

HIMACHAL PRADESH POWER CORPORATION LIMITED

Balance Sheet As At 31st March 2016

(Rs in Lacs)

Particulars	Note No	Current Year	Previous Year
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds:			
(a) Share Capital	2.1	151,059.58	135,059.58
(b) Share Application Money Pending Allotment	2.2	7,457.00	4,332.00
(2) Reserves & Surplus	2.3	68,851.67	20,205.30
(3) Non-Current Liabilities:			
(a) Long-Term Borrowings	2.4	174,824.07	171,691.99
(b) Long Term Liabilities	2.5	78,202.54	41,749.00
(c) Long Term Provisions	2.6	3,302.20	2,760.51
(4) Current Liabilities:			
(a) Other Current Liabilities	2.7	84,166.81	27,411.16
(b) Short Term Provisions	2.8	33.11	-
Total		567,896.99	403,209.54
II. ASSETS			
(1) Non-Current Assets:			
(a) Fixed Assets	2.9		
(i) Tangible Assets	2.9.1	31,076.58	30,681.48
(ii) Intangible Assets	2.9.2	45.63	92.25
(iii) Capital Work-in-Progress	2.9.3	421,080.81	300,203.75
(b) Non-current Investments	2.10	337.50	398.00
(c) Long Term Loans and Advances	2.11	29,131.15	25,921.55
(d) Other Non Current Assets	2.12	9,153.25	9,104.68
(2) Current assets:			
(a) Inventories	2.13	21.81	-
(b) Trade Receivables	2.14	-	0.50
(c) Cash and Cash Equivalents	2.15	26,254.05	36,670.02
(d) Short-Term Loans and Advances	2.16	1,000.90	11.91
(e) Other Current Assets	2.17	49,795.31	125.39
Total		567,896.99	403,209.53

Significant Accounting Policies

1

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

For and on behalf of the Board of Directors

(Anil Kumar Sharma)

Dy. G.M. (Finance)

(Sudeshan K. Sharma)

Company Secretary

(Neeraj Kumar)

Director (Finance)

DIN 7351150

(Devendra K. Sharma)

Managing Director

DIN 3147065

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

For Anil Karol and Company

Chartered Accountants

FRN No 4816N



Place: Shimla

Date: 08/04/17

(CA Walia Umesh)

Partner

Membership No. 098287

HIMACHAL PRADESH POWER CORPORATION LIMITED
Statement of Profit and Loss for the year ended 31st March 2016 (Rs in Lacs)

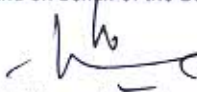
Particulars	Note No	Current Year	Previous
I. Revenue			
Revenue from operations	2.18	-	-
Other Income	2.19	(0.00)	3,042.94
		-	
Total Revenue (A)		(0.00)	3,042.94
Expenses			
Employee Benefit Expenses	2.20	-	421.67
Finance Cost	2.21	(0.00)	2,724.92
Depreciation and Amortization expenses	2.22	-	655.60
Other Expenses	2.23	(0.00)	1,350.73
		-	
Total Expenses (B)		(0.00)	5,152.91
Profit/Loss before extra ordinary items & tax (A+B)		(0.00)	(2,109.97)
Extra Ordinary Items			
Loss of Fixed/CWIP Assets			
Kashang HEP	63.29	(17.92)	-
Sawra Kuddu HEP	0.53		(63.82)
Profit/Loss Before Tax		(17.92)	(2,173.80)
Income Tax			
Current Tax		-	-
Deferred Tax			
Profit/Loss for the year		(17.92)	(2,173.80)

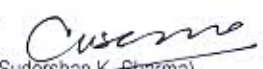
Significant Accounting policies

1

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

For and on behalf of the Board of Directors


(Anil Kumar Sharma)
Dy. G.M. (Finance)


(Sudershan K. Sharma)
Company Secretary


(Neera Kumar)
Director (Finance)
DIN 7351150


(Devendra K. Sharma)
Managing Director
DIN 3147065

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

For Anil Karol and Company
Chartered Accountants
FRN No 4816N



Place: Shimla

Date: 08/02/17

(CA Walia Umesh)
Partner
Membership No. 098287

HIMACHAL PRADESH POWER CORPORATION LIMITED		
(Rs in Lacs)		
Cash Flow Statement for the year ended 31st March 2016		
Particulars	Current Year	Previous Year
(A) Cash flow from operating activities	(17.92)	(2,173.80)
Adjustment for		
Loss of Fixed/CWIP Assets	17.92	63.82
Depreciation	-	655.60
Interest Income	-	(3,042.03)
Finance/Interest Cost	-	2,724.92
Operating profit before Working Capital Changes	(0.00)	(1,771.49)
Adjustment for Increase / Decrease		
Long Term Loans and Advances	(3,209.60)	
Other Non Current Advance	(48.57)	0.05
Inventories	(21.81)	3.22
Trade Receivables	0.50	
Short Term Loans and Advances	(988.98)	(614.44)
Other Current Assets	(6,241.27)	
Long Term Liabilities	26,709.54	11,402.13
Long Term Provisions	541.70	765.72
Other Current Liabilities	37,812.32	10,155.82
Short Term Provisions	33.11	
Cash Generated from Operation	54,586.94	21,712.50
Less: Income Tax Paid	-	(2,594.08)
Net Cash from operating activities	54,586.94	17,346.93
(B) Cash flow from Investing activities		
Net Expenditure on Tangible Assets	(1,385.37)	(11,199.69)
Net Expenditure on Intangible Assets	(0.03)	
Depreciation in CWIP	1,036.91	3,361.48
Expenditure on CWIP*	(120,877.06)	(51,040.82)
CWIP from Deficit Account	3,554.57	
Investment in JV	60.50	
Less: Loss of Fixed/CWIP assets from torrential rain & flood	(17.92)	(63.82)
Net Cash from Investing activities	(117,628.40)	(58,942.86)
(C) Cash flow from Financing activities		
Share Capital	16,000.00	21,102.62
Share Application Money	3,125.00	
Long Term Borrowings -Proceeds	32,399.41	29,112.51
Long Term Borrowings -Repayment	(580.00)	
Capital Grant	(0.00)	
Depreciation on Capital Grant	(27.97)	
Finance Charges less interest earned	-	(11,413.00)
Net Cash from Financing activity	50,916.44	38,802.13
Gross Total (A+B+C)	(12,125.02)	(2,793.80)
Add: Opening Cash and Equivalents	36,670.01	39,463.81
Closing Cash and Equivalents	24,544.99	36,670.01
	12,125.02	2,793.80
	0.00	(0.00)

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

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

(Anil Kumar Sharma)
Dy. G.M. (Finance)

(Sudesh K. Sharma)
Company Secretary

(Nagesh Kumar)
Director (Finance)
DIN 7351150

(Devendra K. Sharma)
Managing Director
DIN 3147065

This is the Cash Flow Statement referred to our report of even date
For Anil Karol and Company
Chartered Accountants
FRN No 4816N



Place: Shimla
Date: 08/02/17

(CA Walia Umesh)
Partner
Membership No. 096287

HIMACHAL PRADESH POWER CORPORATION LTD.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2016

1. Significant Accounting Policies:

1.1 System of Accounting

The financial statements are prepared according to the historical cost convention on accrual basis in line with the generally accepted accounting principles in India and the provisions of the Companies Act, 2013, including accounting standards notified thereunder as amended from time to time.

1.2 Fixed Assets

i) Fixed Assets are stated at historical cost less accumulated depreciation and any impairment in value. Where final settlement of bills with contractors is pending/under dispute, capitalization is done on estimated/provisional basis subject to necessary adjustment in the year of final settlement.

ii) 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.

(iii) Fixed Assets created on land not belonging to the company where the company is having control over the use and access of such assets are included under Fixed Assets.

iv) Capital expenditure incurred on assets not owned by the Company are included under the head fixed assets.

v) Payments made provisionally towards compensation and other expenses relating to land in possession are treated as cost of land.

vi) The assets acquired from grant in aid has been shown at full cost inclusive of any attributable cost there on.

1.3 Capital Work in Progress

i) In respect of supply-cum-erection contracts, the value of supplies received at site/construction store and accepted is treated as Capital Work-in-progress.

ii) Administration and Other General Overhead expenses at the Corporate Office, Design Wing and Projects under Construction / Survey & Investigation attributable to construction of fixed assets are identified and allocated on systematic basis on major immovable assets other than land, infrastructure facilities and bought out items on commissioning of Projects.

iii) Expenditure during construction period relating to Survey and Investigation, LADA, Relief & Rehabilitation, environment & ecology, are treated as "Incidental Expenditure during construction" under capital work in progress and will be allocated to respective fixed assets on completion/construction of the project.

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

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

1.4 Depreciation:



-4-

- i) Depreciation has been provided for on Written down Method on useful life basis and in the manner specified in schedule II of Companies Act, 2013.
- ii) Depreciation on assets till start of commercial production has been shown under 'Incidental Expenditure during construction' under capital work in progress
- (iii) 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.
- (iv) Expenditure on software is recognized as 'Intangible Asset' and amortized fully over three years on Straight Line Method or over a period of its legal rights to use whichever is less.
- v) Leasehold land is amortized pro-rata through depreciation over the period of lease or 32 years, whichever is lower.

1.5 **Grant in Aid**

- i) The Grant in aid received/recoverable from Central and State Governments in respect of cost of the project and other expenses in relation to projects has been shown under Capital Reserve.
- ii) The Depreciation on assets acquired from the grant in aid has been reduced from the capital reserve on year to year basis.

1.6 **Investments**

Non-Current Investments including investment in Joint ventures are valued at cost less provision for permanent diminution in value.

1.7 **Inventories:**

- i) Inventories consist of loose tools and spare parts at project sites and valued at cost or net releasable value whichever ever less.
- ii) Scrap is accounted for as and when sold.
- iii) The diminution in the value of obsolete, unserviceable and surplus stores & spares is ascertained on review and provided for.

1.8 **Foreign Currency Transactions**

- i) Foreign currency transactions are initially recorded at the rates of exchange ruling at the date of transaction.
- ii) Monetary items denominated in foreign currency are restated at exchange rates prevailing on the Balance Sheet date. Non- Monetary items denominated in foreign currency are reported at the exchange rate ruling at the date of transaction.
- iii) Exchange differences, are recognized as 'Incidental Expenditure during construction' in case of projects under construction under Capital Work in progress.

1.9 **Borrowing costs**

Borrowing costs attributable to fixed assets during construction of the projects are capitalized.



1.10 Provision, Contingent Liabilities & Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation because of past events and it is probable that there will be outflow of resources. Contingent liabilities are not recognized, but are disclosed in the notes. Contingent assets are neither recognized, nor disclosed in the financial statements.

