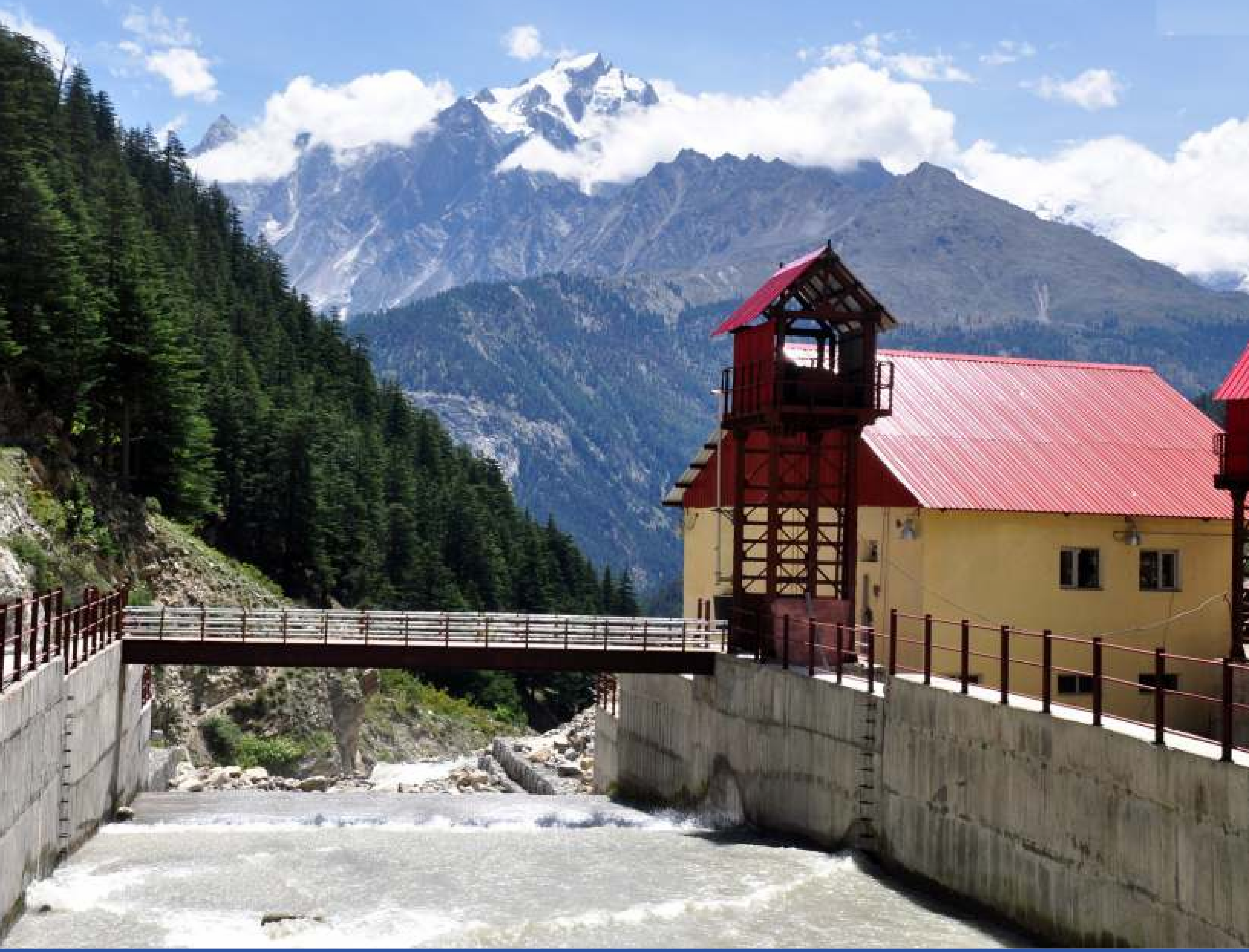
HP
POWER CORPORATION LTD.

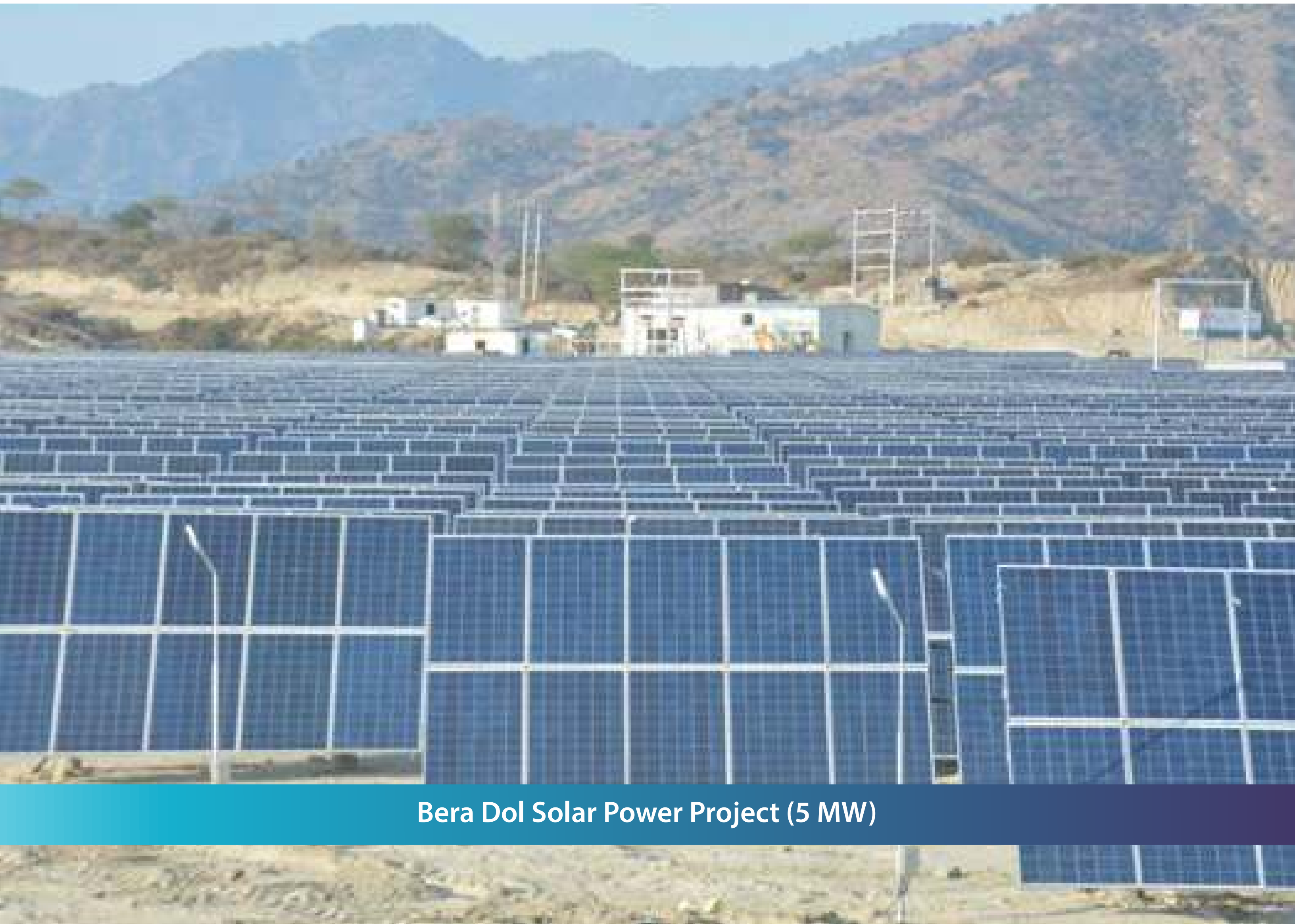


HIMACHAL PRADESH
POWER CORPORATION LTD.

ANNUAL REPORT

2018-2019

Main Access Tunnel of Sawra Kuddu HEP



Bera Dol Solar Power Project (5 MW)

ANNUAL REPORT 2018-2019

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Auditors :
M/s Anil Karol & Company
Chartered Accountants,
Head Office : First Floor, 77, Lower Bazar, Shimla - 171001, H.P.
Tel : 0177-2657882, Mob. : 9418152278, 9805194077
Email : akcoshimla@gmail.com
Branch Office : 13/20, Second Floor, East Patel Nagar, New Delhi
Tel. : 011-25864141, 25863755
Email : dmbhatia@akcindia.com

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

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

HIMACHAL PRADESH POWER CORPORATION LIMITED

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

Notice of 13th Adjourned Annual General Meeting of the HPPC LTD.

“Notice is hereby given that the 13th Adjourned Annual General Meeting of the Shareholders of the Himachal Pradesh Power Corporation Limited, Shimla will be held on **06.01.2022 at 12.30 PM at CS Committee Room, H.P. Govt. Secretariat, Shimla-171002 (H.P.)** to transact the following business:

ORDINARY BUSINESS:

- To receive, consider and adopt the Financial Statements (Annual Accounts) of the Company for the year ended 31st March, 2019, consisting of Statement of Incidental Expenditure during construction, Statement of Profit & Loss Account and the Balance Sheet as on that date alongwith Board's Report, Auditors' Report and the Comments of the Comptroller & Auditor General of India and replies thereto.
- To Note & approve the appointment of Statutory Auditors for the Financial Year 2021-22.

