential building had to be capitalised. This has been capitalised to the extent of Rs.4.29 crore and amount remaining for capitalization is Rs.2.93 crore. Therefore, the management has taken partial rectification action.</p>
<p>(5) Whether the Company has a clear credit policy, policy for providing for doubtful debts/write offs & liquidated damages? Analyse the reasons such as noncompletion of performance tests, litigation, retention sale, etc. for significant sundry debtors and report thereon.</p>	<p>The system exist for no such transaction.</p>
<p>(6) Please report whether the system of giving discount to promote sales is fair? Whether the instructions for allowing discount are issued in writing and communicated properly to sales outlets?</p>	<p>Not applicable.</p>
<p>(7) Examine and indicate whether the company has a system of monitoring the timely recovery of outstanding dues? Highlight the significant instances of failure of the system, if any.</p>	<p>Not applicable.</p>
<p>(8) What is the system of obtaining confirmation of balances from debtors/ creditors and other parties? Indicate separately the amount of balances remained unconfirmed from Government Departments/PSUs and Private parties and their percentage to total amount under each head.</p>	<p>The Company has received balance confirmations, except the following unconfirmed balance: * Contractors- Rs.7749 Lac out total advances Rs. 13897.28 Lac to Contractors * Govt Advances Rs.539 lac out of total Rs.13042.97 Lacs Govt Advances as at 31.03.2014.</p>
<p>(9) Please report whether there are any cases of waiver of debts/loans/interest etc., if yes, the reasons therefor and the amount involved.</p>	<p>No</p>
<p>(10) Is there an adequate system of timely lodging of claims with outside parties? Whether the claims are properly monitored?</p>	<p>There is no claim lodged against any contractor as on 31.3.2014. However, M/S. Aban Coastal JV has abandoned the contract work and Company has not lodged claim for liquidated damages as per Contract term and conditions.</p>
<p>(11) Whether the credit obtained (including overdrafts) is monitored regularly and the terms of loans are not such that they have a negative impact on the earnings of the company. Examine the system of effective utilization of loans & the system of obtaining statutory benefits.</p>	<p>The Company has availed loan from Govt. of H.P. Loan under International Financing scheme of hydel projects.It has also availed loan PFC Ltd, the terms and conditions of theses loan are not adverse to the interest of the Company. It has not availed exemption of excise duty, at Sainj Project, vide 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.</p>



(12) Whether any incidence involving improper use or wastage of funds was noticed.	It is observed that in case of M/s. Voith hydro Ltd. as per contract para 9 appendix 1a, all the tax and duties shall be reimbursed against production documentary proof of having paid the duties on their outsourced purchases. In contravention of contractual term & conditions it observed that during the period under audit Unit has reimbursed excise duty to the contractor without having obtained documentary proof whether duty was paid by the contractor on outsourced purchases. The amount of duty reimbursed is of Rs.317.93Lac. Therefore, we could not verify the genuineness of reimbursement of the duties in relation to machineries purchased and accounted under CWIP.
(13) Examine and comment upon the reasonableness of assumptions made by the Actuary in providing for employee benefits as per Accounting Standard 15.	The Company has been making provision for defined employee benefit in respect gratuity and leave encashment, which needs to be calculated as per AS-15 with actuarial assumptions and estimates. In absence of actuarial report correct amount of provision can not be ascertained.
(14) Whether work flow and document flow is in place to ensure proper controls and systems commensurate with the delegation of work?	Yes
Fraud/Risk	
(1) Whether the company has an effective and delineated fraud policy consistent with regulatory requirements as well as the entity's business needs?	The company has not adopted any effective and delineated fraud policy.
(2) Whether the Company has formulated 'code of conduct' for senior management?	No such code of conduct exist in the Company. However, being state owned, the CCS conduct rules are applicable.
(3) How the company has dealt with reported frauds and what are the remedial measures taken for preventing recurrence?	No case of fraud noticed by the management as per confirmation given to us.
(4) Are there any cases of violation of delegated Financial Powers during the period under report, which warrants "in-depth audit"? If yes please give a list of such cases.	No
(5) Does the Company have separate Vigilance Department/Wing? To what extent is it effective in its duty and whether its reports are submitted to the Board?	No
(6) Whether the Management has designed and put in place an adequate Prevention and Detection Controls to prevent, reduce and discover the fraud and other irregularities?	No specific system is in place in this regard.
(7) Whether the Company has 'whistle blowing' policy?	No
(8) Whether the fraud policy has been periodically reviewed and evaluated to determine whether it was designed and implemented to achieve optimal effectiveness?	No policy exist, therefore, no review.
Assets (including Inventory)	
(1) What is the position regarding maintenance of records such as fixed assets register, etc.?	Yes maintained.
(2) Whether the company has prescribed the following in regard to the management of stores: (a) Maximum and minimum limits of stores and spares etc. (b) Economic order quantity for procurement of stores.	Company is in implementation stage, therefore no such policy is in place. No store held by company. Not applicable.
(3) Whether ABC analysis has been adopted to control the inventory? If not, impact	Not applicable.