1.11 Income

Rental income has been accounted for on receipt basis

1.12 Employee Benefits

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 based on 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.

vi) Provision for leave encashment in respect of HPPCL employees has been provided by taking basic pay plus grade pay plus dearness allowance.

1.13 Miscellaneous

i) Expenses and Capital losses which are not identifiable for bringing the capital assets to its working condition has been charged to the profit and loss account.

ii) Interest received on the short-term parking of funds, has been settled against the cost of loan, received from the State Govt.

1.14 Taxes on Income

- i) No provision for Income Tax for the current year has been made as all generating units of corporation are currently under construction.
- ii) No Provision of tax on current rental income has been made as the company has brought forward Business losses under Income Tax Act.

1.15 Cash Flow Statement

Cash Flow Statement is prepared in accordance with the indirect method prescribed in Accounting Standard (AS) – 3 'Cash Flow Statements'.



2 Notes on Accounts

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

2.1 SHARE CAPITAL

	Numbers of Shares	Amount	Numbers of Shares	Amount
AUTHORISED				
Equity Shares of par Value of Rs 1,000/- each	20,000,000.00	200,000.00	15,000,000.00	150,000.00
ISSUED, SUBSCRIBED AND FULLY PAID UP				
Equity Shares of par Value of Rs 1,000/- each fully paid up	15,105,958.00	151,059.58	13,505,958.00	135,059.58
Total		<u>151,059.58</u>		<u>135,059.58</u>

2.1.1 Detail of Shareholding holding more than 5% shares in the Company:

Name of Shareholder	Current Year		Previous Year	
	Number of Shares	Percentage	Number of Shares	Percentage
Government of Himachal Pradesh	1,926,700.00	12.75	1,326,700.00	9.82
Himachal Pradesh Infrastructure Development Board	11,871,477.00	78.59	10,871,477.00	80.49
Himachal Pradesh Electricity Board Limited	1,307,731.00	8.66	1,307,731.00	9.68
(13,07,731 Equity Shares Issued in kind)				
TOTAL	<u>15,105,908.00</u>	<u>100.00</u>	<u>13,505,908.00</u>	<u>100.00</u>

2.1.2 Reconciliation of shares outstanding is set out below:

PARTICULARS	Current Year		Previous Year	
	No. of shares	Amount	No. of shares	Amount
No of shares at the beginning	13,505,958.00	135,059.58	11,823,896.00	118,238.96
No of shares issued during the year	1,599,950.00	15,999.50	1,682,062.00	16,820.62
No of shares at the end	<u>15,105,908.00</u>	<u>151,059.08</u>	<u>13,505,958.00</u>	<u>135,059.58</u>

2.2 ADVANCE SHARE APPLICATION MONEY

PARTICULARS	Amount	Amount
	Current Year	Previous Year
Share Application money pending allotment	7,457.00	4,332.00
TOTAL	<u>7,457.00</u>	<u>4,332.00</u>

PARTICULARS	Amount	Amount
	Current Year	Previous Year
2.3 Reserves & Surplus		
2.3.1 Capital Reserve:		
Capital Grant Government of India		
A) Utilised Grant		
Renuka		
Opening Balance	23,983.80	23,983.80
Addition during the year	44,696.00	
Less: Accumulated Depreciation on Fixed Assets	(189.15)	(162.47)
Closing Balance	<u>68,490.65</u>	<u>23,821.33</u>
Jyspa		
Opening Balance	500.00	500.00
Addition during the year	441.70	
Less: Accumulated Depreciation on Fixed Assets	(11.07)	(9.78)
Closing Balance	<u>930.63</u>	<u>490.22</u>
Total Utilised Grants	<u>69,421.28</u>	<u>24,311.55</u>

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

B) Unutilised Grant



- 7 -

Opening Balance
Addition during the year
Less Depreciation on Fixed Assets Adjusted
Closing Balance

69,421.28 24,311.55

2.3.1 Surplus/ Deficit

Opening Balance
Less Previous years adjustment
Add: Profit/Loss for the year as per Statement of Profit and Loss
Closing Balance
Total 2.3.1 and 2.3.2

(4,106.25) (1,932.45)
3,554.56
(17.92) (2,173.80)
(569.61) (4,106.25)
68,851.67 20,205.30

Due to change in accounting policy referred in para 1.3 (ii) during the year loss relating to previous years 2014-15 and 2013-14 has been adjusted amounting to Rs 3,554.56 lacs. The Unit wise details is as under:-

Corporate Office 3,032.15
Sunder Nagar 546.40
Kashang 10.00
Other HEP (33.99)
3,554.56

2.4 LONG TERM BORROWINGS:

PARTICULARS

Long Term Loans

From Other Parties

Secured

(Hypothecation against assets of HEP)

Power Finance Corporation for Sawara Kuddu HEP

(Rate of Interest 12.75 % payable in Quarterly instalments from July 2017 to October 2044)

1,471.16 1,771.16

Power Finance Corporation for Kasang HEP

(Rate of Interest 9.75 % payable in Quarterly instalments up to October 2017)

150.00 150.00

1,621.16 1,921.16

Unsecured

Government of Himachal Pradesh Loan for Shongtong HEP

(Rate of Interest 3.63 % pa payable in half yearly instalments from July 2018 to January 2028)

2,567.03 16.12

Government of Himachal Pradesh Loan for Shongtong HEP

(Rate of Interest 0.75 % pa payable in half yearly instalments from July 2023 to January 2053)

1,036.01 6.51

Government of Himachal Pradesh Loan (Trench I)

(Rate of Interest 10 % payable in yearly instalments of principal with interest up to January 2023)

30,233.43 37,224.53

Government of Himachal Pradesh Loan (Trench II)

(Rate of Interest 10 % payable in yearly instalments of principal and interest from 15 Jan 2016 up to January 2025)

52,863.44 51,952.52

Government of Himachal Pradesh Loan (Trench III)

(Rate of Interest 10 % payable in yearly instalments of principal and interest from 15 Jan 2017 up to January 2026)

48,108.21 46,475.78

Government of Himachal Pradesh Loan (Trench IV)

(Rate of Interest 10 % payable in yearly instalments of principal and interest from 15 Jan 2018 up to January 2027)

38,394.78 34,095.36

173,202.91 169,770.83

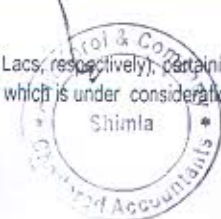
174,824.07 171,691.99

TOTAL

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

The Government of HP has allowed deferment of loan and interest until the commencement of at least one project

Case for deferment of repayment of Loan and Interest thereon amounting to Rs. 28,372.00 Lacs (i.e. Rs. 9744.00 Lacs and Rs.18628.00 Lacs, respectively), pertaining to Calendar Year 2015, vide letter No. HPPCL/ F&A/ ADB-Loan HP Govt./2016-18825-27 dated 23.01.2016, has been submitted to GoHP, which is under consideration of GoHP



2.5 LONG TERM LIABILITIES:

PARTICULARS	Amount Current Year	Amount Previous Year
Deferred Repayment of Interest of Government of Himachal Pradesh Loan	48,355.00	29,727.00
Deferred Repayment of Principal of Government of Himachal Pradesh Loan	21,766.00	12,022.00
Deposits Retention Money from contractors and others	8,089.92	-
Less Investment held as Security	(8.38)	-
TOTAL	78,202.54	41,749.00

The Loan from GOHP and Interest thereon amounting to Rs. 28,372.00 Lacs has been deferred during the year. Total Loan amounting Rs.9,744.00 Lacs has been deferred by the GoHP for FY 2015-16, until the commencement of at least one of the project of HPPCL.

Total interest deferment for Rs.18,628.00 Lacs has been approved by GoHP, until the commencement of at least one project of HPPCL.

2.6 LONG TERM PROVISIONS:

PARTICULARS	Amount Current Year	Amount Previous Year
<i>Unfunded Employees Benefit</i>		
Provision for Pension Contribution	1,031.33	763.94
Provision for Gratuity	406.56	355.62
Provision for Leave Encashment	1,864.32	1,640.95
TOTAL	3,302.20	2,760.51

	As at 1/04/2015		For The Year		As At 31/03/2016
		Additions	Write Back	Utilization	
Unfunded Employee Benefits					
Pension Contribution	763.94	279.18	11.79		1,031.33
Gratuity Provision	355.62	86.15	11.12	24.09	406.56
Leave Encashment	1,640.95	248.96	10.21	15.39	1,864.31
Others					-
	2,760.51	614.29	33.12	39.48	3,302.20

(0.01)

2.7 OTHER CURRENT LIABILITIES:

PARTICULARS	Amount Current Year	Amount Previous Year
Liabilities for Employee's remuneration and benefits	174.76	108.45
Liabilities for Contractors & Suppliers	2,867.55	2,763.20
Liabilities for Government Departments	259.51	506.84
Interest accrued and due on Unsecured Loans	5,027.55	4,382.36
Interest accrued and due on Secured Loans	48.31	60.42
Current portion of Power Finance Corporation Loan payable	300.00	580.22
Current portion of Govt of Himachal Pradesh Loan	19,193.00	-
Provision for Expenses	53,412.57	7,888.72
Deposits Retention Money from Contractors and Others	2,626.65	11,013.27
Advance for Deposit Work	70.00	-
Taxes and Duties payable	184.08	107.68
Bank Overdrawn due to Bank Reconciliation	2.83	-
TOTAL	84,166.81	27,411.16

2.8 Short Term Provisions

A)Unfunded Employee Benefits		
Gratuity Payable	11.12	-
Leave Encashment Payable	10.21	-
Pension Payable	11.79	-
Others		

93.11



	As at 1/04/2015	For The Year		As At 31/03/2016
		Additions	Write Back	Utilization
Unfunded Employee Benefits				
Pension Contribution	-	11.79	-	11.79
Gratuity Provision	-	11.12	-	11.12
Leave Encashment	-	10.21	-	10.21
Others				
	-	33.11	-	33.11

	Amount Current Year	Amount Previous Year
2.9 FIXED ASSETS:		
2.9.1 Tangible Assets	31,122.22	30,773.73
2.9.2 Intangible Assets	-	-
	31,122.22	30,773.73

2.9.3 Capital Work In progress	421,080.81	300,203.75
	421,080.81	300,203.75

2.10 NON-CURRENT INVESTMENTS

PARTICULARS	Amount Current Year	Amount Previous Year
Investment in EMTA-Unquoted (at cost)	337.50	398.00
TOTAL	337.50	398.00

The company has made an investment of Rs. 337.50 Lacs in the equity of Himachal EMTA Power Ltd. (HEPL), which has been established as company's joint venture with EMTA for setting up (2*250 MW) thermal power plant at Raniganj, West Bengal. The company has 50% equity participation in HEPL. The objective of joint venture is investment in coal block for ensuring the uninterrupted fuel supply thereto. However Hon'ble "Supreme Court of India" has cancelled all allotments of coal blocks and termed all captive coal block allocations since 1993, as illegal. The matter is under active consideration of management.