Place: Shimla

By order of the Board of Directors

Dated: -

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

Note:

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

PROXY FORM

I/We member (s) of the Himachal Pradesh Power Corporation Limited (HPPCL), Shimla, 171009 do hereby appoint ____ of Himachal Pradesh Power Corporation Limited as my proxy to attend and vote for me the 13th Adjourned Annual General Meeting of the HPPCL on 06.01.2022 at 12.30 PM and/or at any adjournment thereof.

Signed this on .... Signatures

Affix Rs.5/-
Revenue Stamp

Memorandum for Shareholders

The Shareholders are informed that pending finalization of Financial Statements (Annual Accounts) for the year ended 31.03.2019, an extension of time to hold the 13th Annual General Meeting (AGM) for three months up to 30th December, 2019 was obtained from the Registrar of Companies, Himachal Pradesh with the prior approval of Board. However, the Financial Statements (Annual Accounts) for the FY 2018-19 could not be completed during extended period and the AGM was held on 3rd December, 2019 and Shareholders were informed the factual position of pendency of Annual Accounts.

The Financial Statements (Annual Accounts) Standalone & Consolidated duly approved by the Board on 10th June, 2020 were submitted to the Statutory Auditors for conducting audit and the report of the Statutory Auditors was received. Thereafter, these accounts were submitted to the Accountant General, Himachal Pradesh to have the comments of the Comptroller and Auditor General of India (CAG) under the provisions of the Act. The comments of CAG of India on these accounts have also now been received. Also, the Board's Report for the FY 2018-19 has been prepared and annexed to the Financial Statements (Annual Accounts).

The Shareholders are requested to kindly receive, consider and adopt the Financial Statements (Annual Accounts) of the Company for the year ended 31st March, 2019, consisting of Statement of Incidental Expenditure during construction, Statement of Profit & Loss Account and the Balance Sheet as on that date alongwith Board's Report, Auditors' Report and the Comments of the Comptroller & Auditor General of India and replies thereto.

Also, the issue of the appointment of Statutory Auditors for the Financial Year 2021-22 is placed for the approval of the Shareholders.

Place: Shimla
Dated:

Sd/-
Director (Finance)

BOARD OF DIRECTORS

Sh. Ram Subhag Singh, IAS
Chairman
Chief Secretary,
Govt. of Himachal Pradesh

Sh. R.D. Dhiman, IAS
Addl. Chief Secretary
(MPP & Power)
Govt. of H.P.

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

BOARD OF DIRECTORS

Sh. Devesh Kumar, IAS
Managing Director

Smt. Priyanka Verma, IAS
Director
Director (Personnel & Finance)

Er. Shashikant Joshi
Director
Director (Electrical)

Er. Surender Kumar
Director
Director (Civil)

HIMACHAL PRADESH POWER CORPORATION LIMITED

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

BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the 13th Annual Report of the Company for the year ended 31st March, 2019 along with the Financial Statements (Annual Accounts), Report of Auditors and Comments of the Comptroller and Auditor General of India and replies thereto.

1. GENESIS

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

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

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

2. MISSION, AIM AND TARGETS

- **Mission:** To bring prosperity in Himachal Pradesh through development of power.
- **Aim:** To come up as a major power generating Company of India with good managerial & technical capabilities.
- **Targets:** To develop 861 MW power generating capacity by 2025-26 and by 939 MW by 2026-27.

3. IN-HAND PROJECTS AT A GLANCE

The Govt. of Himachal Pradesh had allotted 22 Hydro and 2 Solar Electric Projects to Himachal Pradesh Power Corporation Ltd. (HPPCL). Six projects have been surrendered back to GoHP in 2020 as some were found unviable after detailed investigations and others have been dropped as per directions of MoEF&CC. Presently, there are 16 hydro projects with aggregate installed capacity of 2443 MW for development under state sector by HPPCL. One Thermal Power Plant (2x250 MW) at Raniganj, West Bengal, was also allocated to HPPCL, however, coal block has been deallocated. One Solar Power Project of 5 MW capacity has been commissioned on 04.01.2019 near Sri Naina Devi Ji in District Bilaspur of HP. HPPCL is also in process of setting up a 10 MW Solar Power Project at Aghlor in Distt. Una. Another project viz. Kishau Multipurpose Project (660 MW) is also being developed by the Govt. of H.P. in joint venture with Govt. of Uttarakhand. Himachal Pradesh has 50% share in the project thereby making the total allotted potential of 2788 MW. These projects are in various stages of implementation. The execution of projects is being monitored strictly. All efforts for effective management and efficient organization of works are being made. HPPCL is committed to achieve the targeted schedule. Brief status of the progress of works and loan utilization is as under.

A) PROJECTS UNDER OPERATION (281MW)

HPPCL put under commercial operation Unit-II of Integrated Kashang Hydro Electric Project Stage-I (65 MW) on 01.09.2016. Also, Units III & I of Integrated Kashang HEP(195 MW) were commissioned on 03.03.2017 & 31.03.2017. The project has Generated 726.66 MU up to 31.08.2021 and Rs.162.72 Crore of revenue has been earned. HPPCL also commissioned Sainj HEP(100MW) on 04.09.2017 and has generated 1578.98 MU upto 31.08.2021. Revenue of Rs. 437.28 Crore has been realized from the project. In 2021, HPPCL also got commissioned its 3rd hydro project Sawra Kuddu HEP

(111MW) on 21.01.2021. The project has generated 183.71 MU upto 31.08.2021 and earned revenue of Rs. 54.26 crore till 31.08.2021.

Berra Dol Solar Power Project of 5 MW capacity was commissioned on 04.01.2019 that has generated 22.16 MU till 31.08.2021 and Rs. 9.54 crore of revenue has been generated.

B) PROJECTS UNDER EXECUTION (580MW)

S. No.	Name of Project(s)	Capacity (MW)	Physical Progress (%) ending 31.08.2021	Commissioning Date	
				Scheduled	Revised
1.	Kashang HEP Stage-II & III		Civil & HM Works - 29%	Nov, 2014	Jun, 2025
2.	Shongtong-Karcham HEP	450	Civil & HM Works - 37.46% E & M Works Supply- 57.51% done	Jan, 2020	Dec, 2024

The above cited hydroprojects at Sr. No. A) & B) were financed by ADB under different tranches (Tranche-I to IV) except HRT of Sawra Kuddu HEP and E&M works of Shongtong Karcham HEP, which were financed by PFC/Govt. of H.P. and KfW respectively. After closing of ADB loan on 22.10.2018 and KfW loan on 30.12.2019, funding for Shongtong Karcham HEP has been tied up with the World Bank and Power Finance Corporation (PFC). World Bank loan is in appraisal stage. The works for Kashang II & III HEP and Shongtong Karcham HEP are in full swing.

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

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

- From the above figures, it can be seen that HPPCL has been achieving the ADB loan targets consistently right from the beginning. In case of Tranche-IV (Shongtong Karcham HEP), various reasons such as restrictions by nearby Ammunition Depot, agitation by labourers, poor cash flow of contractor, concerns of the lender regarding Right Bank slope stability of Barrage area have been responsible for delay of the Shongtong Karcham HEP.
- For electro-mechanical works of Shongtong Karcham HEP (450MW), loan amounting to Euro 150 million was sanctioned by KfW and agreement with KfW was signed on 21.12.2012. The loan has closed on 30.12.2019 with final utilization of loan amounting to EUR 19.93 million.

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

Difficulties/Bottlenecks: -

- Encountering of very poor geology in Head Race Tunnel of Sawra Kuddu HEP.
- Continuous agitation by the Lippa Villagers not allowing the Civil works of Kashang Stage II & III HEP from intake side.

- Concerns regarding sliding Right Bank Slope at Barrage area of Shongtong Karcham HEP which could be settled with involvement of CWC.
- Frequent stoppage of work by locals & labour strikes by trade unions in projects under construction.
- Delay in obtaining statutory clearances from MoEF, CWC, CEA, GoI etc.
- Poor financial condition of most of the Civil Work contractors working in the field of Hydropower.

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

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

Techno-economic Clearance (TEC) by the Directorate of Energy (DoE), GoHP for Chanju-III HEP (48 MW) & Deothal Chanju HEP (30 MW) have been accorded on dated 14.07.2015 and 22.07.2015 respectively. Environment Clearance for both the projects accorded on 29.09.2017. Forest clearances of both projects have been obtained from MoEF & CC, Govt. of India on 22.10.2019. NOC has been received on RfPs documents of two civil packages and one E&M package of Chanju-III HEP. RfPs of Deothal Chanju HEP shall be submitted on the same line to AFD shortly. Accordingly, tenders of Chanju-III are expected to be awarded by December 2021 and Deothal Chanju HEP tenders are expected to be awarded by February 2022.