(4) Whether regulations made for the purposes of control over stores, including stock taking and valuation of stock, stores, & work-in progress at the end of the financial year are adequate and duly enforced?	Yes
(5) Whether the work in progress contains any item, which has remained under work in progress, for an unduly long time? Attach a list of such items indicating amount, period of pendency and reasons.	No long pending CWIP item observed, except for tunnel work at Project Unit Kashang of the Company where work has been stopped due environmental issues.
(6) Examine and comment on the system of physical verification, valuation, treatment of non-moving & slow moving items, their disposal & abnormal excess & shortages in respect of closing stock items.	The Company has non moving stores of Rs. 50.83 lacs which need to identified for its usefulness to the Company.
(7) Examine and comment on the system of valuation of fixed assets, survey-off procedure & provision for assets & specific capital spares surveyed-off.	Fixed assets are physically verified and required action are being taken. However, location of assets is not recored in assets register.
(8) List out the surplus/obsolete/ non-moving items of stores, raw material, finished goods lying unused at the end of last 3 years.	No obsolete store identified by the Management.
(9) Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities?	Not applicable.
(10) Are there any lapses in the internal control system right from ordering till the consumption of stores? If yes, the same may be highlighted.	Stores are not held by the Company.
(11) List out the assets and Plant & Machinery items, which have not been in use over a considerable period of time (say 5 years) and the reasons thereof.	No such idle Plant & Machinery noticed.
(12) Whether there are instances of huge losses incurred due to sale of goods at prices lower than the prevailing market prices; citing poor quality as a reason, immediately subsequent to the balance sheet date?	Not applicable.
(13) Whether the norms for storage losses have been fixed? What is the basis on which storage losses are regularized? Indicate the abnormal storage losses suffered during the year under audit and amount realized there against.	Not applicable.
(14) Demurrage/Wharf age incurred during the year and reasons thereof.	No
(15) Whether the company has conducted physical verification of Fixed Assets during the year and a formal report is being prepared for the same?	Yes
(16) Whether there is a policy to review and implement impairment of assets?	No review of assets from impairment point is being done at Company.
Investment	
(1) Whether the company has laid down an investment policy duly approved by the competent Authority? If yes, please indicate the following:	No
(a) Is it in accordance with the provisions of Section 292 of the Companies Act, 1956 and other laws, rules and regulations, Government directives applicable to the company?	Yes
(b) Whether the investments made were judicious and in accordance with the investment policy?	No investment exist except in Joint Venture as explained in para (c).



(c) Is the shortfall in market value of the current investment and permanent diminution in the value of long-term investments reflected in the books? If not, describe the failure.	<p>The Company has made an investment of Rs 398.00 Lacs in the equity of Himachal EMTA Power Limited (HEPL) which has been established as Company's joint venture with EMTA for setting up a (2*250 MW) thermal power plant. The Company has 50% equity participation in HEPL.</p> <p>In view of the Hon'ble Supreme Court of India (SC) judgment terming all captive coal block allocations since 1993 as illegal, the value of Investment in the aforesaid Joint Venture of the Company should be revalued and provision for long term diminution in value of investment should be provided for in the books of accounts. In the absence of any revaluation of investment in the Joint Venture done by the Company and estimation of provision to be made, we are unable to quantify the impact of the adjustments, if any, arising from revaluation of investments on the financial statements.</p>
(2) Whether the deposits with banks/financial institutions and others have been in accordance with laws, rules, regulations, Government directives, etc., as applicable.	Yes
(3) Whether there has been grant of large loans to or placement of deposits with other PSUs or enterprises not related with the business of the Company.	No
(4) Whether the company has significant investment in an industry or product line noted for rapid change?	No
(5) Whether the investments made in the subsidiaries have been valued properly keeping in view the financial position of the subsidiary? If not, extent of diminution in the value of investments.	Not applicable.
(6) Whether any surplus funds are invested? Is there any effect on availability of funds for working capital because of investments leading to borrowings at higher rates?	No
(7) How often market value is reviewed and whether profits are made on sale of investments?	Not applicable.
Liabilities and Loans	
(1) Give the total amount of loans (including interest, penal interest, & commitment charges separately) where defaults were made in repayment as at the end of the accounting period.	No
(2) Whether guarantee fee payable to the Government of India as per terms of loan agreement had been accounted for properly?	No
(3) Whether any part or whole of the Loans from Government and/or interest accrued thereon have been either converted into equity or waived by the Government; if so, its impact on the financial position of the Company.	No
(4) Are the terms of the loan agreements such that they make the entity especially vulnerable to changes in the interest rates?	Not applicable.
(5) Check the loan profile of the Company to find out whether the high cost debts were swapped with low cost market borrowings.	Not applicable.
(6) Whether there have been receipts of large loans from other PSUs or enterprises not related with the business of the Company.	Not applicable.
(7) Whether any study was conducted to avail any other instruments or derivatives instead of high cost loans?	Not applicable.
Award & Execution of Contracts	
(1) Whether company has devised a proper system of tendering for awarding of various contracts?	Yes
(2) Whether the company has an efficient system for monitoring and adjusting advances to contractors/suppliers.	Yes