2.11 LONG TERM LOANS AND ADVANCES

PARTICULARS	Amount Current Year	Amount Previous Year
Capital Advances:		
Secured by Hypothecation of Equipment and / Material	129.51	-
Unsecured Considered Good	-	-
Covered by Bank Guarantee	13,361.57	-
Others	122.43	16,163.03
Security Deposits- Unsecured Considered Good		
Security/EMD Deposited	144.28	143.01
Loans and advances to Related Parties		
Loans and Advances to Joint Ventures		
Secured Considered Good	-	-
Unsecured Considered Good	60.50	-
Advances to Others		
Others - Secured Considered Good	5.02	-
Others - Unsecured Considered Good	6,071.03	9,615.52
Deposit with Judicial Authorities	9,236.81	-
TOTAL	29,131.15	25,921.55



2.12 Other Non Current Assets

Capital Stores At Cost (as Certified by the management)

Steel	7.08	-
Cement	-	-
Others (Capital Stores)	8.50	-
Material at site	-	-
Other items	3.47	-
Recoverable Contractors and Others	2,901.17	1,426.57
Others Recoverable	232.76	206.25
Fixed Deposits with Banks having Maturity for more than 12 months	300.00	-
Recoverable from Staff	0.08	-
Deposits With Income Tax Authorities	5,665.39	6,755.78
TDS Recoverable/Amount Recoverable from Tax Authorities	34.80	716.09
	9,153.25	9,104.68

2.13 INVENTORIES

PARTICULARS	Amount Current Year	Amount Previous Year
Loose Tools	0.05	-
Stores and Spares	21.76	-
Less Provision for Shortage and Obsolescence	-	-
TOTAL	21.81	-

Note 2.14 Trade Receivables

Outstanding for a period exceeding six months from the due date of payment

Secured considered good

Unsecured considered good

Lab Charges

TOTAL - A

Outstanding for a period less than six months from the due date of payment

Secured considered good

Unsecured considered good

Lab Charges

TOTAL - B

TOTAL - A+B

2.15 CASH AND BANK BALANCES

PARTICULARS	Amount Current Year	Amount Previous Year
Cash and Bank Balances		
(1) Cash in hand (including Imp rest)	0.62	0.58
(2) Stamps in hand	0.19	0.10
(3) Bank Balances		
(i) Current Deposits	23,988.61	33,632.06
(ii) Term Deposits with maturity period up to 3 months	555.57	3,037.28
Cheques and Drafts in hand	24,544.99	36,670.02
Other Bank Balances		
Margin Money for BGI Letter of Credit and Pledged Deposits	113.26	-
Other Term Deposits Having Maturity period for more than 3 Months	1,595.80	-
TOTAL	26,254.05	36,670.02



2.16 SHORT TERM LOANS AND ADVANCES:

PARTICULARS	Amount Current Year	Amount Previous Year
Loans and Advances to Related Parties		
Loans and Advances to Directors		
Secured Considered Good	-	-
Unsecured Considered Good	-	-
Advances to Contractors & Suppliers		
Secured Considered Good	-	-
Unsecured Considered Good	624.12	-
Considered Doubtful	-	-
Less Provision for Doubtful Advances	-	-
Advances to Employees(Unsecured Considered Good)	0.34	2.53
Advances Others		
Secured Considered Good	-	-
Unsecured Considered Good	362.63	-
Prepaid Expenses	13.80	9.38
TOTAL	1,000.90	11.91

2.17 OTHER CURRENT ASSETS

PARTICULARS	Amount Current Year	Amount Previous Year
Interest Accrued but not due on Deposits with Banks	224.57	76.55
Amount Recoverable from Contractors	239.94	-
Income Tax Refund	4,190.75	-
Grant Receivable	45,137.70	-
Recoverable from Staff	2.23	1.18
Other Current Assets	0.11	47.66
TOTAL	49,795.31	125.39

2.18 Revenue from Operations

Sale Of services		
Rent of Land	-	-
Rent from Property	-	-
	-	-

2.19 MISCELLANEOUS INCOME:

Interest on Bank Deposits/FDR's	-	3,027.02
Interest from Banks	-	15.01
Income from Providing Design Works/Lab Receipts	-	0.91
Adjustment of Depreciation on Capital Grants	-	-
Other	(0.00)	-
TOTAL	(0.00)	3,042.94

2.20 EMPLOYEE BENEFITS EXPENSES

PARTICULARS	Amount Current Year	Amount Previous Year
Salaries, Wages, Allowances and Benefits	-	123.77
Contribution to Provident and Other Funds	-	0.56
Leave Salary and Pension Contribution	-	240.53
Welfare Expenses	-	56.82
TOTAL	-	421.67

2.21 FINANCE COST

PARTICULARS	
Interest on Term Loans	
Bank Charges/LC Charges	
TOTAL	

2.22 DEPRECIATION EXPENSES:

PARTICULARS	
Depreciation for the year	
TOTAL	

2.23 OFFICE AND ADMINISTRATIVE EXPENDITURE

PARTICULARS	
Repairs and Maintenance Vehicle	
Repairs and Maintenance Office Furniture & Equipment's	
Repairs and Maintenance Plant and Machinery	
Repairs and Maintenance Buildings	
Repairs and Maintenance Others	
Office Expenses	
Hospitality and Entertainment Expenses	
Meeting Expenses	
Misc. Expenses	
Communication Expenses	
Rent, Rates and Taxes	
Consultancy Fees	
Annual Technical Support-SAP	
Vehicle Running Charges & Insurance Charges	
Training Expenses	
Fees & Subscription	
Electricity & Water Expenses	
Printing & Stationary	
Books, Periodicals & Newspapers	
Freight & Labour Charges	
Raising Day Expenses	
Legal & Professional Charges	
Postage & Telegram Expenses	
Publicity & Advertisement Expenditure	
Expenditure on Transit Camps/Guest House	
Business Promotion Expenses	
Insurance-Other Assets	
Land Acquisition Expenses	
Contribution to IIIT Una	
Statutory Audit Fees(Including Out of pocket Expenses)	
Travelling and Conveyance	
Hiring of Vehicles	
Dismantling & Removal Expenditure	
TOTAL	

Note 2.24 Earning Per Share Basic and Diluted

Net Profit after Tax	
Weighted Average Number of Shares	
Face Value of Share	
EPS	

Amount Current Year	Amount Previous Year
(0.00)	2,721.32
-	3.60
(0.00)	2,724.92

Amount Current Year	Amount Previous Year
-	655.60
-	-
-	655.60

Amount Current Year	Amount Previous Year
-	6.44
-	10.51
-	-
-	7.48
-	0.34
-	2.13
-	5.57
-	8.47
(0.00)	2.13
-	82.76
-	88.43
-	122.33
-	303.03
-	13.48
-	2.12
-	5.89
-	43.97
-	12.65
-	3.80
-	1.54
-	4.79
-	4.59
-	1.62
-	15.55
-	4.20
-	0.84
-	0.99
-	-
-	480.00
-	3.62
-	22.92
-	86.27
-	2.28
(0.00)	1,350.73

(17.92)	(2,173.80)
14,305,908.00	12664927
1000	1000
(0.13)	(17.16)



Note 2.25 Foreign currency transactions

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

	Currency	FY 2015-16	FY 2014-15
Chinese National Committie	Euro	1,300.00	170,519.00
	INR	96,642.00	13,402,684.00
Voith Hydro	Euro	613,769.81	
	INR	48,563,395.00	
	USD	5,098,654.00	
	INR	331,268,650.00	
Andritz Hydro	Euro	150,106.00	
	INR	10,162,000.00	
	USD	721,964.00	
	INR	4,563,900.00	

Note 2.26 Contingent Liabilities:

Claims against the company not acknowledged as Debt:

Particulars	Rs. in Lacs	
	As on 31.03.2016	As at 31.03.2015
Capital Works	5228.30	45,034.61
Entry Tax (penalty & interest)	1088.98	1088.98
Total	5833.28	46,123.59

- I. The above contingent liabilities do not include claims against the company in respect of other matters where the amount cannot be quantified.

Note 2.27 Cases pending with Income Tax Authorities

- I. For the FY 2007-08, Rs.58,88,735/- and 2008-09, Rs.1,00,54,375/- (Tax & interest) has been imposed & deposited. HPPCL has preferred an appeal before the Hon'ble H.P. High court against the orders of the Income Tax Appellate Tribunal, Chandigarh. The Hon'ble court has admitted the appeal on 07.01.2015.
- II. For the FY 2008-09, Assessing Officer has raised a demand of RS. 9, 43, 28,025/- (Penalty) u/s 271 (1) (c) of Income Tax Act, 1961, which was deposited and company had filed an appeal with ITAT, Chandigarh. The appeal has been set aside in the favour of HPPCL & the refund is awaited.
- III. The Appeals filed with Income Tax Appellate Tribunal, Chandigarh for the FY 2009-10 involving amount of Rs.13,24,24,480/- and for FY 2010-11, Rs.8,93,04,970/- (Tax & interest). The case has been partially decided in HPPCL's favour by ITAT order dated 06.05.2015 and 06.08.2015 respectively. Hon'ble ITAT, Chandigarh has directed the A.O. to examine the bifurcation of the funds. The case is pending with Dy. Commissioner of Income Tax, Shimla.
- IV. For the FY 2011-12, against the demand of Rs. 11,99,17,420/- raised by ITO which was deposited, the company and Company has preferred an appeal with CIT (A) Solan and the same is pending with CIT (Appeal) Solan.
- V. The Financial Year for FY 2012-13 against the demand of Rs. 12,44,18,250/- raised by ITO has been deposited and Company has preferred an appeal with CIT (A) Solan and the same is pending with CIT (Appeal) Solan.
- VI. The assessment for the FY 2013-14 has been made with the Tax liability of Rs. 9,18,75,949/- and Company has preferred an appeal with CIT (A) Solan and the same is pending with CIT (Appeal) Solan.
- VII. The assessment F.Y 2014-15 is pending with Assessing Authority (DCIT Circle, Shimla).
- VIII. The Company has claimed refund of RS 86900000 /against the Advance tax deposited during the F.Y. 2015-16.



Note 2.28 Entry Tax :

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

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

Note 2.29 Payment to Auditors includes:

(Rs. in Lacs)		
Particulars	FY 2015-16	FY 2014-15
Fee to Auditors	3.03	2.64
Certification fee	0.81	0.00
Reimbursement of Expenses	0.55	0.98
Total	4.62	3.62

Note 2.30

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.