Agence Française de Development (AFD) agreed to provide an amount of Euro 80 million (Rs.640 Crore) for funding of Chanju-III HEP (48 MW) & Deothal Chanju HEP (30 MW). Credit Facility Agreement between GoI & AFD has been signed on 04.07.2017. The Project agreement and On Lending agreement between HPPCL, GoHP and AFD were signed on 02.02.2018 and 11.07.2018 respectively.

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

D) PROJECTS WITH APPROVED DPR (239 MW)

1.	Surgani Sundla HEP	48 MW
2.	Thana-Plaun HEP	191 MW

E) PROJECTS UNDER INVESTIGATION

(a) DPRs in Advanced Stages (838 MW)

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

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

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

The DPR of Thana Plaun HEP has been concurred by CEA vide office memorandum dated 07.09.2021. In context of Forest Clearance of the project, State Government has approved the case and it has been submitted to MoEF&CC for stage-I Forest clearance wherein few observations have been raised which are being attended. In context of Environment Clearance, Expert Appraisal Committee has recommended Environment Clearance (EC) to MOEF&CC subject to two conditions:

I. Stage-I forest clearance.

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

In Surgani Sundla HEP, Project cost was revised at July, 2017 price level which came out to be Rs.700 crore. In view of the high cost, the project proposal has been revisited and cost brought down to Rs.581.86 Crore. TEC shall be got revalidated again from DoE shortly.

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

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

F) PROJECTS UNDER PRE-FEASIBILITY STAGE (305 MW)

1.	Khab HEP	305 MW

G) PROJECTS OF NATIONAL IMPORTANCE (340 MW)

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

(i) RENUKAJI DAM PROJECT (40 MW):

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

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

Investment Clearance has been granted by MoJS on 07.08.2020. Now only Pending Approval is from CCEA. The central grant of funds will start thereafter.

For Forest Clearance (Stage-II), Rs. 581.73 Crore is required to be deposited in state CAMPA account. GoI will bear this cost once approval from Cabinet Committee on Economic Affairs (CCEA) is granted.

MoEFF & CC has extended the Environment Clearance (EC) for further 3 years from 23-10-2019 i.e. till 23-10-2021.

Forest Clearance accorded on 15.02.2015 till 15.02.2020 has been extended by 2 years by MoEF & CC i.e. up to 15-02-2022.

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

(ii) GYSPA DAM PROJECT (300 MW): (National Importance Project)

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

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

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

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

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

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

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

Accordingly, HPPCL vide letter dated 27.04.2021 has requested Central Water Commission (CWC), New Delhi to accept the proposed layout of Gyspa Dam HEP so that matter may further be pursued with MOEF&CC.

H) THERMAL PROJECT (500 MW)

Himachal EMTA Power Limited (HEPL), 50:50 joint venture Company of Himachal Pradesh Power Corporation Ltd. (HPPCL) was incorporated on 9th January, 2007 to set up a coal based Pit head Thermal Power Plant (2X250MW) at Raniganj, Distt. Burdwan, West Bengal. Ministry of Coal, Govt. of India, vide its letter dated 10.07.2009 allocated Gourangdih ABC Coal Block for captive use jointly to HEPL and JSW Steel Ltd. on equal sharing basis (50:50), resulting into the formation of another joint venture company, named Gourangdih Coal Limited (Joint Venture of HEPL and JSW Steel Ltd.).

However, as per the recommendations of Inter Ministerial Group, the Ministry of Coal, Government of India, de-allocated the Gourangdih ABC coal Block. Subsequently, Hon'ble Supreme Court on 24.09.2014 ordered that the allotment of Coal blocks made by the Screening Committee of the Government of India through the Government dispensation route are arbitrary and illegal, resulting in de-allocation of Gourangdih ABC Coal Block allotted jointly to M/s HEPL and M/s JSW Steel Ltd.

JSW Steel Limited filed writ petition at Delhi High Court challenging the show cause notice served by the Ministry of Coal regarding revoking of Rs. 6.67 Crore from the Bank Guarantee (BG) of Rs.17.08 Crore, submitted by Gourangdih Coal Limited (GCL) as per the terms of coal block allocation letter, and requested to reduce the amount of BG to Rs.6.67 Cr. from Rs.17.08 Crore, till the final verdict is pronounced. In this regard, Hon'ble Court directed GCL to submit a revised BG of Rs.6.67 Crore to Ministry of Coal. On submission of the revised BG, GCL will be discharged from the liability under the earlier furnished BG of Rs.17.08 Crore. The pending matters/ issues of M/s HEPL and M/s GCL are summarized under:

a) **CBI Court Case related matter:** On reference of Central Vigilance Commission, CBI registered the case on 07.08.2014 against officials of Ministry of Coal, Private Companies, M/s HEPL, Promoter/ Directors of M/s HEPL, Members of the 35th Screening Committee and other unknown persons. HEPL vide Board Resolution no. 02/2016 dated 02.03.2016 authorized Sh. Bikash Mukherjee, Director, HEPL, to present the case before the Hon'ble Court. Further, in accordance with the decisions taken in the meeting held under the chairmanship of Pr. Secretary (MPP & Power) on 11.06.2019 and in BoD meeting of HPPCL dated 03.12.2019, the issue of appointment of Advocate to safeguard the interest of the State Govt./ HPPCL and its officers has been referred to the State Govt. on 04.03.2020 and 04.08.2020. GoHP's State Law Department vide letter dated 07.01.2021 intimated that the Government has decided to defend the case before CBI Special Judge (PC Act), New Delhi on behalf of HPPCL.

   Thereafter, Ld. District Attorney, HP Legal Cell, New Delhi, vide letter dated 29.01.2021 entrusted the CBI case of HEPL to Sh. Aaditya Vijay Kumar, Panel Advocate, for defending the same before the CBI Special Judge (PC Act) Rouse Avenue, Court Complex, New Delhi. Further, HPPCL vide letter dated 01.04.2021 forwarded the records related to the case to the District Attorney, New Delhi, via registered post, which stands handed over to the Ld.

Advocate Aaditya Vijay Kumar by O/o District Attorney, HP Legal Cell, New Delhi.

Subsequently, two meetings through video conferencing were held on 09.04.2021 and 17.04.2021 with Ld. Adv. Aaditya Vijay Kumar, wherein the case was briefed to him and the matter regarding Power of Attorney was discussed. In this regard, Sh. Aaditya Vijay Kumar, Ld. Advocate, vide his letter dated 19.04.2021 clarified that *"...the Vakalatnama can only be provided by HPEMTA and not HPPCL or any other sister concern as the same is not a party to the above captioned matter. The Vakalatnama is essential for carrying out any representation. In the absence of a valid Vakalatnama, we would not be able to file an inspection, or retrieve any certified copies of the documents which are before court."*

Subsequently, HPPCL vide letter dated 19.04.2021 requested Managing Director, M/s HEPL, to prepare and send a Board resolution through circulation for authorizing the Ld. Adv. Aaditya Vijay Kumar, in addition to the earlier engaged Advocate of M/s HEPL, to defend the CBI case of M/s HEPL.

Thereafter, meeting dated 23.04.2021 was held with Pr. Secretary (Law) to the GoHP wherein he suggested to pursue the matter, regarding issuance of Power of Attorney, with M/s HEPL. Further, a meeting dated 27.05.2021 was held with Addl. Chief Secretary (MPP& Power) to the GoHP wherein the matter was telephonically discussed with the Ld. Adv. Aaditya Vijay Kumar. As desired in the said meeting, a memorandum was placed before the Board of Directors of HPPCL in their 76th meeting for authorizing Ld. Adv. Aaditya Vijay Kumar to attend the subsequent hearings of the CBI case of M/s HEPL, as the NoC/ consent from Directors on the Board of M/s HEPL from M/s EMTA Coal Limited side is awaited.

The matter was pursued telephonically with M/s HEPL and also vide reminder e-mail dated 27.05.2021. However, Sh. Bikash Mukherjee, Director, M/s HEPL, cited reasons related to the COVID-19 pandemic and requested to wait till the restoration of normalcy.