(3) Whether the Company has settled all the issues viz. Performance Guarantee (PG) Tests, recovery of Liquidity Damages (LDs) and final payments etc. soon after the commissioning of the Project? Are there any cases of inordinate delay without sufficient justification?	The Projects are constructions, therefore, not applicable.
(4) Whether there are any disputes/claims unsettled for a long time?	During the Year under audit, Contractor M/S. Aban Coastal JV has abandoned the contract. The Company has finally terminated the contract but not yet enforced contract clause for the damage suffered due contract abandoning.
(5) What is the procedure followed by the Company for purchasing proprietary items? What is the procedure for ascertaining the authenticity of the propriety items certificate given by an official based on which tendering is not resorted to and goods are purchased from a particular supplier?	The Company has not purchased proprietary item during the year.
Costing Systems	
(1) Whether the Company has any cost policy?	No
(2) Are the cost accounts being reconciled with financial accounts?	No
(3) Whether the company is computing the cost of major operations, jobs, products, processes and services regularly? If not, describe the failures.	No
(4) Whether the company has an effective system for identification of idle labourhours and idle machine-hours?	No
(5) Was cost audit ordered in the case of the company? If so, highlight the major deficiencies pointed out in the latest cost audit report.	No
(6) Examine the accounting treatment of rejects & scraps for determination of cost of production. State the impact of bye products and joint products in determining costs.	No
(7) Whether there is any system to evaluate the abnormal losses and taking remedial measures to control such losses?	No
(8) What is the method being followed by the company to charge overheads? How is the overhead rate being arrived at? In case of cost plus contracts, are the overheads being recovered completely or not?	No
Internal Audit System	
(1) Whether the Company is having Internal Audit section manned by staff of their own or whether the Company has hired the services of CAs as Internal Auditors? Give your comments on the Internal Audit System stating whether its reporting status, scope of work, level of competence, etc. are adequate? If not, describe the shortcomings thereof. Is there an adequate compliance mechanism on internal	The Company has hired the services of CAs firms as Internal Auditors. The Internal Audit reports of the Project Units of the Company are not in uniform format and do not cover the scope internal audit assigned by the management. The monitoring of Internal Audit report and taking action their on is not time bound and adequate to serve the purpose of Internal Audit.
(2) Whether internal audit standards/manual/ guidelines have been prescribed and they are in practice?	The internal audit standards/manual/ guidelines have been prescribed, but not followed.
(3) Whether Internal Audit Reports were discussed by Audit Committee?	No
(4) Whether internal audit is independent and reports directly to the Chairman/Head of the Company?	Yes
(5) If internal audit is outsourced then whether the selection process is fair and transparent?	Yes
(6) Whether entities which are not under the jurisdiction of the professional institute are being given the work of internal audit?	No
(7) Does the Internal Audit report contain any serious irregularity which needs immediate attention of management/Government?	No
(8) What is the total impact of all shortcomings/deficiencies pointed out in the latest Internal Audit Report and pending for compliance as on date?	As on date there is no unrectified deficiency.
(9) Whether mistakes/shortcomings pointed out in the latest report is of the same kind/type as pointed out in earlier reports?	Yes