Note 2.31

The balance confirmation of loan and advances including recoverable, advance to government departments, contractors, LAO, recoverable from government department and liability to suppliers and government departments has not been received.

Note 2.32 Capital Commitments:

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

Currency	As At 31.03.2016	As At 31.03.2015
Indian Rupees	105642.24	148946.32
Euro	3.01	1543.85
US\$	32469.30	112.08
CHF	0.92	5.35



Note 2.33 Related Party Disclosure:

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

i) 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. Amarjeet Singh, HAS	Director (Personnel & Finance), (w.e.f. 03/11/2014 to 26.10.2015)
Sh. Neeraj Kumar, HAS	Director (Personnel & Finance), (w.e.f. 26/10/2015 to till date)
Er. M.S.Rana	Director (Electrical) (w. e. f. 14/08/2012 to till date)
Er. Ajay Kumar Gupta	Director (Civil) (w.e.f. 17/06/2013 to 13/06/2016 and 17/06/2016 to till date)

Remuneration to key management personnel: (Rs. in Lacs)

Sr. No.	Particulars	FY 2015-16	FY 2014-15
1	Salary and Allowances (MD)	22.10	15.62
2	Salary and Allowances (Directors)	84.13	65.16
	Total	93.94	80.78

iii) Joint Ventures**a) Himachal EMTA Power Limited**

Transactions with related party is as under:-

	Current Year	Previous Year
1 Transactions During the Period		
Investment in Share Capital	-60.50	-
Share Application Money	60.50	-
2 Outstanding Balance at year end		
Amount Recoverable	0.16	0.16



Note 2.34

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

Note 2.35 Change in accounting Policy

Policy Number	Policy for 2014-15	Revised Policy for 2015-16	Financial Impact	Reason for change in /introduction in accounting policy
1.3 (ii)	The Office and administrative expenses at corporate office and design office sundanagar has been treated as revenue expenditure except for salaries which is treated as expenses related to projects under construction and therefore, forms part of expenditure during construction period.	Administration and Other General Overhead expenses at the Corporate Office, Design Wing and Projects under Construction / Survey & Investigation attributable to construction of fixed assets are identified and allocated on systematic basis on major immovable assets other than land, infrastructure facilities and bought out items on commissioning of Projects	Accumulated Deficit reduced and Expenditure during Construction increased amounting to Rs 3,554.56 refer note 2.3.1	To comply with AS 10 Accounting for Fixed Assets
1.13(ii)	Nil	Interest received on the short-term parking of funds, has been settled against the cost of loan, received from the State Govt	Amount charged to Expenditure during Construction	



Note 2.36 Extraordinary items

	Current Year	Previous year
Loss of Assests/CWIP	17.92	63.82
	17.92	63.82
assests destroyed in natural clamity		

Note 2.37 Disclosure as per Accounting Standard-16 on Borrowing Costs:

Borrowing Cost Capitalised during the year Rs 19,527.19 lacs (PY Rs 14,451.43 lacs)

Note 2.38 The Effect of Foreign Exchange during the Year

	Current Year	Previous Year
A Retention Money	-8.11	
B Advance to contractotrs	13.58	
C Due To Contractors	-0.36	

Note 2.39 Disclosure as per Accounting Standard -27 on 'Financial Reporting of Interests in Joint Ventures'

Name of the Company	Proportion of Ownership Interest	
	Current Year	Previous Year
Himachal EMTA Power Limited	50%	50%



The company's share of the assets and liabilities as on 31st March 2016 and income and expenses for the financial year ended 31.03.2016 in respect of joint venture based on audited accounts are:-

	Current Year	Previous year
1 Assets		
Non Current Assets	239.93	250.95
Current Assets	11.62	35.21
2 Liabilities		
Non Current Liabilities	18.89	32.70
Current Liabilities	14.00	9.00
3 Contingent Liabilities		
4 Capital Commitments		
5 Income	1.65	2.95
6 Expenses	27.45	2.38

2.40 The current year figures of the Balance Sheet has been disclosed as per the requirement of the Schedule-II of the Companies Act, 2013. The previous year figures are not comparable with the current year figures, as these has been certified by the previous year Statutory Auditors and CAG.

2.41 The current year figure of the Profit & Loss Account are not comparable with the earlier year due to change in accounting policy referred in Note No. 2.35 & these figures has been certified by the previous year Statutory Auditors and CAG.

For and on behalf of the Board of Directors

(Anil Kumar Sharma)
D.G.M. (Finance)

(Sudershan K. Sharma)
Company Secretary

(Neera Kumar)
Director (Finance)

(Devendra K. Sharma)
Managing Director

For Anil Karol and Company
Chartered Accountants
FRN No 04186N



CA Walia Umesh
Partner
M No 098287

Place: Shimla

08/02/17

HIMACHAL PRADESH POWER CORPORATION LIMITED

Note No 2.1.1

FIXED ASSETS & DEPRECIATION DETAIL FY 2015-16

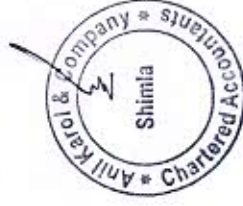
TANGIBLE ASSETS (A)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	NET BLOCK
	Gross Block As on 01.04.2015	Addition	Transfer/ Sale	Gross Block As on 31.03.2016	Accumulated Depreciation Up to 31.03.2015	Previous Year		During the Year	Total Depreciation for the year	Accumulated Depreciation Up to 31.03.2016
						Deletion	Addition			
LAND - LEASING	28.28	-	-	28.28	-	-	-	0.89	0.89	27.40
LAND - FREEHOLD	25,596.60	141.56	-	25,740.16	-	-	-	138.66	138.66	25,740.16
RESIDENTIAL BUILDINGS	2,520.84	241.18	-	2,762.02	5,76.52	-	-	102.76	102.76	2,762.02
NON RESIDENTIAL BUILDINGS	583.02	581.21	-	1,164.23	113.42	-	-	0.00	0.00	1,164.23
TEMPORARY SHEDS/ERECTONS	481.90	2.11	-	484.01	461.90	-	-	0.00	0.00	484.01
ROADS, BRIDGES & TRAFFIC TUNNELS	-	-	-	-	0.00	-	-	0.00	0.00	-
PLANT (CURRENTLY FOR WATER TREATMENT)	3.56	2.13	-	5.69	3.03	-	-	0.38	0.38	5.31
OFFICE WORKSHOPS (LAB, FIRE, SAFETY)	156.35	2.25	-	158.60	80.03	-	-	22.42	22.42	136.18
ELECTRONICS & ELECTRICAL ITEMS	313.16	1.50	-	314.66	208.42	-	-	45.39	45.39	269.27
FURNITURES & FIXTURES	403.10	23.48	-	426.58	208.00	-	-	38.59	38.59	388.00
COMPUTERS & DATA PROCESSING MACHINES	392.75	4.51	-	397.26	382.54	-	-	6.18	6.18	391.08
VEHICLES	95.93	31.42	-	127.35	88.29	-	-	2.64	2.64	124.71
KITCHEN ITEMS	0.89	1.73	-	2.62	0.73	-	-	0.01	0.01	2.61
SMALL OFFICE ITEMS	0.04	-	-	0.04	0.02	-	-	0.01	0.01	0.03
WELPOND	23.24	10.66	-	33.90	12.19	-	-	3.05	3.05	30.85
BRIDGES & CULVERTS	656.16	-	-	656.16	109.04	-	-	51.24	51.24	594.92
SEWER AND NETWORKS	1,464.73	-	-	1,464.73	1,091.80	-	-	147.21	147.21	1,317.52
ROADS	4,209.89	320.72	-	4,530.61	3,334.55	-	-	428.03	428.03	4,102.58
ASSETS NOT OWNED BY COMPANY ROADS	541.66	-	-	541.66	0.67	-	-	0.00	0.00	541.66
ASSETS NOT OWNED BY COMPANY OTHERS	10.70	-	-	10.70	0.01	-	-	0.01	0.01	10.69
INFRASTRUCTURE DEVELOPMENT CONSTRUCTION POWER	37,412.81	594.59	-	38,007.40	6,731.33	-	-	990.27	990.27	37,017.13
Total (A)	26,212.59	17,288.73	6,088.57	37,412.81	3,017.78	(1,494.77)	1,756.67	3,441.55	3,713.55	33,699.26
Previous Year's Total							271.90			
Note 2.1.2										
INTANGIBLE ASSETS (B)	GROSS BLOCK				DEPRECIATION				NET BLOCK	
Particulars	Gross Block As on 01.04.2015	Addition	Transfer/ Sale	Gross Block As on 31.03.2016	Accumulated Depreciation Up to 31.03.2015	Deletion	Addition	During the Year	Total Depreciation for the year	Accumulated Depreciation Up to 31.03.2016
SOFTWARE	911.84	0.03	0.00	911.87	819.59	-	-	46.64	46.64	866.24
Total (B)	911.84	0.03	0.00	911.87	819.59	-	-	46.64	46.64	866.24
Previous Year's Total								303.97	303.97	
Current Year's Grand Total (A+B)	36,324.55	1,937.07	6,088.57	38,710.09	7,550.93	-	-	1,036.91	1,036.91	37,673.18



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HIMACHAL PRADESH POWER CORPORATION LIMITED (Rs In Lacs)						
Note 2.9.3 CAPITAL WORK IN PROGRESS						
Particulars	Note	As at 31.03.2015	During 13-14	During 14-15	During FY 2015-16	As at 31.03.2016
Residential Buildings	2.9.3.1	489.70	-	-	(253.20)	236.50
Non Residential Buildings	2.9.3.1	917.56	-	-	(470.33)	447.23
Roads, Bridges & Culverts	2.9.3.1	133,703.07	-	-	(133,443.86)	259.21
Civil Works	2.9.3.1	889.74	-	-	165,311.98	166,201.72
Electro-Mechanical Works	2.9.3.1	48,612.36	-	-	11,980.26	60,592.62
Construction Power	2.9.3.1	653.96	-	-	150.27	804.23
Land Submerge Area	2.9.3.1	-	-	-	44,696.00	44,696.00
Total		185,266.39	-	-	87,971.12	273,237.51
Expenditure During Construction	2.9.3.2	114,937.37	1,924.59	1,629.99	29,351.39	147,843.34
Total (Carried forward to Balance Sheet)		300,203.76	1,924.59	1,629.99	117,322.51	421,080.85