The Board of Directors of HPPCL in 76th meeting dated 07.06.2021 decided that *"…the matter be discussed by the Managing Director and Director (Electrical) with the Addl. Chief Secretary (Finance) to the GoHP so as to reach on any concrete decision".* In this connection, as desired by the ACS (Finance) to the GoHP, the brief status note on the matter of engagement of Advocate i.r.o. case titled as CBI v/s M/s HEPL has been put up for his appraisal of on 05.07.2021.

b) **Income tax related matter:** Income Tax (IT) Department vide Assessment Order dated 24.08.2017, determined a sum of Rs. 2,52,780/- payable by HEPL for AY 2015-16. HEPL filed appeal against the said order in CIT on 12.10.2017 and submitted 20% of the demand amount i.e. Rs. 50,556/- with the IT Department. However, Income Tax Commissioner vide order dated 29.03.2019 dismissed the appeal of HEPL and upheld the assessment order dated 24.08.2017. HEPL vide letter dated 15.05.2019 opined to deposit the demand amount with the Income Tax Department, as the amount involved is less and HEPL has made losses with no income tax liability in FY 2015-16, 2016-17 & 2017-18. Accordingly, HEPL sought 50% contribution (towards 50 % share) from HPPCL. As per opinion of HEPL and its balance sheet (as on 31.03.2018, Rs. 12,41,076/- and Rs. 1,33,780/- in the fixed deposit bank account and current account, respectively), HPPCL requested HEPL to deposit the same from its Bank accounts only. However, HEPL intimated that its Fixed deposit and Current Account Balance have been attached by Enforcement Directorate vide their Provisional Attachment Order No. 03/2017 dated 29.12.2017 and the matter is pending in Hon'ble Supreme Court. In this regard, HPPCL's Finance wing opined that HEPL may write/ apprise the IT Authorities regarding attachment of its accounts. HEPL vide letter dated 27.01.2020 and reminder letters dated 28.08.2020, 16.10.2020, 27.11.2020, 18.02.2021, 06.05.2021 and 23.07.2021 requested IT Authorities to not take any action to recover the demand till the decision of the court. Now, the IT Authorities have given opportunity to hear the case, for which a Consultant, Chartered Accountant has been requested to apprise the matter alongwith documents sent by the office of Himachal EMTA Power Limited and he is now pursuing the case.

c) **Encashment of HEPL's BG by PGCIL:** For evacuation of power from its Thermal Power Plant, HEPL vide application dated 4th July, 2011 requested PGCIL for grant of connectivity & Long Term Access and submitted a Bank Guarantee (BG) amounting to Rs. 50 Lakhs. In view of de-allocation, HEPL vide letter dated 18.06.2015 informed PGCIL about its decision to abandon the project and requested to release the BG. However, PGCIL encashed the said BG. In this regard, Adv. Lalit Kumar Sharma opined HPPCL; to file petition U/s 79 (1) (c) of Electricity Act before CERC, New Delhi. The said opinion of Advocate was intimated to HEPL vide letter dated 07.02.2020 with a request to place the same before the BoD of HEPL for directions on the future course of action.

HEPL vide letter dated 06.03.2020 confirmed to place the same before BoD of HEPL in its next meeting and proposed to again request PGCIL to reconsider its decision and submitted a draft letter, in this regard, for vetting. HPPCL vide letter dated 29.05.2020 accepted the said proposal of HEPL and forwarded the vetted draft letter to HEPL for further necessary action. Accordingly, HEPL vide letter dated 24.07.2020 has made its request to PGCIL. Thereafter, HEPL was requested to intimate about a suitable date for conducting the BoD meeting of HEPL so as to place the legal opinion of Ld. Adv. Lalit Kumar Sharma before the BoD of M/s HEPL in its next meeting for further directions on the future course of action. However, Sh. Bikash Mukherjee, Director, HEPL on 24.07.2020 cited reasons related to the COVID-19 pandemic lockdown and vide letter dated 24.09.2020 suggested to wait for the response/ reply of PGCIL on HEPL's letter dated 24.07.2020. Further, HEPL vide reminder letter dated 31.03.2021 has again requested PGCIL. However, response from PGCIL is still awaited please.

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

Further, the Board of Directors of M/s GCL in its meeting dated 11.06.2019 decided the following on the matter of non-receipt of compensation of Rs. 11,39,120/- from Ministry of Coal **(MoC)**, GoI, against de-allocation of coal block:

"...Company may seek assistance of its co-promoter and co-allocattee of the Gourangdih ABC Coal Block i.e. HEPL, to the extent that Himachal Pradesh Power Corporation Limited (HPPCL) having its 50 % equity stake in HEPL, being Govt. undertaking, may write to Ministry of Coal, Govt. of India, claiming refund of the balance compensation of Rs. 11,39,120/-. In order to assist HPPCL, copy of the letter (s) sent to Ministry of Coal, Govt. of India, in this regard, be supplied to HPPCL by the Company."

Subsequently, Director, M/s GCL, vide its email dated 12.06.2019 furnished all the earlier correspondences sent to MoC in this regard, with a request to take up the matter with Nominated Authority, Ministry of Coal (MoC). Accordingly, Managing Director, HPPCL, vide letter dated 26.06.2019 and its subsequent reminder letters dated 30.09.2019, 27.12.2020, 18.03.2020, 10.06.2020, 13.08.2020, 17.10.2020, 28.11.2020, 20.02.2021 and 31.05.2021 requested Nominated Authority, Ministry of Coal, to look into the matter and consider the request of M/s GCL of releasing the expenses of Rs. 11,39,120/- towards cost of consents. However, response from MoC, in this regard, is still awaited.

I) SOLAR POWER DEVELOPMENT

Berra Dol Solar Power Project:

- H.P. Power Corporation Ltd. envisaged setting up of 5 MWac Solar PV (Photo Voltaic) Grid Interactive Power Plant at Berra Dol, Near Sri Naina Devi Ji Shrine, District Bilaspur, Himachal Pradesh.
- In its 45th meeting, BoD of HPPCL approved to execute Berra Dol Solar Power Project (5 MW) in single stage.
- Power Purchase agreement of the project was signed with HPSEBL on 31.03.2017.
- HIMURJA accorded in principle approval for setting up Berra Dol SPP and registered the project vide letter dated 27.05.2017.
- The Project was awarded to M/s Bharat Heavy Electricals Limited (BHEL) on Engineering, Procurement and Construction (EPC) mode vide letter of acceptance dated 10.07.2017 and the contract for the same was entered into

on 22.07.2017.

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

Aghlor Solar Power Project:

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

4. HUMAN RESOURCES:

A) HUMAN RESOURCES:

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

The total manpower on the rolls (Direct Recruits and Absorbed employees) is indicated in table below. The strength of HPSEBL/HP Govt. employees on deputation/secondment on the above date is 337, 271, 237 and 197 respectively, which is in addition to the these figures for year 2017-18, 2018-19, 2019-2020 and 2020-21 respectively.

i) Representation of Women Employees is as under:-

Date & Year	Number of Employees	Number of Women Employees	Percentage of over-all staff strength
31.03.2018	309	42	13.60%
31.03.2019	310	42	13.50%
31.03.2020	335	42	12.50%
31.03.2021	333	41	12.31%

Welfare Measures for Female Employees:-

Steps taken for the welfare of Female employees:-

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

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

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

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

Date & Year	Number of Employees	Number of employees as PWD	Percentage of Employees as PWD
31.03.2018	309	07	2%
31.03.2019	310	07	2%
31.03.2020	335	07	2%
31.03.2021	333	07	2%

Welfare Measures for persons with disabilities:-

Steps taken for the welfare of persons with disabilities:-

a) Grievance Redressal Officers has been nominated to handle the grievances of PWD's.
b) HPPCL is providing reservation to these categories as per the Policy prevailing in the State of H.P.

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

Date & Year	Number of Employees	Representation					
		Total SC	SC%	Total ST	ST%	Total OBC	OBC%
31.03.2018	309	54	17%	17	6%	43	14%
31.03.2019	310	53	17%	17	6%	38	12%
31.03.2020	335	59	18%	18	5%	39	12%
31.03.2021	333	58	17%	18	5%	38	11%

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

iv) Recruitment

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

S.No.	Post	Filled in 2017-18	Filled in 2018-19	Filled in 2019-20	Filled in 2020-21
1	Assistant Engineer (Electrical)	-	-	19	-
2	Assistant Engineer (Civil)	-	-	7	-
3	Assistant Officer (Finance)	-	-	1	-
4	Assistant Officer (R&R)	-	-	-	-
5	JE (Electrical)	1	-	-	-
6	JE (P&A)	-	3	-	-
7	JE (Civil)	-	-	2	1
8	Electrician	-	-	2	-
	TOTAL	**1**	**3**	**29**	**1**

B) TRAINING:

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

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

Capacity Building					
Objective	**Action**	**Unit**	**2018-19**	**2019-20**	**2020-21**
Capacity Building	External Trainings	Nos of employees	136	48	87
	In-House Trainings		189	276	40
	Number of Seminars		0	0	0
	Exposure Visit (Abroad)		0	0	0
	Exposure Visit (India)		0	0	0
	TOTAL		**325**	**324**	**127**

Apart from this, HPPCL also understands its social role in the society. Keeping this in view, a specific number of technical/management students from different universities/colleges/institutes are allowed to undergo Industrial Training in the organization for 2-6 months free of cost. The detail of total students allowed to take vocational training during 2018-19 to 2020-21 at various offices and Projects sites of HPPCL is as under.