Legal/Arbitration Cases:	
(1) Number of pending legal/arbitration cases indicating the age-wise analysis and reasons for their pendency.	As per List Attached.
(2) Details of new cases and cases settled during the year.	As per above said.
(3) Whether any norms/procedures exist/proposed to be laid down for large legal expenses (Foreign & Local) incurred/to be incurred.	Legal department take up the cases and receives on behalf Company, with permission of appropriate authority, at present MD, cases are handed over to the empanelled Lawyer.
(4) Is there any system to ensure proper documentation (like maintaining minutes if the meetings, foreseeing contingencies, foreign exchange fluctuations etc.) before Agreement with foreign parties as well as Indian parties?	No system exist to foresee contingencies or foreign exchange fluctuations.
EDP Audit	
(1) Whether the organization has an approved IT strategy or Plan?	The Company does not have an approved IT strategy or Plan in place.
(2) If the auditee has computerized its operations or part of it, assess and report, how much of the data in the company is in electronic format, which of the major areas such as Financial Accounting, Sales Accounting, Personnel information, Payroll, Materials / Inventory Management, etc. have been computerized.	The Company has implemented SAP-ERP system during the year under audit. The areas like Financial Accounting, material management and inventory, Personnel information, Payroll though implemented through ERP system but in practice most of the transactions are entered manually through FI entries.
(3) Indicate how this impacts on your work of auditing the Accounts and whether your audit is through or around the computer.	We have taken care of the EDP environment prevailing in the Company while conducting our audit . The audit work was partially through and partially around the computer system.
(4) Has the company evolved proper security policy for Data/Software/Hardware?	Yes
(5) Identify the areas in which the auditor is of the view that the built-in-checks and validations in the computer environment are not adequate or were not being exercised with proper authority?	Built in check are required in areas of Contracts where the term and conditions of the contracts are required to be entered in the system, so that payment to contractors, processing of theirs bills are routed through system. Though system is in place, end Users must exercise all the checks and balances while entering information. The PO and other Service Contracts must be SAP configured. FI transaction should be exceptional and with proper Authority.
(6) Comment on any problem faced in extracting information from computer files due to lack of backup of past records or due to record corruption. Is there a document retention policy?	No such problem faced. The Documentation retention policy is not in place as of now.
(7) Whether any software is unutilized or underutilized due to lack of trained staff or any proper operating manual/documentation etc?	Yes- SAP is being underutilized due lack of training and interest of the employees. It should be mandatorily at all levels in the Company to use and reap full advantage of System
(8) Comment whether changes made in the software have the approval of Management and the same has been documented properly and the lead time given to the staff to get accustomed to it before making it fully operational?	Changes in software are being authorized at appropriate level of management. The Company may also go for Business re engineering to develop best practices for its operations.
(9) Whether the BOD is briefed regularly about the new IT Strategy, if any, proposed to be incorporated for the Company as a whole, for which large funds are sanctioned. This is particularly relevant to organizations where the entire IT activity is to be made online in due course.	During the year no new IT Stratgy introduced or discussed in Board.
(10) Whether the systems department is responsible for both hiring/buying EDP equipment Hardware & Software and also certifying their 'usability' before final payment (both functions should be separate with the user departments involved in the latter).	Yes
(11) Whether the company has detailed/comprehensive list of all reports/statements which can be generated by the system in use?	Yes



(12) Whether there is an effective IT Steering Committee?	Yes- During the year no IT steering Committee meeting taken place.
(13) Whether there exists effective disaster recovery plan for EDP Department which is periodically reviewed and evaluated?	The Company has framed the disaster recovery plan. Though no review of disaster policy taken place.
(14) Whether any of the findings and recommendations noted in the EDP Audit Report was considered significant and whether the issues were satisfactorily resolved?	No EDP Audit taken place since installation System.
Environmental Management	
Compliance of the various Pollution Control Acts and the impact thereof and policy of the company in this regard may be checked and commented upon.	Pollution Control Acts is being adhered to, Chief Environment Specialist has been appointed in the Company.
Corporate Social Responsibility	
(1) How is the company discharging its Corporate Social Responsibility?	The draft CSR Policy is under process of CSR committee.
(2) Whether any Board approved policy is in place and is being properly followed?	Not applicable.
(3) Whether there is a system of fixation of targets for CSR activities?	Not applicable.
(4) Whether adequate mentoring mechanism exists for implementation of CSR activities?	Not applicable.
General	
(1) Indicate whether the company has entered into a Memorandum of Understanding with its administrative ministry? If yes, have the targets in MOU been split unitwise? If so, attach a unit-wise statement of targets and achievements against the parameters in MOU.	The MOU - (project agreement for four tranches) exists as tripartite agreement amongst Asian Development bank, Govt. of H.P. and Company. Tranches wise targets are fixed every year. Copy has been attached- Annexure-II
(2) Whether contribution of employer and employee to Provident Fund is kept separately out of business and proper safeguard of the same is taken care of?	This is managed through Regional Provident Fund Commissioner.
(3) Does the company present a case for energy audit? If yes, has the audit been conducted by a specialised agency?	No
(4) Where land acquisitions is involved in setting up new projects an enquiry as to whether settlement of dues and rehabilitation of those affected are being done expeditiously and in a transparent manner to ensure that the benefits go to the really affected people and is not diverted to agents and intermediaries including political parties.	Yes, being done expeditiously.
(5) Whether the Company has done any mergers and acquisitions during the year? Whether a thorough need analysis was done before Merger or acquisition? Whether shareholders acceptance was taken before decision on merger/acquisition was arrived at? What was the impact thereof on the profitability of the Company?	No
(6) If test checking was applied by statutory auditors, the manner in which areas of checking have been identified may be specified. Extent of sample selected and methodology of sampling adopted may also be specified.	We have used random sampling basis of verification to gain an overall view of the whole volume of transactions.