Expenditure During Construction	Note No.	Amount (Rs in Lacs)	Amount (Rs in Lacs)	Amount (Rs in Lacs)	Amount (Rs in Lacs)	Amount (Rs in Lacs)
		As at 31.03.2015	During 13-14	During 14-15	During 2015-16	As at 31.03.2016
EXPENSES (A):						
Employees' Benefits Expenses	2.9.3.2.1	39,848.46	480.05	444.60	6,916.61	47,689.72
Finance/Interest Cost	2.9.3.2.2	43,354.28	2,589.89	2,724.92	19,533.57	68,202.65
Depreciation Expenses	2.9.3.2.3	6,222.14	724.37	655.60	1,025.61	8,627.72
Office and Administrative Expenses	2.9.3.2.4	41,466.53	941.35	847.81	5,415.09	48,670.78
TOTAL (A)		130,891.40	4,735.66	4,672.93	32,890.88	173,190.87
Less: Miscellaneous Income	2.9.3.2.5	15,781.79	2,811.07	3,042.94	3,511.52	25,147.32
Less: Renukaji & Gyspa Project Depreciation adjusted against Capital Reserve		172.25	-	-	27.96	200.21
NET EXPENDITURE (B)		114,937.37	1,924.59	1,629.99	29,351.39	147,843.34
NET EXPENDITURE (B) (Carried forward to CWP)						



CAPITAL WORK IN PROGRESS (Project-wise)

Note 2.9.3.1

(Rs In Lacs)

Name of Project	Residential Buildings	Non Residential Buildings	Roads, Bridges & Culverts	Civil Works	Electro-Mechanical Works	Construction Power	Investigation & Survey	R & R Expenses	Environment Expenses	Land-Free Hold	Land submerged area	Total
Sundernagar	1.03	-	-	-	-	-	-	-	-	-	-	1.03
Sawra Kuddu HEP	188.66	-	19.24	53,466.63	20,787.22	56.25	-	-	-	-	-	74,517.99
Kashang HEP	(10.54)	271.78	101.04	42,165.44	19,869.84	223.68	-	-	-	-	-	62,621.23
Sang HEP	-	51.67	127.68	53,442.65	19,917.57	25.45	-	-	-	-	-	73,565.02
Renukaji Dam Project	49.00	24.30	-	-	-	-	-	-	-	-	44,696	44,769.30
Shonglong HEP	-	-	5.50	17,127.00	6.00	498.86	-	-	-	-	-	17,637.36
Tivani Mahadev	-	-	-	-	-	-	-	-	-	-	-	-
Thana Plaun HEP	-	-	-	-	-	-	-	-	-	-	-	-
Gyspa HEP	8.35	99.49	5.74	-	-	-	-	-	-	-	-	113.58
Surgani Sundia HEP	-	-	-	-	-	-	-	-	-	-	-	-
Deodhal Chanju	-	-	-	-	6.00	-	-	-	-	-	-	6.00
Chanju-III	-	-	-	-	6.00	-	-	-	-	-	-	6.00
Berra-Dol Solar Power Project	-	-	-	-	-	-	-	-	-	-	-	-
Total	236.50	447.23	259.20	166,201.72	60,592.63	804.23	-	-	-	-	44,696.00	273,237.50



Note No 2.9.3.2.1

EMPLOYEE BENEFITS EXPENSES (Earlier transferred to Profit & Loss Account now transferred to AUC)

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	During 2014-15	During 2013-14
Salaries, Wages, Allowances and Benefits	146.69	151.68
Contribution to Provident and Other Funds	0.56	53.73
Leave Salary and Pension Contribution	240.53	217.47
Welfare Expenses	56.82	57.17
TOTAL	444.60	480.05

EMPLOYEE BENEFITS EXPENSES (Expenditure During Construction):

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2016	During 2015-16	As at 31.03.2015
Salaries, Wages, Allowances and Benefits	42,770.32	6,377.10	36,393.23
Contribution to Provident and Other Funds	373.30	0.07	373.22
Leave Salary and Pension Contribution	2,744.83	338.82	2,406.01
Travelling Exp.	76.85	35.16	41.69
Medical Exp.	157.82	97.52	60.31
Welfare Expenses	641.95	67.95	574.00
TOTAL	46,765.07	6,916.61	39,848.46

Note No 2.9.3.2.2

FINANCE/INTEREST COST (earlier Transferred to Profit & Loss Account now transferred to AUC):

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

FINANCE/INTEREST COST (Expenditure During Construction):

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2016	During 2015-16	As at 31.03.2015
Interest on Term Loans	62,853.86	19,527.29	43,326.58
Bank Charges/LC Charges	32.44	6.28	26.16
Others-FBT/Service Tax Interest	1.54	-	1.54
TOTAL	62,887.84	19,533.57	43,354.28

Note No 2.9.3.2.3

DEPRECIATION EXPENSES:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	During 2015-16	During 2014-15
Depreciation for the year (Transferred to Profit & Loss Account)	-	655.60
Depreciation for the year (Transferred to Expenditure During Construction)	1,025.61	3,361.47
TOTAL	1,025.61	4,017.07
Depreciation written off from Capital Reserve	27.96	82.78

Note:- The Depreciation during previous year includes depreciation on non residential building from 1.4.2012 to 31.3.2015

DEPRECIATION EXPENSES: (Earlier Transferred to P & L Account now transferred to AUC)

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	During 2014-15	During 2013-14
Depreciation for the year (Transferred to Profit & Loss Account)	655.60	724.37
TOTAL	655.60	724.37

Note No 2.9.3.2.4

OFFICE AND ADMINISTRATIVE EXPENDITURE (Earlier transferred to P & L account Now transferred to AUC)

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	During 2014-15	During 2013-14
Repairs and Maintenance Vehicle	6.44	9.49

Repairs and Maintenance Office Furniture & Equipment's	10.51	3.16
Repairs and Maintenance Plant and Machinery	0.00	0.25
Repairs and Maintenance Buildings	7.48	12.65
Repairs and Maintenance Others	0.34	0.57
Office Expenses	2.13	1.50
Hospitality and Entertainment Expenses	5.57	4.74
Meeting Expenses	8.47	11.46
Communication Expenses	82.76	154.19
Rent, Rates and Taxes	88.43	87.44
Consultancy Fees	122.33	157.78
Annual Technical Support-SAP	303.03	281.54
Vehicle Running Charges & Insurance Charges	101.87	100.49
Training Expenses	2.12	8.01
Fees & Subscription	5.89	3.08
Electricity & Water Expenses	43.97	48.56
Printing & Stationary	12.65	13.83
Books, Periodicals & Newspapers	3.80	3.59
Freight & Labour Charges	1.54	1.17
Raising Day Expense	4.79	3.68
Legal & Professional Charges	8.21	9.21
Postage & Telegram Expenses	1.62	2.19
Publicity & Advertisement Expenditure	15.55	10.33
Expenditure on Transit Camps/Guest House	5.04	4.57
Business Promotion Expenses	0.00	7.00
Insurance-Other Assets	0.99	0.87
Land Acquisition Expenses	0.00	
Contribution to IIIT Una	0.00	-
Dismantling & Removal Expenditure	2.28	-
TOTAL	847.81	941.35

OFFICE AND ADMINISTRATIVE EXPENDITURE (Projects Incidental Expenditure):

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2016	During 2015-16	As at 31.03.2015
Repairs and Maintenance Vehicle	72.45	15.12	57.33
Repairs and Maintenance Office Equipment's	29.87	6.07	23.81
Repairs and Maintenance Plant and Machinery	87.27	0.25	87.02
Repairs and Maintenance Buildings	315.53	(4.15)	319.68
Repairs and Maintenance Others	93.48	1.99	91.50
Office Expenses	931.33	0.53	930.79
Hospitality and Entertainment Expenses	158.07	9.68	148.40
Meeting Expenses	44.52	11.77	32.75
Misc. Expenses	152.59	1.85	150.74
Communication Expenses	385.49	98.63	286.86
Rent, Rates and Taxes	915.44	168.74	746.71
Consultancy Fees	1,495.21	53.31	1,441.90
Annual Technical Support-SAP	421.00	250.73	170.27
Vehicle Running Charges & Insurance Charges	1,369.97	24.84	1,345.13
Hired Vehicle Expenses	863.33	328.49	534.84
Training Expenses	245.81	12.53	233.29
Fees & Subscription	7.38	6.63	0.76
Electricity & Water Expenses	169.86	87.88	81.99
Printing & Stationary	61.76	24.05	37.71
Books, Periodicals & Newspapers	15.88	7.28	8.61
Freight & Labour Charges	2.77	2.05	0.72
Insurance	9.19	4.52	4.67
Raising Day Expense	13.16	8.74	4.43
Legal & Professional Charges	177.77	118.78	58.99
Postage & Telegram Expenses	5.55	2.81	2.74
Publicity & Advertisement Expenditure	40.72	21.26	19.46
Expenditure on Transit Camps/Guest House	7.55	5.51	2.04
Business Promotion Expenses	1,287.84	0.41	1,287.42
Foreign Exchange Variation Cost	(42.21)	(27.64)	(14.57)
Land Acquisition Expenses	5.45	-	5.45
LADA	5,304.60	1,490.38	3,814.22

Relief and Rehabilitation Costs	3,878.05	151.18	3,726.87
Environmental and Ecology exp.	7,009.39	347.99	6,661.40
Expenditure on Enabling Assets	1,151.59	1,151.59	-
CAT Plan	8,091.40	(75.80)	8,167.20
Study and Research	45.71	13.91	31.80
Survey & Investigation	11,188.35	397.56	10,790.79
Preliminary expenses	166.67	-	166.67
Environment Management Plan	92.73	92.73	-
Fuel expenses Data Centre	1.23	1.23	-
Gift & Presentation A/c (Pending Allocation)	0.57	0.57	-
Honorarium(Others) (Pending Allocation)	38.69	38.69	-
Incidental expenses-Power Water & parks	1.86	1.86	-
OUTSOURCED MANPOWER EXPENSES (Pending Allocation)	531.73	531.73	-
Retain earning Adjustment unto FY 2014	-	-	-
SAFETY RELATED EXPENSES	0.06	0.06	-
Stipend Pending Allocation	14.39	14.39	-
Winter Heating Exp. (Pending Allocation)	5.19	5.19	-
Wages (Daily paid staff) (PROJECT)	0.07	0.07	-
Remuneration to Auditors (PROJECT)	6.14	6.14	-
Consumables Stores	9.16	2.99	6.17
TOTAL	46,881.62	5,415.09	41,466.53

Note No 2.9.3.2.5

MISCELLANEOUS INCOME:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	During 2014-15	During 2013-14
earlier transferred to PI & L Now transferred to AUC		
Interest on Bank Deposits/FDR's	3,027.02	2,774.01
Interest from Banks	15.01	24.79
Income from Providing Design Works/Lab Receipts	0.91	12.27
TOTAL	3,042.94	2,811.07

Miscellaneous Income Transferred to Expenditure During Construction:

PARTICULARS	Amount(Rs in Lacs)	Amount(Rs in Lacs)	Amount(Rs in Lacs)
	As at 31.03.2016	During 2015-16	As at 31.03.2015
Interest from Banks	15,591.67	2,124.99	13,466.68
Lab Receipts	2.70	2.70	-
Interest from Employees	0.16	-	0.16
House Rent Collection from employees/Other recovery	97.84	-	97.84
Interest from Govt Departments	38.58	-	38.58
Income from Contractors	1,151.79	8.66	1,143.13
Income from Transit Camp/Guest House	3.07	-	3.07
Gain on sale of Assets	0.94	0.94	-
Miscellaneous Receipts	2,406.56	1,374.24	1,032.32
TOTAL	19,293.31	3,511.52	15,781.79

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Anil Karol and Company Chartered Accountants

To

The Members of HIMACHAL PRADESH POWER CORPORATION Limited Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of HIMACHAL PRADESH POWER CORPORATION Limited ('the Company'), which comprise the Balance Sheet as at 31st March 2016, the Statement of Profit and Loss, Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Basis of Qualified Opinion

1 The previous year figures and current year figures are not comparable refer note 2.35, 2.40 and 2.41. We are unable to comment on the same in the absence of the information and its impact on the financial statements.