Offices/ Projects	Fields					Total
	HR	**Finance**	**Electrical Engineer**	**Information Technology**	**Civil Engineer & others**	
Corporate Office	26	28	7	11	8	80
SKHEP, Hatkoti	-	-	-	-	2	2
STKHEP, Kinnaur	-	1	1	2	16	20
Design Office, Sundernagar	-	-	-	-	8	8
Sainj HEP, Kullu	-	-	-	-	-	-
IKHEP, Kinnaur	-	-	-	-	2	2
RDP, Sirmour	-	-	-	-	1	1
TOTAL	**26**	**29**	**8**	**13**	**37**	**113**

C) INDUSTRIAL RELATIONS

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

D) EMPLOYEE WELFARE

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

5. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES TAKEN DURING THE YEAR

As per the provision envisaged in the Companies Act, 2013, HPPCL has formulated Corporate Social Responsibility (CSR) Policy. In accordance with the said Act, CSR committee has also been constituted. The Committee in its meeting held on 30th November, 2019 decided and recommended that the Company is not required to spend any fund towards CSR as the earnings of HPPCL are not to the extent of falling within the ambit of CSR obligations. Since, there are no profits during preceding three years, so the provisions of the Act are not applicable.

The above recommendations of the CSR Committee were approved by the Board of Directors with the directions to incorporate these recommendations in the Board Report for the financial year 2018-19. Therefore, the policy would be implemented as per the requirement of the Act.

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

6. ENVIRONMENT

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

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

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

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

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

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

7. REHABILITATION AND RESETTLEMENT

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

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

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

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

8. ACCOUNTS

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

S.No.	Name of the Project	Date of Commissioning	Address
1	Integrated Kashang Hydro Electric Project, Stage-I (65 MW)	01st September 2016	Recongpeo, Distt. Kinnaur, H.P.
2	Sainj Hydro Electric Project (100MW)	04th September 2017	Sarabai, Bhuntar, Distt. Kullu, H.P.
3	Berradol Solar Power Plant (5MW)	04th January 2019	Near Naina Mata Ji Mandir, Distt. Bilaspur, H.P.
4	Sawra Kuddu Hydro Electric Project (111MW)	21st January 2021	Hatkoti, Jubble, Distt. Shimla, H.P.

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

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

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

9. INTERNAL CONTROL SYSTEMS

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

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

10. DIVIDEND

Since the Company has not earned any profit during the Financial Year 2018-19, therefore, the information is Nil.

11. CAPITAL GRANT RECEIVED FROM GOVT. OF INDIA

The Renukaji Dam Hydro Electric project and Gyspa Dam project are being implemented by HPPCL as National Projects and are fully funded by the Government of India and Governments of beneficiary States. The contributions of Rs.72148.03 Lakh, have been received as on date, in case of Renukaji Dam project from GoI, Delhi Jal Board and other Governments of Beneficiary States. In case of Gyspa Dam project Rs.500.00 Lakh, was received from CWC, New Delhi. The same have been treated as Capital Grant along with the additional funds spent by HPPCL from its own sources, net of depreciation. Detail is Annexed to the Annual Accounts under Notes to Accounts Note No. 2.24: Other Non-current Liabilities.

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

The information is NIL please.

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

Integrated Kashang Hydro Electric Project Stage-I (Unit-II - 65 MW) was commissioned on 01.09.2016. Also, Units III & I of Integrated Kashang HEP(195 MW) were commissioned on 03.03.2017 & 31.03.2017. The power of Kashang HEP was initially sold to HPSEBL till 06.05.2018 and thereafter it is being sold on Indian Energy Exchange through power traders and accordingly the project has generated 726.66 MU up to 31.08.2021 and Rs.162.72 Crore of revenue has been generated.

Sainj HEP (100MW-Unit I & II) was commissioned on 04.09.2017. The power of Sainj HEP was sold on Indian energy exchange through power traders and accordingly has generated 1578.98 MU upto 31.08.2021. Revenue of Rs.437.28 Crore has been generated.

Sawra Kuddu HEP(111MW) has been commissioned on 21.01.2021. The power of HEP is sold on Indian energy exchange through power traders. The project has generated 183.71 MU upto 31.08.2021 and earned revenue of Rs.54.26 crore till 31.08.2021.

Berra Dol Solar Power Project of 5 MW capacity was also commissioned on 04.01.2019 that has generated 22.16 MU till 31.08.2021 and Rs.9.54 crore of revenue has been generated. Sale of power is being done to HPSEBL.

Power of HPPCL Projects is being sold through online platform of IEX (Indian Energy Exchange). However, in the recent past rates fetched from sale of power through above mechanism have reduced. Therefore, HPPCL is trying to tie its power through PPA with HPSEBL.

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

In Renuka Ji, all the private land 947.4 hectare has been acquired by HPPCL and an amount of Rs 400.35 Crore has been disbursed to land owners as per Land Acquisition Collector (LAC) HPPCL award. Land owners challenged LAC award in Reference Court and the Hon'ble High Court and got rates enhanced to Rs.7 Lakh per Bigha irrespective of classification of land. An amount of Rs.202 Crore has been deposited in the registry of the Hon'ble High Court for payment of such enhanced compensation.

Amount given by NCT Delhi, Govt. of India and Haryana has exhausted. HPPCL has requested for Rs.373.7 Crore from GoI for deposition in the Hon'ble High Court for the payment of the enhanced compensation to land owners. Recently the Hon'ble High Court has impleaded Govt. of India through Ministry of Jal Shakti, as no funds have been provided to HPPCL by GoI citing reason of pending approval of Cabinet Committee of Economic Affairs, after repeated requests. Thereafter, GoI has released an amount of Rs.10.61 Cr. from Pradhan Mantri Krishi Sinchayee Yojana (Har Khet Ko Pani)[PMKSY-HKKP], which has been deposited in the Registry of the Hon'ble High Court on dated 07-09-2021. A request from the Hon'ble Chief Minister of Himachal Pradesh through D.O. letters has been sent again to the Hon'ble Prime Minister of India and the Hon'ble Minister, Jal Shakti for approval of project from

CCEA.

The details of orders passed by the respective Hon'ble Courts and Status of cases pending before respective Hon'ble Courts in respect of Sawra Kuddu HEP is enclosed at **Annexures-A & B** please.

15. SUBSIDIARY/JOINT VENTURES/ASSOCIATE COMPANIES

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

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

The Corporation has made an investment in Himachal EMTA Power Limited of Rs.3.98 Crore (Rs. 3.38 Crore Equity Shares & 0.60 Crore Share application money pending allotment). Further the Annual Accounts of Himachal EMTA Power Limited have been consolidated with the Annual Accounts of HPPCL and the Auditors' Report with respect to the consolidation is also annexed for the financial year 2018-19 alongwith the Annual Accounts of HPPCL.

17. DEPOSITS

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

18. AUDITORS' REPORT AND COMMENTS OF CAG OF INDIA

M/s Anil Karol & Company, Chartered Accountants were appointed as the Statutory Auditors of the Company for the financial year ended on 31st March, 2019, by the Comptroller & Auditor General of India. The Auditors have audited the Financial Statements (Annual Accounts) and submitted their Report on 09th June, 2021, which is annexed to the Financial Statements (Annual Accounts) alongwith replies.

Also, the A.G., H.P. has conducted audit of the Financial Statements (Annual Accounts) for the FY 2018-19 and the comments of the CAG of India have been received on 03rd September, 2021 which are also annexed. The replies to the comments of the CAG of India are also annexed to Financial Statements (Annual Accounts).

19. SHARE CAPITAL

The Authorized Share Capital (ASC) of the Company as on 31.03.2019 was Rs.2500.00 Crore (Two Thousand Five Hundred Crore only). The issued, subscribed & paid up capital of the Company as on 31.03.2019 was Rs.1927.56 Crore and Share Application money pending allocation/allotment was Rs.88.00 Crore.

20. EXTRACT OF THE ANNUAL RETURN

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

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

a) Conservation of Energy

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

b) Foreign Exchange Earning and Out-Go

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

Foreign Exchange Payment during 2018-19:

M/s Lahmeyer International Shongtong Karchham HEP (Civil works)	EURO INR	311018.53 24313540.74
M/s Lahmeyer International Shongtong Karchham HEP (E&M Works)	EURO INR	55452.39 4543559.33

c) Technology Absorption

This information can be treated as Nil

22. DISCLOSURE:

A. Disclosures under Ind. As 10, "Events After Reporting Period": i.e. after the F.Y. 2018-19:

1. The Paid-up Share Capital of the Company as on 31st March, 2019 was Rs.1927.56 Crore. The Govt. of Himachal Pradesh had released funds for a sum of Rs.78.00 Crore (Rs. Seventy Eight Crore) only on 06.03.2019 and for a sum of Rs.10.00 Crore (Rs. Ten Crore) only on 28.03.2019 on account of equity contribution in the Corporation. The Shares worth Rs.88.00 Crore could not be issued in the financial year 2018-19 as the Board meeting was held only on 24.04.2019. As the Board approval for issue of Shares was mandatory, the Shares worth Rs.88.00 Crore were allotted in the 68th Meeting of BoD held on 24th April, 2019 in favour of the Hon'ble Governor of H.P. through the Pr. Secretary (MPP & Power) to the Govt. of H.P.