Place: Shimla

Date: 17/03/2015



For Sharma Rajeev & Associates
Chartered Accountants

CA Ashok Kumar Sharma)

Partner

Membership No. 086522

FRN No.010073N

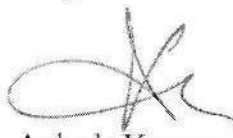

SHARMA RAJEEV & ASSOCIATES
CHARTERED ACCOUNTANTS

*Telephone: 01972-223560 Mobile: 9810359364, 9418073460 Email:
ashokkumar_sharma33@yahoo.com*

Compliance Certificate

We have conducted the audit of accounts of Himachal Pradesh Power Corporation Ltd. for the year ended 31st March, 2014 in accordance with the directions/sub-directions issued by the C&AG of India under Section 619 (3) (a) of the Companies Act, 1956 and certify that we have complied with all the directions/sub-directions issued to us.

For Sharma Rajeev & Associates
Chartered Accountants
Firm Regn.No.10073N

(CA Ashok Kumar Sharma)

Partner

Membership No. 086522

Date: 17th March, 2015

Place: Shimla

Replies to the Statutory Auditor's report on the Accounts for the year ended on 31st March, 2014

Point No.	Auditor's Report	Reply
Basis for Qualified opinion		
1	The CWIP consist of Road & bridges and Residential Building amounting to Rs. 8,24,31,000.00 and Rs. 4,93,35,026.00 respectively which were put to use during August, 2011. The said amounts are being carried under CWIP instead of being capitalized under the respective Non-Current Tangible Fixed Assets; consequently it has resulted in overstatement of CWIP and understatement of Non-Current Assets by the above said amounts. The above qualification has consequential effect on depreciation as well.	The capitalization of Roads and residential buildings will be done in the current FY after obtaining completion certificate from the concerned authority. However it has no impact on the P&L account of the Corporation.
2	The notification No. 108/95-CE ,dated 28.08.1995, provides that the goods supplied to projects, financed by the World Bank, Asian Dvelopment Bank or any International Organization and approved by the Govt. of India shall be exempted from the whole of the Excise duty /additional excise duty leviable thereon. The amounts capitalised in CWIP during the year under audit with respect to machinery purchased from Contractor at Unit Sainj-Electro-mechanical, consist of taxes and duties (excise duty) amounting to Rs. 317.93 Lac. The said sum has been paid following the contractual terms which provide for reimbursement of applicable taxes and duties paid by the contractor in relation to the outsourced machinery supplied to the Company on production of documentary evidence of payment of duty. It is observed that in contravention of above said notification Company has reimbursed excise duty. The Company has waived the requirement of obtaining documentary evidence with regard to duties and reimbursed the said amount of excise duty to the Contractor without having obtained documentary evidences, we could not verify the genuineness of reimbursement of the duties of Rs. 255.33 Lac in relation to machineries purchased and accounted under CWIP.	The reimbursement of the Excise Duty has been discontinued.
3	The Non- Current Tangible Fixed Assets consist of 'Lease hold Land' amounting to Rs. 28.28 Lacs. The value of the said Lease hold Land is not being amortised by the Company in contravention to the generally accepted accounting policies which requires the amortization of lease hold assets over its lease/useful life.	The land was transferred by the HPSEBL to the HPPCL. It will be ammortized during the current year after getting information about useful life of land from HPSEBL.
4	Fixed Asset of Project Unit, Integrated Kashang HEP amounting to Rs. 1,18.69 Lacs damaged at various sites of the project due to unprecedented and torrential rain fall during the period 15.06.2013 to 17.06.2013. The Board has accorded consent to write off the assets in meeting dated 25.07.2014. The provision for loss of fixed assets has not been made, consequently it has resulted into overstatement the profit and the value of the assets by Rs. 118.69 Lacs.	The transaction has been recorded in the current year.
5	The company has not provided for liability towards award to land owners to the tune of Rs. 3120.00 Lacs in respect of Renukaji project where Hon'ble high court of H.P. has given the decision. Consequently it has resulted in understatement of Fixed Assets i.e. Land and Current Liabilities by above said amount.	Since the matter is subjudice, the amount under reference will be taken in contingent liabilities during financial year 2014-15.
Investments		