2 Share Capital Note 2.1 and 2.2

(i) The Company has issued 1,05,958 shares of ₹ 1,000/ each to shareholders on 29th March 2016 amounting to ₹ 10,59,58,000 in the Board Meeting of the Company in excess of the authorised capital of the company which was ₹ 1500 crore at the time of the allotment of shares. The shareholders has approved the increase in authorised capital of the company from ₹ 1500 crores to ₹ 2000 crores in the Extra Ordinary General Meeting of members convened by the company after the above mentioned Board Meeting of the Company in which the shares were allotted. Thus the company has allotted shares in the Board Meeting of the Company before the increase in Authorised Share Capital of the Company in its Meeting of Members.

In our opinion the Share Capital is overstated to the extent of ₹ 1,059.58 Lacs and Share Application money is understated to the extent of above.

(ii) The Clause 4 (c) of The Articles of Association of the Company provides that the Government of Himachal Pradesh and the H P State electricity Board (Now HPSEB Limited) shall Subscribe to the equity of the company in the ratio of 3 : 2. However the Share Capital has been contributed by the Government of Himachal Pradesh , HPIDB and HPSEB Limited in the Ratio of 12.75 :78.59 :8.66 ratio. No Disclosure in respect of the change in the pattern of equity participation has been made.

3 Reserves and Surplus Note 2.31

a) Utilised Grant Renuka ji

The Company is earning interest on the surplus fund of renukaji at Corporate Office by investing in the Fixed Deposits. The Interest earned on the same has not been shown as addition to the capital reserves nor the same has been reduced from the incidental expenditure during construction period of the unit. In the absence of information, we are unable to comment of the effect of the same on the Financial Statements.

b) Utilised Grant Gyspa

The work on the Gyspa HEP is held up due to protest by the local public and survey and investigation work has also been stopped since 2012. In our opinion no future benefit from cost incurred till date on the project is inevitable in future years to come thus the capital grant received should be charged off with the expenditure incurred on the concerned project. In our opinion the Capital Reserves amounting to ₹ 488.93 lacs and Fixed Assets of ₹ 3.46 lacs and Capital Work in Progress 485.47 lacs is overstated to the extent of above.

4 Long term Liabilities Note 2.5

(i) The above includes ₹ 8.00 lakhs payable to the consultant as bid security since December 2011. In our opinion the amount has become time barred and should be charged to revenue.

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

5 Long term Provisions Note 2.6

(i) For Company Employees

The Company has not made provision of DA of 6 % from 1st January 2016 to 31st March 2016 while calculating the Leave encashment liability of company employees. Further the Leave encashment liability has not been reinstated at current basic salary and DA rates of employees for the earned leaves as on 31st March 2016, Similarly the Gratuity liability has not been reinstated at current basic salary and DA rates of employees for the completed year of services as on 31st March 2016.

(ii) For HPSEB Employees

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

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

6 Other Current Liability Note 2.7

i) The Company has not accounted for the enhanced compensation of land shown as contingent liability amounting to ₹ 3,223.93 lakhs (previous year ₹ 7,077.51 lacs) in respect of Renuka HEP, Sainj HEP and Sara Kudu HEP, refer Note 2.26. In our opinion the Other Current Liability and Capital Working Progress is understated to the extent of above.

ii) The Company has not made provision for demand of interest and penalty on entry tax payable by the company amounting to ₹ 1,088.98 lacs (previous year ₹ 1,088.98 lacs)refer Note 2.26 shown as contingent Liability. In our opinion Other Current Liability is understated to the extent of above and correspondingly the Expenditure During the Construction Period is understated to the extant above.

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

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



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v) The Kasang HEP is showing ₹ 1.55 crore payable to Andritz Hydro since 2013 as Contractors dues payable which is net balance of 267 accounting entries since 2013. No balance confirmation from the party for the amount payable is on record nor any major payment has been made till the conclusion of audit. In Our opinion the other Current Liabilities are overstated to the extent of above and correspondingly the Capital Work in progress are also overstated.

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

7 Fixed Assets Note 2.9.1

i) The Company has possession of forest land at, Sainj HEP, Shongtong HEP, Kashang HEP, and Sawra Kudu HEP refer Note 2.34. The following liabilities have arisen:

a) The lease cost demand at the Unit Sainj is ₹. 1,153.12 Lac (previous year ₹. 1,153.12 Lac)and at the Unit Shongtong is ₹. 1,140.7 Lac (previous year ₹. 1,140.70 Lacs) .

b) The lease cost demand at the Unit Kashang and Unit Sawara Kudu is not quantifiable,

The Company has not accounted for the cost of the lease hold land in view that Govt. Of H.P has issued notification No.Rev.-D(G) 6-69/2011-II dated 23.01.2016. The Company has not yet taken up the matter with State Government. In view of the uncertainty involved the impact on the financial statements cannot be commented by us.

ii) The Company has acquired land and Buildings at Sarabhai ,Thalot and Largi from HPSEB Limited at Sainj HEP. The cost of the Land and Buildings approved by the officials of the both the corporation in its meeting held in the month of August 2012 amounting to ₹ 45.99 crores. The Company has not made any provision for the liability in the books of accounts. In our Opinion the Fixed Assets are understated to the extent of above and correspondingly the other current liabilities are also understated to the extent of above.

8 Capital Work in Progress 2.9.3

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





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						in Lacs	
	Unit	Residential Buildings	Non Residential Buildings	Roads, Bridges & Culverts	Constructi on Power	Total	
1	Sundernagar	₹ 1.03	₹ -	₹ -	₹ -	₹ 1.03	
2	Sawra Kuddu HEP	₹ 188.66	₹ -	₹ 19.24	₹ 56.25	₹ 264.15	
3	Kashang HEP	₹ -	₹ 271.78	₹ 108.42	₹ 223.68	₹ 603.88	
4	Sainj HEP	₹ -	₹ 51.67	₹ 127.68	₹ 25.45	₹ 204.79	
5	Renukaji Dam Project	₹ 49.00	₹ 24.30	-	₹ -	₹ 73.30	
6	Shongtong HEP	₹ -	₹ -	₹ 5.50	₹ 498.86	₹ 504.36	
7	Gyspa HEP	₹ 8.35	₹ 99.49	₹ 5.74	₹ -	₹ 113.58	
		₹ 247.04	₹ 447.23	₹ 266.59	₹ 804.23	₹ 1,765.08	
					-		
					-		

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

(ii) The Company is charging the depreciation on assets used during the construction period as per the Companies Act 2013, refer Note 1.4.1. In our opinion the Company is regulated under HP Electricity Regulatory Commission and the depreciation rates as provided in the HPREC Act should be applied. In the absence of information, we are unable to comment on the same.

(iii) The Expenditure during Construction period includes a sum of ₹ 166.67 lakhs as preliminary expenses as on 31st March 2016. As per the requirements of AS 26 Accounting for Intangible Assets the expenditure against which no future benefit is available should be charged to revenue. In our Opinion the Capital Work in progress is overstated to the extent of above and expenditure is understated to the extent of above.

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

v) The Unit I turbine of the Kashang Unit suffered loss in the month of August 2016 while commissioning of the unit. No information about the information on the loss occurred has been provided by the company nor any disclosures has been made. In the absence of the information we are unable to comment on the same of its effect on the financial statements of the company.

vi) The case is pending with the NGT in respect of Kashang Stage II and III HEP project. The decision of the NGT may affect the cost already incurred on the Kashang Stage II and III project. Due to uncertainty involved we are unable to comment on the cost already incurred on the above project till the close of the year.



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vii) The Board of Directors has not given the extension of time to Civil Contractor of Sainj HEP and the HEP has paid ₹ 75.66 crore to the contractor till the close of the year without the necessary approval of Board of Directors. In our Opinion the Capital Work in progress is overstated to the extent of above and Other Current Assets are understated to the extent of above.

9 Non-Current Investment Note 2.10

(i) We invite attention to Note No.2.39., the Company has made an investment of ₹ 337.50 Lac (previous year ₹. 337.50 Lacs) in the equity of Himachal EMTA Power Limited (HEPL) which has been established as Company's joint venture with EMTA for setting up a (2*250 MW) thermal power plant. The Company has 50% equity participation in HEPL. The Government of India has allotted coal block to Himachal EMTA Power Limited and JSW Steel Limited for which another Joint Venture has been made in the Name of Gourangdih Coal Limited.

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

The value of Investment in the aforesaid Joint Venture of the Company requires revaluation and provision for long term diminution in value of investment in the books of accounts as per AS -13 issued by the ICAI .

(ii) The Company has shown in the Note 2.39 the assets and liabilities of the Himachal Emta Power Limited in which the Consolidation of Gourangdih Coal Limited is also included. The Figures incorporated by the Himachal Emta Power Limited is not on the basis of the audited balance sheet of Gourangdih Coal Limited.

(ii) The Gourangdih Coal Limited in its financial statements has written off the Capital Work in Progress amounting to ₹ 6.27 crores and charged off the ₹ 1.37 crores to Profit and Loss Account and ₹ 4.90 crores as claim recoverable.

The company Independent auditors raised concern in respect of preparing the Financial Statements on the basis of **Going Concern Concept** due to deallocation of the Coal Blocks by the decision of the Supreme Court during the year under review.

(iii) The following are the details in respect of investment in Himachal Emta Power Limited as on 31st March 2016.