   After filing the Financial Statements (Annual Accounts) of the Corporation for the FY 2017-18, the Corporation had become compliant and as reported in the Board's Report for the FY 2017-18, the pending Returns of Allotment of Shares were filed under Special Scheme (CFSS) of Ministry of Corporate Affairs without any additional fee/penalty. Hence, as on date, all Returns of Allotment of Shares stand updated.

2. **Indian Accounting Standard (Ind As 1) Preparation of Financial Statements:**

   The Para 15 of Ind As 1 Presentation of Financial Statements states that where Financial Statements comply with IND As, the Company shall make an explicit and unreserved statement of such compliance in the notes. In this respect it is stated that as all the applicable Ind AS to the Corporation, could not be complied with for practical reasons, hence no such disclosure could be given.

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

   The Company has disclosed the provisions contingent liabilities and contingent assets only up to the date when the accounts have been approved by the BOD. The compliance to this Ind AS, whereever required, has been made.

B. Other Disclosures

1. The Enforcement Directorate has attached the assets of the Himachal Emta Private Limited amounting to Rs.259 Lacs. The Directors Report of the Himachal Emta Limited for the year 2018-19 states that the CBI has filed charge Sheet accusing the two Directors of the Company Sh. Ujjal Kumar Upadhaya and Sh. Bikas Mukherji in the matter pertaining to the allocation of Gourangdih ABC coal Block for misrepresentation of facts. The ED on the basis of the Charge sheet filed has attached the assets of the Gourangdh Coal Limited considering them to be the proceeds of crime under Prevention of money Laundering Act 2002. At present, the case is pending with the Hon'ble Supreme Court of India against the attachment order. No Disclosure of the same has been made in the notes to accounts. The details of the case stand given above under Point number 3 sub head (H).
2. The approved borrowing limit of the Company as on date is Rs.3500 Crore. The case for enhancement of borrowing limit from Rs.3500 Crore to Rs.5000 Crore was referred to the State Govt. for approval with the prior permission of the Board of Directors and now the State Government vide letter dated 17th June, 2021 has accorded approval to enhance the borrowing limit upto a sum of Rs.5000 Crore. The matter is now being placed to the Shareholders for their approval.

23. DIRECTORS:

(A) The Board of Directors

1.1 Size of the Board

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

1.2 Composition & Tenure of the Board

As on 31.03.2019, the Board was comprised of Eight (8) Members, consisting of four (4) Whole-Time (Functional) Directors including Managing Director and four (4) Part-Time (Nominee) Directors representing the Govt. of Himachal Pradesh.

1.3 Board Meetings

The Board Meetings are held at Shimla to facilitate full participation of Directors. During the FY 2018-19, four (4) Board Meetings have been held and most of the Directors have attended these meetings. These meetings have been held on 30.06.2018, 27.09.2018, 28.11.2018 and 23.03.2019.

1.4 Corporate Governance

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

PARTICULARS OF THE PERSONS WHO ARE/WERE DIRECTORS/SECRETARY OF THE COMPANY AS ON THE CLOSURE OF FINANCIAL YEAR (2018-19)

S. No.	Name	Usual Address	Date of Birth	Date of Appointment	Date of Cessation (after closure of FY : If any)
1.	Sh. Brij Kumar Agarwal, IAS	House No.1, GF, Type-VI, Brockhurst, Shimla, HP, India-171002	15.06.1961	30.09.2018	In position as Chairman (Ceased on 02.09.2019)
2.	Dr. Shrikant Baldi, IAS	House No.17, Type-6, Govt. Officers' Colony, Mehli, Kasumpti, Shimla, HP -171009	12.12.1959	05.10.2018	In position as Nominee Director
3.	Sh. Anil Kumar Khachi, IAS	Set No. II, Type-VI, Officers Colony, Kasumpti, Shimla, HP -171009	22.06.1963	14.05.2018	In position as Nominee Director (Ceased on 01.08.2019)
4.	Sh. Prabodh Saxena, IAS	Nivedita Kunj, Sector 10, R K Puram, Sector-5, South West Delhi, Delhi, India -110022	07.03.1965	04.10.2018	In position as Nominee Director
5.	Sh. Ajay Sharma, IAS	Village Kufridhar, PO Ghanhatti, Totu, Shimla, HP, India -171011	21.01.1963	23.02.2019	In position as Managing Director (Ceased on 02.07.2019)
6.	Sh. Neeraj Kumar, HAS	4, Swarkar Apartments, 39, IP Extn, New Delhi -110092	01.06.1971	26.10.2015	In position as Whole Time Director (Ceased on 10.06.2019)
7.	Sh. Mahesh Sirkek	C-5, Friends Apartments, Annadale, Shimla, HP -171003	28.01.1960	19.04.2017	In position as Whole Time Director
8.	Sh. Dharam Singh Thakur	126, Post Office, Sunder Nagar-1, Tehsil Sundernagar, Thalla, Mandi, HP -174401	11.06.1961	09.03.2018	In position as Company Secretary
9.	Sh. Sudershan Kumar Sharma	A-495, Sector-IV, Phase-II, New Shimla, Shimla, HP -171009	01.05.1964	07.08.2008	In position as Company Secretary

PARTICULARS OF CHANGE IN THE PERSONS WHO ARE/WERE DIRECTORS/SECRETARY OF THE COMPANY DURING THE FINANCIAL YEAR (2018-19)

S. No.	Name	Usual Address	Date of Birth	Date of Appointment	Details of Appointment/ Cessation
1.	Sh. Vineet Chawdhry, IAS	House No. 02, Old Brockhurst, Opposite Kalra Regency, Shimla, HP -171002	23.09.1958	30.12.2017	Ceased as Chairperson w.e.f. 30.09.2018
2.	Dr. Shrikant Baldi, IAS	House No.17, Type-6, Govt. Officers' Colony, Mehli, Kasumpti, Shimla, HP -171009	12.12.1959	25.07.2011	Ceased as Nominee Director w.e.f. 14.05.2018
3.	Sh. Ram Dass Dhiman, IAS	House No. 3, Type-VI, Officers Colony, Kasumpti, Shimla, HP -171009	05.12.1962	29.12.2017	Ceased as Nominee Director w.e.f. 14.05.2018
4.	Sh. Devesh Kumar, IAS	Set No-18, Type-6, Kasumpti, Shimla Urban(T), Shimla, HP -171009	01.07.1974	21.04.2017	Ceased as Managing Director w.e.f. 18.02.2019
5.	Sh. Tarun Kapoor, IAS	West View Cottage, Keleston Estate, Shimla, HP -171001	23.11.1961	14.05.2018	Ceased as Nominee Director w.e.f. 30.09.2018
6.	Sh. Brij Kumar Agarwal, IAS	House No.1, GF, Type-VI, Brockhurst, Shimla, HP, India-171002	15.06.1961	30.09.2018	Appointment as Chairman w.e.f. 30.09.2018
7.	Sh. Anil Kumar Khachi, IAS	Set No. II, Type-VI, Officers Colony, Kasumpti, Shimla, HP -171009	22.06.1963	14.05.2018	Appointment as Nominee Director w.e.f. 14.05.2018
8.	Sh. Prabodh Saxena, IAS	Nivedita Kunj, Sector 10, R K Puram, Sector-5, South West Delhi, Delhi, India -110022	07.03.1965	04.10.2018	Appointment as Nominee Director w.e.f. 04.10.2018
9.	Dr. Shrikant Baldi, IAS	House No.17, Type-6, Govt. Officers' Colony, Mehli, Kasumpti, Shimla, HP -171009	12.12.1959	05.10.2018	Appointment as Nominee Director w.e.f. 05.10.2018
10.	Sh. Ajay Sharma, IAS	Village Kufridhar, PO Ghanhatti, Totu, Shimla, HP, India -171011	21.01.1963	23.02.2019	Appointment as Managing Director w.e.f. 23.02.2019

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

PARTICULARS OF DIRECTORS/SECRETARY AS ON DATE

Sh. Ram Subhag Singh, IAS, Chief Secretary to Govt. of Himachal Pradesh - **Chairperson**
Sh. Ram Dass Dhiman, IAS, Additional Chief Secretary (MPP & Power) to GoHP - **Director**
Sh. Prabodh Saxena, IAS, Additional Chief Secretary (Finance) to GoHP - **Director**
Sh. Devesh Kumar, IAS - Managing Director
Mrs. Priyanka Verma, IAS, Director (Personnel & Finance) - **Director**
Er. Shashi Kant Joshi, Director (Electrical) - **Director**
Er. Surender Kumar, Director (Civil) - **Director**
Sh. Sudershan Kumar Sharma - Company Secretary

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

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

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

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

24. AUDIT COMMITTEE

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

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

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

26. NOMINATION AND REMUNERATION COMMITTEE

Not Applicable.