Point. No.	Auditor's Report	Reply
6	<p>The Company has made an investment of Rs 398.00 Lacs in the equity of Himachal EMTA Power Limited (HEPL) which has been established as Company's joint venture with EMTA for setting up a (2*250 MW) thermal power plant. The Company has 50% equity participation in HEPL.</p> <p>An event has occurred after balance sheet date which suggest revaluation of Investments as per AS -13. The Hon'ble Supreme Court of India (SC) judgment cancelling all allotments coal blocks and terming all captive coal block allocations since 1993 as illegal, the value of Investment in the aforesaid Joint Venture of the Company requires revaluation and provision for long term diminution in value of investment in the books of accounts.</p> <p>In the absence of any revaluation of investment in the Joint Venture done by the Company and estimation of provision to be made, we are unable to quantify the impact of the adjustments, if any, arising from revaluation of investments on the financial statements.</p>	The matter is under consideration and decision on revaluation will be taken accordingly in due course.
Current Assets, Loans and Advances		
7	<p>We draw attention to the Note No. 2.13 according to which though Company has paid the Income Tax Rs. 4877.78 lacs as at 31.03.2014 and has also paid penalty of Rs. 943.00 lacs after balance sheet date. The company has not provided for Income Tax expense since inception in the books of accounts. Consequently, Reserves and Surpluses are over stated and current liabilities under stated by the provision for income tax Rs. 6325.08 lacs (current year Rs. 402.72 lacs, penalty Rs. 943.28 lacs and earlier years income tax Rs. 4979.08 lacs.)</p>	The matter is subjudice and the action will be taken after the verdict of the Honourable Court.
8	<p>The company has not received confirmation of balance in respect capital advances, advances to Govt. department, advance to employees, advance to consultant/supplier/contractor amounting to Rs. 18652.25 Lacs out of the aggregate advances of Rs. 26940.25 Lacs. Due to non-availability of confirmation of aforesaid balance, we are unable to quantify the impact of adjustment, if any, arising from reconciliation and settlement of account balances in the financial statement</p>	Balance confirmation from major debtors has been obtained and from the rest of debtors the process of obtaining the balance confirmation is continued.
9	<p>The Capital Expenses amounted to Rs. 3563.80 Lacs relating to land acquisition, relief and rehabilitation are land cost but have been accounted for as CWIP. Consequently it has resulted into understatement of land value and overstatement of CWIP by the above said amount.</p>	The AG HP in its report on accounts for the FY 2012-13 has commented to account for such expenditure under the head capital work in progress instead of land cost. Accordingly such expenditure are recorded under the head capital work in progress.
Current Liabilities		
10	<p>The Current Liabilities consist of Rs. 39.55 Lacs as GPF Liability since the year 2009. The Company is unable to identify the beneficiaries of this liability.</p>	The liability was transferred from M/S KKPCCL at the time of amalgamation, the matter is being looked in.
11	<p>The Income Tax provisions relating to TDS has not been complied with in relation to payments made to contractors in respect of services rendered at Sainj HEP project site of the Company. The Company has not deducted/provided for the payment of TDS Rs. 45,62,993.00 u/s 194J and Rs. 55,549.64 u/s 194C. Consequently the TDS payable is understated by Rs. 46,18,543.00.</p>	The point is noted and observations have been conveyed to all the locations.