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	Amount in lacs
Deficit of Gourangdih Coal Limited	₹ 147.76
Compensation Receivable	₹ 490.21
Short Term advance	₹ 2.21
	₹ 640.18
50% Share in Loss of Gourangdih Coal Limited	₹ 320.09
Limited to Capital Invested by Himachal Emta Power	₹ 245.00
Share of HPPCL in Himachal EMTA Power	₹ 122.50
50 % Share in Deficit of Himachal EMTA Power	₹ 177.70
50% of share in Capital Work in Progress	₹ 63.02
50% of Advance to Gourandih Coal Limited	₹ 33.78
Provision Required	₹ 397.00

(iv) In our opinion the investment in the joint venture for coal allotment is doubtful of recovery hence a provision of Rs 337.50 lacs is required. Thus, Non-Current Investments are overstated to the extent of above and Expenditure are understated to the extent of above

10 Long Term Loans and Advances Note 2.11

(i) The Shongtong HEP has paid ₹. 640 Lacs (previous year ₹. 640 Lacs) to Local Area Development Authority (LADA) and accounted the same as Advances to Govt. Departments. In our opinion the amount paid is in the nature of expenditure and should be charged to Expenditure during construction period. Thus, Long Term Advances are overstated to the extent of above and correspondingly the Capital Work in Progress is understated to the extent of above.

(ii) The Company has paid to Land Acquisition Officer for purchase of land and these payments are towards cost Land which have been accounted for as Deposit with Land Acquisition Officer. The following are unit wise advance given to LAO: -

	HEP	Current Year	Previous Year	Amount in lacs
1	Renukaji	₹ 3,874.79	₹ 3,874.79	
2	Songtong	₹ 8.64		
3	Chirgaon	₹ 5.02	₹ 5.02	
		₹ 3,888.45	₹ 3,879.81	

In our opinion the company is entitled for title of the land once the award has been ordered by the LAO and land legally vests with the company. Thus, Long term Advances are overstated to the extent of above and correspondingly the Capital Work in Progress is understated to the extent of above.

(iii) The Company, at Unit Shongtong HEP, has paid ₹.45.19 Lac (previous year ₹. 45.19 Lacs) to land owners for acquisition of land measuring 0.1702 hectare, for the project, at the time of mutation it is found that the same land was already acquired by HPPWD. The amount is doubtful for recovery as the amount has not been paid by the land owners and a provision for doubtful advance is required. In our Opinion the Long Term Loans and Advances is overstated to the extent of above and consequently the expenditure is understated to the



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extent of above

(iv) The amount recoverable from contractors includes a sum ₹ 22.96 crores recoverable from Coastal Projects on account of risk and cost. The contract with the contractor was terminated in the year 2013 and the same was awarded to M/s HCC Limited. The amount paid to HCC Limited on account extra cost has been shown as recoverable from Coastal Projects. The amount is doubtful of recovery from the Coastal Projects as there is no agreement with the party to recover the money as the contract with the party has already been terminated since 2013. In our opinion the amount should be charged to the Capital Work in Progress as part of the cost. Thus, Long Term Loans and Advances are overstated to the extent of above and Capital Work in Progress is understated to the extent of above.

11 Other Non-Current Assets Note 2.12

(i) The Company is showing ₹ 20.24 (previous year ₹. 20.24 lacs) recoverable from HPSEB Limited under the Head Misc. Assets from HPSEB. The amount has not been paid by the HPSEB and neither any confirmation of balance from the party has been provided to us. In our opinion the amount is doubtful of recovery and provision for the same should be made in the books of accounts. Thus Other Non-Current Assets are overstated to the extent of above and Expenditure is understated to the extent of above.

(ii) The Company is showing ₹ 34.80 lacs as TDS recoverable which pertains to the FY 2012-13 and the same has not been refunded by the Income Tax Department neither the same has been claimed by the corporation till the conclusion of the audit. It has been informed to us that the amount is pending for reconciliation. The company has not made any provision in respect of the same. In our opinion the other Non-Current Assets are overstated to the extent of above and Expenditure is understated to the extent of above.

(iii) The Sainj HEP is showing ₹ 19.20 lacs as recoverable from government on account TCS deposited by the Forest department at the time of the purchase of cost of trees from the Forest Department in the year 2010. No TCS certificate has been issued by the department nor the same has been claimed in the income tax return of the company for the relevant assessment year. In our opinion the other Non-Current Assets are overstated to the extent of above and Capital Work in Progress is understated to the extent of above as the amount is doubtful of recovery.

(iv) The Kasang HEP is showing ₹ 50.08 lakhs recoverable from the HPTCL since inception of the company in its books of accounts. No Confirmation of the same has been provided to us. The amount is doubtful of recovery hence provision for doubtful advance is required. In our opinion the other Non-Current Assets are overstated to the extent of above and Expenditure is understated to the extent of above.

(v) The Renukaji HEP is showing a sum ₹ 9.44 lakhs recoverable from HPSEB Limited since 2008. No Confirmation of the balance from the HPSEB Limited has been shown for our verification. The amount is doubtful of recovery hence provision for doubtful advance is required. In our opinion the other Non-Current Assets are overstated to the extent of above and Expenditure is understated to the extent of above.

(vi) The Corporate office is showing a sum of ₹ 23.16 lakhs recoverable from Directorate of Energy. No confirmation from the party and evidence whether the amount is good for recoverable has shown for verification. In Our opinion as the amount is doubtful for recovery and provision for doubtful amount should be provided. Thus, other Non-Current Assets are overstated to the extent of above and Expenditure is understated to the extent of above.



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extent of above.

(vii) The Corporate office is showing a sum of ₹ 66.03 lakhs as recoverable from contractors on account of reimbursement of LC Charges from the contractors. The amount has not been recovered till the date of audit. The amount pertains to the Sainj HEP, Sawara Kudu HEP and Kasang HEP. The Company is also showing the amount payable to the Contractors under Current Liabilities for the E and M Contracts. In our opinion the amount may be adjusted with the amount payable to contractors. In our opinion the other Non-Current Assets are overstated to the extent of above and Other Current Liabilities are understated to the extent of above.

(viii) The Corporate Office is showing a sum of ₹ 103.24 lakhs from Gammon India since 2013 through Directorate of Energy. The amount has to be recovered along with interest of 10 % per annum. The Amount has not been recovered till the date of audit and the same is doubtful of recovery hence provision for doubtful advance is required. In our opinion the other Non-Current Assets are overstated to the extent of above and Expenditure are understated to the extent of above.

(ix) The Renukaji HEP has deposited ₹ 94.60 lakhs as excess deposit with HPSEB Dadhau for installation of lines from Substation to the Project site since December 2009. The amount has been shown as advance and the same has been paid in excess to the HPSEB as there is no need to install the lines at the project site. The amount has not been recovered till date of audit and provision for the doubtful advance is required to be made. In our opinion the other Non-Current Assets are overstated to the extent of above and Expenditure are understated to the extent of above.

(x) The above includes ₹ 60.50 lacs as share application money pending allocation with Himachal Emta Power Limited. Please refer Audit note of Non-Current Investments where in no provision on diminution in value of investments has been made thus the other non-current assets are overstated to the extent of above and the expenditure is understated to the extent of above.

(xi) The Capital Work in Progress of includes excise duty reimbursed to the contractors by the company which is exempted as per the notification No.108/95-CE, dated 28.08.1995, which provides that the goods supplied to projects, financed by the World Bank, Asian Development Bank or any International Organisation, and approved by the Govt of India, shall be exempted from the whole of the excise duty / additional excise duty leviable thereon. The Company has accounted for the expenditure in capital Work in progress by way of the reimbursement of the same to the contractor amounting to ₹ 608.40 Lac. The Company has shown the above amount as recoverable from the Contractor during the year under review. The Company has recovered only 110.47 lacs from the contractor till the close of the financial year of the audit.

12 Other Current Assets Note 2.17

(i) Grant Receivable

The Gyspa HEP is showing ₹ 441.70 lacs as recoverable grant from the Central Government on account DPR and Investigation Expenses. The Government of India has approved ₹ 12.50 crore for survey and investigation of the project and paid ₹ 5.00 crore as advance and the rest of the amount is to be paid on the submission of the DPR. The work of the DPR is not completed since 2012 due to sustained opposition to the

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project by local people. The Central Government has stayed the further payment of the grant until the submission of the DPR. The grant recoverable shown is not as per para 6.1 of the AS 12 Accounting for Government Grants which states that

"6.1 Government grants available to the enterprise are considered for inclusion in accounts:

(i) where there is reasonable assurance that the enterprise will comply with the conditions attached to them; and

(ii) where such benefits have been earned by the enterprise and it is reasonably certain that the ultimate collection will be made."

In our opinion the Other Current Assets are overstated to the extent of above and Capital Reserve are understated to the extent of above.

Further the amount expenditure is not recoverable from the GOI the Capital work in progress is overstated and the Expenditure is understated to that extent.

(ii) The Shongtong HEP has not accounted for ₹ 200.00 lacs recoverable from Patel Engineering on account of cost of river bourn material from the quarry used by the contractor. In our opinion the Other Current Assets are understated to the extent of above and expenditure during construction period is overstated to that extent.

13 Statement of Profit and Loss

The Clause 64 of the Articles of Association of the Company provides that the cost of the company excluding the Transmission component shall be shared between the Government of Himachal Pradesh, HPSEB Limited and HPIDB in the ratio of their equity participation. In the Annual General Meeting held on 23rd December 2015.

No Disclosure for the same has been made in the notes to accounts neither the amount has been shown as recoverable from the Shareholders.

The Net Balance of the Deficit of the company after taking into consideration the qualifications where ever quantified the same has been shown as recoverable from shareholders while the giving effect of qualifications.





Anil Karol and Company Chartered Accountants

	Share Capital	Rato	Amount in lacs
Opening Balance of Deficit			₹ 569.91
Profit and Loss During the year after qualifications			₹ 1,416.24
			₹ 1,986.15
Amount of Cost Recoverable from shareholders			
1 Government of Himachal Pradesh	1,926,700.00	12.75	₹ 253.33
2 HPIDB	11,871,477.00	78.59	₹ 1,560.88
3 HPSEB Limited	1,307,731.00	8.66	₹ 171.94
	15,105,908.00	100.00	₹ 1,986.15

14 Income Tax Provision

The Company has not made any provision for the Income tax in the books of accounts refer note 1.14.

The Contention of the management is that the all units are under construction and the income of the corporation is not taxable and the company has brought forward losses under income tax Act.

We also invite attention to note 2.27 where in the cases for earlier years are pending with different authorities and the outcome of which are uncertain and may affect the amount shown as Deposits with Income Tax authorities ₹ 5,665.39 lacs (refer note 2.13), and Income Tax Refund due ₹ 4,190.73 (refer note 2.17). In view of the uncertainly involved and the matter is subjudice we are unable to comment on the recoverability of the above amount and its effect on the Financial Statements.