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

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

28. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

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

29. SECRETARIAL AUDIT REPORT

Not Applicable for this Financial Year please.

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

(I) By the Auditor in his report:

The Statutory Auditors have given their qualified opinion stating that the financial Statements give information required by the Act., in the manner so required and give a true and fair view, in conformity with the Accounting Principles Generally Accepted in India, including the Ind. AS, of the state of affairs (Financial Position) of the Company as at 31st March, 2019 and its profit/Loss (financial performance including other comprehensive income) and its Cash Flows and Changes in Equity for the year ended on that date.

Replies to the Statutory Auditors' Report have been given in the Annexures to the Financial Statements (Annual Accounts) for the FY 2018-19.

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

HPPCL, being a Private Limited Company, the provisions of Secretarial Audit are not applicable.

31. RISK MANAGEMENT POLICY

The information is nil please.

32. DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

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

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

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

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

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

The information is NIL. However, the remuneration to the Whole-time Directors and Company Secretary paid during the FY 2018-19 is being given in the Form MGT-9 enclosed to the report.

35. OTHER INFORMATION- INDUSTRY OVERVIEW

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

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

As regards to hydro potential, total Hydro Electric Power potential in the country has been assessed by CEA as 84,044 MW (at 60% load factor) from a total of 845 number of identified Hydro Electric Schemes, which when fully developed would result in an installed capacity of about 1,48,701 MW on the basis of probable average load factor. The total energy potential is assessed as 600 billion units per year. Hydro power is used to its maximum potential for meeting peak loads and all new projects must be designed with this objective in mind. Hydro power brings a strong contribution to flexibility in the power system today filling the gap between supply and demand that is induced by the variability of Renewable Energy Sources (to counter variability of RES, as sun does not always shine and wind does not blow constantly). Hydro power plants with reservoirs reduce the dependency on the variability of the natural inflow and enable adjustments of power generation to the variability in demand. However, the full development of India's hydro-electric potential, while technically feasible, faces various issues including issues of water rights, resettlement of project affected people and environmental concerns etc. and all these issues need to be resolved to exploit full potential. As in April 2021, the installed capacity of hydroelectric power plants in the country is 46209 MW which is 12.10% of the total installed capacity of the country from all the sources.

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

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

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

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

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

ACKNOWLEDGMENTS:

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

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

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

Thanking you

For and on behalf of the Board of Directors

---Sd---
Priyanka Verma, IAS
Director (Finance & Personnel)

---Sd---
Devesh Kumar, IAS
Managing Director

Place: Shimla
Date: 18/09/2021

(ANNEXURE-B)

SAWRA-KUDDU HEP (111 MW)

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

CASES BEFORE ARBITRAL TRIBUNAL

S. No.	Case No. & Title	Amount	Arbitratral Tribuna Name	Advocate Name	Latest Status	Award
1	Claim No-1 - HPPCL Vs. M/s Patel Engineering Ltd. In matter of Arbitral Award In respect of Contract Agreement No. SK/C-I dated 09.09.2009 "Payment of Executed Quantity of Admixture"	Rs. 36,45,42,837+ interest @ 18% per annum	Sh. V.K. Tyagi, Sh. S.C. Gupta & Sh. R.N. Sharma	Sh. J.S. Bhogal, Sr. Advocate & Instructing Counsel Sh. Suneet Goel, Advocate, Mob. 9816137369	Statement of Defence (SOD) filed on 31.07.2019. Affidavit in support with admission/denial filed on 30.09.19. As per proceeding the Arbitration Tribunal held at Delhi on 19/11/2019, the formal proof of the documents denied by the claimant has been submitted on 18/12/2019. This office had filed the proof of document denied by the climent on dated 18/01/2020 & the formal proof with regard to other document will be filed with in a period of one month.	**Claim Awarded in favour of M/s PEL by Dispute Board & now challanged by HPPCL before Arbitral Tribunal.**
2	Claim No-2 -HPPCL Vs. M/s Patel Engineering Ltd. In matter of Arbitration In respect of Contract Agreement No. SK/C-I dated 09.09.2009 "Payment of Executed Additional Work / Changed work Viz, PK.Weir & Collection Chamber"	Rs. 46,49,53,940 + interest @ 18% per annum			Statement of Defence (SOD) filed on 31.07.2019 Affidavit in support with admission/denial filed on 30.09.19. As per proceeding the Arbitration Tribunal held at Delhi on 19/11/2019, the formal proof of the documents denied by the claimant has been submitted on 18/12/2019. This office had filed the proof of document denied by the climent on dated 18/01/2020 & the formal proof with regard to other document will be filed with in a period of one month.	**Claim Awarded in favour of HPPCL by Dispute Board & now challanged by M/s PEL before Arbitral Tribunal.**

S. No.	Case No. & Title	Amount	Arbitratral Tribuna Name	Advocate Name	Latest Status	Award
3	Claim No-3 -HPPCL Vs. M/s Patel Engineering Ltd. In matter of Arbitral Award In respect of Contract Agreement No. SK/C-I dated 09.09.2009 "Adjustment of contract price due to change in legislation relating to the payment of Minimum wages to labourers"	Rs. 19,55,84,354 + interest @ 18% per annum	Sh. V.K. Tyagi, Sh. S.C. Gupta & Sh. R.N. Sharma	Sh. J.S. Bhogal, Sr. Advocate & Instructing Counsel Sh. Suneet Goel, Advocate, Mob. 9816137369	Statement of Defence (SOD) filed on 31.07.2019 Affidavit in support with admission/denial filed on 30.09.19. As per proceeding the Arbitration Tribunal held at Delhi on 19/11/2019, the formal proof of the documents denied by the claimant has been submitted on 18/12/2019. This office had filed the proof of document denied by the climent on dated 18/01/2020 & the formal proof with regard to other document will be filed with in a period of one month.	**Claim Awarded in favour of HPPCL by Dispute Board & now challanged by M/s PEL before Arbitral Tribunal.**
4	Claim No-4 - HPPCL Vs. M/s Patel Engineering Ltd. In matter of Arbitration Award In respect of Contract Agreement No. SK/C-I dated 09.09.2009 "Extension of time as aconsequence of employer's , probhition order against unjustified unilateral recoveriesof cost intiated by HPPCL "	Rs. 83,58,666 + interest @ 18% per annum			Statement of Defence (SOD) filed on 31.07.2019.Affidavit in support with admission/denial filed on 30.09.19. Rejoinder on behalf of the respondent to the reply filed by the claimant to the counter claims of the respondent filed on 30.09.2019. As per proceeding the Arbitration Tribunal held at Delhi on 19/11/2019, the formal proof of the documents denied by the claimant has been submitted on 18/12/2019. This office had filed the proof of document denied by the climent on dated 18/01/2020 & the formal proof with regard to other document will be filed with in a period of one month.	**Claim Awarded in favour of M/s PEL by Dispute Board & now challanged by HPPCL before Arbitral Tribunal.**

Sd/-
Nodal Officer court cases
Sawra Kuddu HEP (111MW),
HPPCL, Hatkoti

Sd/-
General Manager
Sawra Kuddu HEP (111MW),
HPPCL, Hatkoti

(ANNEXURE-B)

SAWRA-KUDDU HEP (111 MW)

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

S. No.	Case No & Title	Amount	Package Name	Application Title	Name of Advocate	Latest Status	Award
1	**OMP No. 70 of 2018** - HPPCL Vs. M/s Patel Engineering Ltd. In matter of Arbitral Award In respect of Contract Agreement No. SK/C-III dated 10.02.2009 (Claims in respect of Power House, SKHEP)	Rs. 4,97,44,453 /- Amount deposited by HPPCL in High Court Shimla.	Power House package		Sh. J.S Bhogal (Sr. Advocate) High Court of H.P Mob. No. 9816137369	Awarded amount deposited in favour of PEL in High Court of HP record of Arbitration submitted in High Court	Award made by Hon'ble Arbitrator in **Favour of Contractor** amounting to Rs. 4,97,44,453/-
2	**Arb. Case No 87 of 2017 -** HPPCL VS M/S Coastal Project Pvt. Ltd. In In matter of Arbitral Award In r/o Contract Agreement No. SK-HEP-8/2010 Dated 19.03.2011	Rs. 1,13,24,093/-	HRT Packages Face- 0	Application under Section 34 of the Arbitration and Conciliation Act, 1996 as amended up to date against the award dated 17-07-2017 pased bySh. Labh Singh, Sole Arbitrator, with prayer to set aside the impugned award and dismiss the claims of the respondent.	Sh. J.S Bhogal (Sr. Advocate) High Court of H.P Mob. No. 9816137369	Cases adjourned for 2 months due to Liquidation process in matter of Insolvency. Record of Arbitration submitted in High Court. At the request of vice counsel of respondent on 29.07.2019 list next week. Matter list on 07.08.2019 on that date the time prayed for filing rejoinder and allowed within 3 weeks. List thereafter.	Award made by Hon'ble Arbitrator in **Favour of Contractor** amounting to Rs. 1,13,24,093/-