Point. No.	Auditor's Report	Reply
12	The Company has not made provision for demand of Entry Tax of Rs. 21.34 Lac and demand for Interest and penalties of Rs.377.66 Lac at Unit Kashang. Consequently, CWIP and recoverable from Contractor are understated by Rs.21.34 Lac and Rs.377.66 Lac respectively and Current liabilities understated by Rs.399Lac.	Since the matter is subjudice, the amount under reference will be taken in contingent liabilities during financial year 2014-15.
13	The Company has not received confirmation of balance in respect of Other Current Liabilities of Rs. 9819.96 Lacs and 960.96 Lacs due to contractors/suppliers and Govt departments respectively. Due to non-availability of confirmation of aforesaid balance, we are unable to quantify the impact of adjustment, if any, arising from reconciliation and settlement of account balances on the financial statement	Balance confirmation from major creditors has been obtained and from the rest of creditors the process of obtaining the balance confirmation is continued.
Non-Current Liabilities		
14	We draw attention to the Note No. 2.10 (ii and iii), the company has been making provision for defined employee benefit in respect of gratuity and leave encashment of Rs. 1472.27 lacs as at 31.03.2014. The provision is not in compliance with AS 15 which requires actuarial assumptions and estimates. In absence of actuarial assumptions and estimates we are unable to quantify the impact of adjustments required, if any, in this regard.	Most of the employees are on secondment basis from HPSEBL and other Govt.Deptt. With HPPCL. Their liability on defined employee benefit has been provided on actual basis for which HPPCL is liable to remit. The gratuity in respect of HPPCL employees have been provided as per Gratuity Act 1972.
15	We draw attention to Note No. 2.15 contingent liabilities are understated by Rs.11696.00 Lac by not taking into account claims of land acquisition cost of Renukaji Dam Project.	Since the matter is subjudice, the amount under reference will be taken in contingent liabilities during financial year 2014-15.



भारतीय लेखा तथा लेखा परीक्षा विभाग
कार्यालय प्रधान महालेखाकार (लेखा परीक्षा) हिमाचल प्रदेश, शिमला-171003
(वरिष्ठ लेखा परीक्षा अधिकारी, आर्थिक सेक्टर (आरएओओ) हि0प्र0ख0वि0परि0लि0, विद्युत भवन शिमला-171004)
क्रमांक: आरओओ(आरएओओ0)/हि0प्र0पौ0भ0शु0एल0 / वार्षिक लेखे /2013-14/ 78 दिनांक 24.06.2015

सेवा में

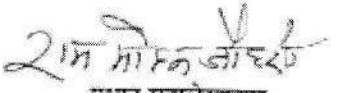
प्रबन्ध निदेशक,
हिमाचल प्रदेश पावर कॉर्पोरेशन लि0,
शिमला- (हि0प्र0)

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

महोदय,

मैं, 31 मार्च 2014 को समाप्त वर्ष के लिए हिमाचल प्रदेश पावर कॉर्पोरेशन लि0, के लेखों के सम्बन्ध में कम्पनी अधिनियम, 1956 की धारा 619(4) के अधीन टिप्पणियां भेज रहा हूं।
कृपया पावती भेजें।

भवदीय,


प्रधान महालेखाकार

संलग्न: उपरोक्त

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF
HIMACHAL PRADESH POWER CORPORATION LIMITED FOR THE YEAR ENDED
31st MARCH 2014**

The preparation of financial statements of Himachal Pradesh Power Corporation Limited for the year ended March, 2014 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 17th March 2015.

I, on the 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, 2014. 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 of the financial statements and the related Audit Report.

BALANCE SHEET

I. Current liabilities

Other Current Liabilities: ₹ 177.53 crore

- (i) The above does not include ₹ 339.34 crore awarded for land acquisition for Renukaji Dam Project constructed by the Company. Therefore "Other Current Liabilities" and "Receivables from Other States" (as the Renukaji Dam Project is funded by Central Government and Other State Governments) are understated to the extent of ₹ 339.34 crore.

(ii) The above does not include amount of ₹ 17.71 crore payable to Himachal Pradesh Electricity Board Ltd. (HPSEBL) as the investigation and survey charges for 13 Hydro Electric Projects allotted to HPPCL. (Above mentioned liability was cleared by the HPPCL in July 2014 by issuing share certificates of ₹ 17.71 crore in favour of HPSEBL). Thus, 'Other Current Liabilities' and 'Capital Work-in-Progress' both are understated by ₹ 17.71 Crore.