15 Apportionment of Incidental Expenses During Construction Period

(i) The Company has not provided to us the systematic basis of apportionment of incidental expenditure during construction period to respective capital assets of HEP.

(ii) The Company has the policy of charging the expenditure during construction period of corporate office and sunder nagar design wing up to on 31st March 2015 on the proportionate basis of Capital Expenditure incurred till 31st March 2015 on individual HEP. (Capital expenditure includes Fixed Assets Cost and Capital Work in Progress cost Except Land Cost). However the company has while making the apportionment as on 31st March 2015 has not included the cost of Fixed Asset while making the apportionment. The following is the difference in allocation of expenditure on different HEPs.





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Name of the Power Project	Accounted For	To Be Accounted	Difference in Rupees
Sawra Kuddu	₹ 401,504,403.69	₹ 403,197,734.14	₹ 1,693,330.45
Kashang	₹ 333,055,456.00	₹ 330,728,048.20	₹ -2,327,407.79
Sainj	₹ 330,323,769.85	₹ 331,312,745.72	₹ 988,975.87
Renukaji	₹ 35,927,469.71	₹ 37,020,809.23	₹ 1,093,339.52
Shongtong	₹ 68,968,800.62	₹ 67,946,300.49	₹ -1,022,500.13
Chirgaon Majhgaon	₹ 3,244,961.99	₹ 3,231,047.46	₹ -13,914.53
Triveni Mahadev	₹ 2,032,637.62	₹ 2,002,674.81	₹ -29,962.82
Thana Plaun	₹ 4,637,018.02	₹ 4,583,962.11	₹ -53,055.91
Nakhtahan	₹ 6,627,480.40	₹ 6,441,398.45	₹ -186,081.95
Gyspa	₹ 3,434,964.40	₹ 3,380,102.83	₹ -54,861.57
Surgani	₹ 3,463,200.71	₹ 3,377,812.45	₹ -85,388.27
Deaothel	₹ 152,891.55	₹ 147,881.42	₹ -5,010.13
Chanju	₹ 679,957.20	₹ 657,675.57	₹ -22,281.62
Beradol	₹ 5,035.21	₹ 29,854.08	₹ 24,818.87
Total	₹ 1,194,058,046.97	₹ 1,194,058,046.97	₹ 0.00

(iii) The expenditure of corporate office and sundar nagar design wing for the year 2015-16 is pending for allocation to different HEP which may have effect on the individual Expenditure During Construction Period Cost of HEP.

15 The Amount Recoverable from Contractors , Advance given for Deposit Works and to Government Departments and other recoverable are subject to confirmations as no balance confirmation has been provided by the Company

The effect of the said qualifications where ascertainable the loss of current year will be Nil against reported loss of ₹ 17.92 lacs. The Share Capital will be ₹ 1,50,000.00 lacs instead of ₹ 1,51,059.58 lacs. The Share Money pending allotment will be ₹ 8,516.58 lacs instead of ₹ 7,457.00 lacs. The Deficit will be ₹ Nil instead of ₹ 569.91 lacs . The Capital Reserve will be ₹ 68,490.65 lacs instead of ₹ 69,421.28 lacs.. The Long Term liabilities will be of ₹ 78,194.54 lacs instead of ₹ 78,202.54 lacs. The Other Current Liabilities will be ₹ 92,857.69 lacs instead of ₹ 84,166.81 lacs . The Tangible Assets will be ₹ 37,437.20 lacs instead of ₹ 31,076.58 Lacs . The Capital Work in Progress will be ₹ 4,21,393.06 lacs instead of ₹ 4,21,080.81 lacs . The non-current Investments will be Nil instead of ₹ 337.50 lacs. The Long-Term Loan and Advances will be ₹ 22,306.70 lacs instead of ₹ 29,131.15 lacs. The Other Noncurrent Assets will be ₹ 8,671.96 lacs instead of ₹ 9,153.25 lacs. The Other Current assets will be ₹ 59,088.24 lacs instead of ₹ 49,795.31 lacs.

Qualified Opinion

In our opinion , and to the best of our information and according to the explanations given to us , except for the effects of the matter described in the Basis for Qualified Opinion paragraph which are unascertainable , the aforesaid standalone financial statements the information required by the Act in the manner so required and does not give a true and fair view in conformity with the accounting principles generally accepted in India of the

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Anil Karol and Company
Chartered Accountants

state of affairs of the Company as at 31st March 2016, and its profit and its cash flows for the year ended on that date:-

Emphasis of Matter

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the Annexure-2 on the directions issued by Comptroller and Auditor General of India.

3. As required by section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

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

d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. except as qualified in basis of Qualified Opinion Paragraph

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

f) This being government company, Section 164 (2) of the Act is not applicable.

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





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- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements-Refer Note 2.26 to the financial statements but no accounting entry in the books has been made;
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. There were no amounts as at 31.03.2016 which were required to be transferred to the Investor Education and Protection Fund by the Company.

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

(CA Walia Umesh)
Partner
M No098287
Place: Shimla
Date: 08/02/17





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Chartered Accountants

ANNEXURE 1 TO THE AUDITORS' REPORT Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended 31st March 2016.

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

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

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

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

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

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

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

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

(vii) (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2016 for a period of more than six months from the date they became payable. We are informed that the provisions of Employees' State Insurance Act are not applicable to the company.

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

Sr No	Statue/ Act	Nature Due	Amount in lacs	Period	Forum Which Pending
1	Entry Tax	Interest	₹ 337.70	2010-15	Addl, Excise & Taxation Commissioner -cum- Appellate Authority
2	Entry Tax	Penalty	₹ 751.28	2010-15	Addl, Excise & Taxation Commissioner -cum- Appellate Authority
	Total		₹ 1,088.98		



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(viii) The Company has not defaulted any repayment of loans or borrowing to any financial institution or bank or Government or dues to debenture holders. However in case of deferment of instalment of Loan and Interest from Government of Himachal Pradesh for the year 2015-16 is pending for approval.

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

(x) As per information provided to us no fraud by the company or any fraud by officers and employees of the company has been noticed/ reported during the year except in the year 2015 at Renukaji HEP and the same is pending with State Vigilance.

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

(xii) Company is not a Nidhi Company.

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

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

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

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

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



(CA Walia Umesh)
Partner

M No 098287

Place: Shimla

Date: 08/07/17



Anil Karol and Company
Chartered Accountants

ANNEXURE 2 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of Himachal Pradesh Power Corporation Limited on the accounts for the year ended 31st March 2016

Sl. No.	Directions	Action Taken	Impact on financial statement
1	Whether the company has clear title / lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title/lease deed are not available	i) Renukaji HEP The Company does have clear title of land of 363.52 hectares of land which is in the possession of land owners as interest on the amount of compensation has not been paid . ii) Shongtong HEP The Company does not have lease title of 63.50.13 hectares and the application for lease title has been given to DC Kinnuar. iii) Sainj HPESB Land The company has possession of land at Sarabhai 39.99 bighas, thalot 19.11.04 bighas Shelli Larji 36.12.11 bighas but the title deed is not with the company as payment has not been paid to the HPSEB amounting to ₹ 34.35 crores.	The Amount of ₹ 34.35 crores has been qualified in the audit report
2	Whether there are any cases of waiver off of debts/loan/ interest etc. if yes, the reason there for and the amount involved	No such case found during the audit	NIL
3	Whether proper records are maintained for inventories laying with third parties & assets received as gift from Government or other authorities	Forest land diverted from Government of Himachal Pradesh has not been accounted as the matter of same has to be taken up with the Government of HP.	NIL
4	Whether land acquisition is involved in setting up new project, report whether settlement of dues expeditiously and in transparent manner.	i) The Company has not paid the compensation to Renuka ji HEP land losers as the amount of the same was released by the Central Government during the year 2016-17 and the case is pending with Supreme Court of India. The Payment to land losers is in progress. ii) Shongtong Project has paid	Accounted for in books Accounted for



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		excess payment to land owners which has not been recovered by the company amounting to ₹ Rs 45.19 lacs.	in books
5	How much cost has been incurred on abandoned projects and of this how much cost has been written off	<p>i) Gsypa HEP The Government of India has not released the next instalment of Rs 7.50 crore as the survey and investigation report has not been submitted due to opposition by local people since 2012.</p> <p>ii) Tidong HEP A sum of ₹ 1.03 crores is recoverable from Director of Energy Himachal Pradesh but the same has not been recovered till date.</p> <p>iii) HPPCL and EMTA Joint Venture(Himachal Emta Limited) The Supreme court has cancelled the allotment of Coal Block allotted to Gouragdi Coal Limited which is joint venture of JSW Steel Limited and HP Emta Limited(Joint Venture of HPPCL and EMTA) since 2014. The amount invested in Himachal EMTA amounting to ₹ 337.50 lacs and ₹ 60.50 lacs share application money pending allotment is doubtful for recovery the joint venture was mainly floated for getting the Coal Block Allotment.</p>	<p>The Amount of ₹ 930.63 lacs has been qualified in the audit report.</p> <p>The Amount Qualified in the Report.</p> <p>The Amount Qualified in the Report</p>
6	Indicate whether the company has efficient system for monitoring and adjusting advances to contractors/supplier. Highlight the significant instance of failure of the system	<p>The company is adjusting the advances from the running bills of the contractors or suppliers, However other charges such as :-</p> <ul style="list-style-type: none">1 LC Charges2 Electricity Charges3 Entry Tax Interest and Penalty <p>has not been recovered regularly from the suppliers and contractors.</p>	<p>Except Entry Tax the amount is accounted for. Entry tax Amount is Qualified.</p>
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financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external



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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, except in the areas given below based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

However, company needs to further strengthen the in the control system in the following areas :-

- Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013.
- Harmonisation in creation of account heads at Corporate Level in relation to advances, liabilities and vendors according to the nature of expenditure so that no duplication of account code exists and only single account code is allotted to individual vendors in the company as a whole.
- Payment to contractors strictly on the basis of authorisation of the BOD.
- Option of marking of clearing entries in the SAP should be followed by all the accounting units in respect of current as well as old accounting entries.
- Scrutiny of old Earnest Money Deposits, security deposits, Retention money and other payables to contractors.
- Capitalisation of Capital Work in Progress in timely and efficient manner.
- Reconciliation of retro entries in SAP for CPT Module.
- Payment to Contractors of Additional Advance/ Advance Against Retention Money and its accounting treatment.
- Recovery of delay damages from the contractors and accounting thereof



- Accounting of EMD in the nature of FDR in the books or accounts

We have considered the areas of improvement identified which needs further strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2016 standalone financial statements of the Company. However, these areas of improvement do not affect our opinion on the standalone financial statements of the Company.

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

(CA Walia Umesh)
Partner
M No 098287
Place: Shimla
Date: 08/02/17