2. Notes to the Financial Statements

It had been disclosed vide note No. 2.14 that "H.P. Excise and Taxation department has raised entry tax demand relating to year 2010 to 2014 amounting to ₹1.80 Crore (including interest and penalty for ₹66,31,962/-) for Sainj Hydro Electric Project (HEP) and the company had deposited the amount". But, the Company had paid ₹1.44 crore as payment of entry tax and ₹0.15 crore as penalty and the appeal of Company has been dismissed. The facts had not been disclosed, thus the Notes to the Financial Statements are deficient to that extent.

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


Principal Accountant General (Audit)

Place: Shimla

Date: 24.6.15

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF H. P. POWER CORPORATION LIMITED FOR THE YEAR ENDING 31ST MARCH, 2014.

Sr. No.	Comments of CAG	Reply
1.	Balance Sheet	
	<p>(i) <u>Current Liabilities</u> <u>Other Current Liabilities Rs.177.53 crore</u> The above does not include Rs. 339.34 crore awarded for land acquisition for Renukaji Dam Project constructed by the Company. Therefore "Other Current Liabilities" and "Receivables from Other States" (as the Renukaji Dam Project is funded by Central Government and Other State Governments) are understated to the extent of Rs. 339.34 Crore.</p>	<p>It is submitted that against the total project cost of Rs.2175 Crores at 2006 price level, the Govt. of India and other sharing States have only released a merger amount of Rs.239.83 crores during the last eight years. It is reiterated that it has been declared a project of national importance. The HPPCL has repeatedly taken up the matter of release of the balance funds with the GOI as well as the State Government. Therefore, it may not be appropriate to inflate both assets (Receivable from other States) and current liabilities (Payable to land owners) with a compensating amount. Most importantly, in the absence of any MoU, recording such transactions may make the financial statements confusing.</p> <p>Above all, several cases for compensation are pending decision in the court of law and no firm commitment of release of funds is there from the beneficiaries Governments. Therefore, no liability even contingent liability arises as pointed out by the Statutory Auditors.</p> <p>In view of the above facts, the audit is requested to settle the observation please.</p>
	<p>(ii) <u>Current Liabilities</u> <u>Other Current Liabilities Rs.177.53 crore</u> Above does not include amount of Rs. 17.71 crore payable to Himachal Pradesh Electricity Board Ltd. (HPSEBL) as the investigation and survey charges for 13 Hydel Electric Projects allotted to HPPCL. (Above mentioned liability was cleared by the HPPCL in July 2014 by issuing share certificates of Rs. 17.71 crore in favour of HPSEBL). Thus "Other Current Liabilities" and "Capital Work-in-Progress both are understated by Rs. 17.71 Crore.</p>	<p>After having reconciled the entire account of assets and liabilities taken over in respect of merged companies i.e. KKPCL and PVPCL, the share certificates of balance amount of Rs. 1770.62 lacs were issued in favour of HPSEBL in July 2014. This seems to have been miscorrelated with the investigation and survey charges of 13 HEP's. as the projects, later on, were not handed over or allotted to HPPCL. Hence, the question of issuing share certificates against the expenditure of survey and investigation does not arise.</p> <p>In view of the above facts, the audit is requested to settle the observation please.</p>

2.	Notes to the Financial Statements
	<div data-bbox="326 140 753 867" data-label="Text"> <p>It had been disclosed vide Note No. 2.14 that "H. P. Excise and Taxation department has raised entry tax demand relating to year 2010 to 2014 amounting to Rs. 1.80 crore (Including interest and penalty for Rs. 66,31,962/-) for Sainj Hydro Electric Project (HEP) and the company had deposited the amount". But, the company had paid Rs. 1.44 crore as payment of entry tax and Rs.0.15 crore as penalty and the appeal of the Company has been dismissed. The facts had not been disclosed, thus the Notes to Financial Statements are deficient to that extent.</p> </div> <div data-bbox="774 140 1487 879" data-label="Text"> <p>An amount of Rs. 15,00,000/- was deposited on 15th March, 2014 well before the due date of hearing i.e. 22nd March, 2014, therefore the appeal was admitted by the Dy. Commissioner Excise and Taxation i.e. the Appellate Authority. The appeal was dismissed on 6th February, 2015 by the Appellate Authority cum Dy. Commissioner Excise and Taxation. HPPCL has challenged the decision of Appellate Authority before the Hon'ble Tax Tribunal Himachal Pradesh, that has been admitted. The appeal is yet pending for decision and latest hearing was listed on 4th March, 2015. Moreover, it is the default of the contractor who had not deposited the duty in time, therefore penalty/ interest are to be borne by the contractor only, thus Company has no material financial impact. In view of the above facts, the audit would agree that the "Notes to Financial Statements" are not deficient to any extent.</p> </div>