S. No.	Case No & Title	Amount	Package Name	Application Title	Name of Advocate	Latest Status	Award
3	**Ex. P. no 17/2017 -** HPPCL VS M/S Coastal Project Pvt. Ltd. In matter of Arbitral Award In r/o Contract Agreement No. SK/C-I I dated 23.07.2007	Rs. 405,67,17,108/-	Main HRT	Application under order XXI Rule 11 of the code of civil procedure read with section 36 of the Arbitration and conciliation Act, 1996 as amended up to date for execution of the Award dated 14-07-2017	Sh. J.S Bhogal (Sr. Advocate) High Court of H.P Mob. No. 9816137369	Rejoinder to be filed on dated 30.05.2019 three weeks time given to file.	Award made by Hon'ble Arbitrator in **Favour of HPPCL** amounting to Rs. 3,11,76,93,462.00 + interest
4	**OMP . No. 49/2017 -** M/S Kirloskar Coastal Joint Venture In matter of Arbitral Award In r/o Contract Agreement No. SK/C-I I dated 23.07.2007		Main HRT	Application under provision section 34 (3) of the Arbitration & Counciliation Act, 1996 for condonation of delay read with section of the Limitation Act.		Cases suspended till the decision of Liquidator in matter of Insolvency. Rejoinder to be filed on dated 21.03.2018 , delay of 28 days in filing the main petition u/s 34 of the Act is condened. Hence the application is allowed and the same is disposed of.	
5	**Arb. Case No 4040 of 2017 -** HPPCL VS M/S KSR Infrastructure Pvt. Ltd. In matter of Arbitral Award In r/o Contract Agreement No. SK-HEP-51/2007 Dated 28.03.2008 for the construction of Main AccessTunnel (MAT) size 7.50M (finished) D Shaped	Rs. 41,13,725/-	Power House	Application under Section 34 of the Arbitration and Conciliation Act, 1996 for setting aside the award dated 09-07-2013 as corrected on 14-08-2013, made by the learned Arbitral Tribunal comprising of Er. Labh Singh, Former Chief Engineering, HPSEBL, 646, Phase 2 (Sector 54), Mohali 160055.	Sh. J.S Bhogal (Sr. Advocate) High Court of HP Mob. No. 9816137369	Learned counsel for the petitioner that the matter has come up for hearing after a long time, therefore, they need time to ascertain the status of the parties as well as to prepare the brief prayed allowed. List after three weeks, as prayed for hearing on dated 18/10/2019. At the request of learned council appearing on behalf of the parties, list after winter vacation. Hearing on	The Arbitral Tribunal decides and Awards the total amount of Rs. 41,13,725 /- in favour of the **Claimant** (KSR) Towards Claim No -5 of their SOC. Arbitral Tribunal also Award a simple interest @ 12% per annum from 90 days after receipt of ward

S. No.	Case No & Title	Amount	Package Name	Application Title	Name of Advocate	Latest Status	Award
	172M Long for undergroung Power House at snail in r/o SKHEP.					dated 27/12/2019.	by the **Respondent (HPPCL)** till the actual date of payment.
Cases before National Company Law Tribunal Kolkata							
1	HPPCL Vs. M/S Coastal Project Ltd.- Resolution of Coastal Projects Ltd. Intiated by Hon'ble NCLT Kolkata Bench. In matter of Arbitral Award In respect of Contract Agreement No. SK/C-I I dated 23.07.2007 & SK-HEP-8/2010 Dated 19.03.2011	Rs. 405,67,17,108/-	HRT Packages	National Company Law Tribunal Kolkata	Sh. Manish Kumar Supreme Court of India , S-138 LGF Greater Kailash -I New Delhi. 8287004046 manishk791@gmail.com	Acknowledgement for receipt of Claim have been received by returned e-mail on dated 13.06.2019 subjected to verification of the claim as per the provisions of insolvency and Bankruptcy Code, 2016.	Submitted claim of Rs. 405,67,17,108/- to liquidator on 13.06.2019 and same is pending before Hon'ble High Court Shimla mentioned Sr. No -3 & 4 .

Note :- Record of enhance amount awarded by respective courts in respect of Land reference Cases are with Land Acquisition Officer, HPPCL Shimla.

Sd/-
Nodal Officer court cases
Sawra Kuddu HEP (111MW),
HPPCL, Hatkoti

Sd/-
General Manager
Sawra Kuddu HEP (111MW),
HPPCL, Hatkoti

(ANNEXURE-C)

ANNEXURE C TO THE DIRECTORS' REPORT

Form No. MGT-9

EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON 31st MARCH, 2019

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

I. REGISTRATION AND OTHER DETAILS:

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

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

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

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

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

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

i. Category-wise Share Holding

Category of Shareholders	**No. of Shares held at the beginning of the year**				**No. of Shares held at the end of the year**				**% Change during the year(+-)**
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoter									
1. Indian	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-**
a. Individual/ HUF	0	0	0	0	0	0	0	0	-
b. Central Govt	0	0	0	0	0	0	0	0	-
c. State Govt(s)	5,276,345			28.59	6,096,345			31.63	3.04
d. Bodies Corp/Govt. companies	1,307,731			7.09	1,307,731			6.78	-0.31
e. Banks / FI	0	0	0	0	0	0	0	0	-
f. Any Other (Shares in the name of Himachal Pradesh Infrastructure Development Board (Board of Govt. of H.P.) & 50 Shares in the name of 3 Sr. Officers of the State Govt. i.e. 30 Shares of State Govt. Nominees and 20 Shares of HPSEBL Nominees).	11,871,557			64.32	11,871,557			61.59	-2.73
Sub-total(A)(1):-	18,455,633			100	19,275,633			100	-
2. Foreign	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-**
g. NRIs-Individuals	0	0	0	0	0	0	0	0	-
h. Other-Individuals									
i. Bodies Corp.	0	0	0	0	0	0	0	0	-
j. Banks / FI	0	0	0	0	0	0	0	0	-
k. Any Other….	0	0	0	0	0	0	0	0	-
Sub-total (A)(2):-	18,455,633			100	19,275,633			100	-
B. Public Shareholding									
1. Institutions									
a. Mutual Funds	0	0	0	0	0	0	0	0	-
b. Banks / FI	0	0	0	0	0	0	0	0	-
c. Central Govt	0	0	0	0	0	0	0	0	-

d. State Govt(s)	0	0	0	0	0	0	0	0	-
e. Venture Capital Funds	0	0	0	0	0	0	0	0	-
f. Insurance Companies	0	0	0	0	0	0	0	0	-
g. FIIs	0	0	0	0	0	0	0	0	-
h. Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	-
i. Others (specify)	0	0	0	0	0	0	0	0	-
Sub-total (B)(1)	0	0	0	0	0	0	0	0	-
2. Non Institutions									
a. Bodies Corp. (i) Indian (ii) Overseas	0	0	0	0	0	0	0	0	-
b. Individuals (I) individual shareholders holding nominal share capital upto Rs. 1 lakh (ii) individual shareholders holding nominal share capital in excess of Rs. 1 lakh	0	0	0	0	0	0	0	0	-
c. Others (specify)	0	0	0	0	0	0	0	0	-
Sub-total (B)(2)	0	0	0	0	0	0	0	0	-
Total Public Shareholding (B)= (B)(1)+ (B)(2)	0	0	0	0	0	0	0	0	-
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	-
Grand Total (A+B+C)	**18,455,633**			**100**	**19,275,633**			**100**	**-**

ii. Shareholding of Promoters

S. No.	**Shareholder's Name**	**Shareholding at the beginning of the year**			**Shareholding at the end of the year**			**% change in share holding during the year (+-)**
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encum-bered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encum-bered to total shares	
1.	Governor of Himachal Pradesh	5,276,345	28.59	-	6,096,345	31.63	-	3.04
2.	Himachal Pradesh State Electricity Board Limited	1,307,731	7.09	-	1,307,731	6.78	-	-0.31

3.	Himachal Pradesh Infrastructure Development Board (was not Promoter at the time of incorporation of Company)	11,871,507	64.32	-	11,871,507	61.59	-	-2.73
4.	Sh. Brij Kumar Agarwal, IAS	0	0.00	-	-	0.00	-	0.00
5.	Dr. Shrikant Baldi, IAS (as Ex- officio member)	10	0.00	-	20	0.00	-	0.00
6.	Sh. Prabodh Saxena, IAS	0	0.00	-	10	0.00	-	0.00
7.	Sh. Vineet Chawdhry, IAS	10	-	-	0	0.00	-	0.00
8.	Sh. Ram Dass Dhiman, IAS	30	-	-	0	0.00	-	0.00
9.	Sh. Anil Kumar Khachi, IAS	0	-	-	10	0.00	-	0.00
	Total	**18,455,633**	**100**		**19,275,633**	**100**		

iii. Change in Promoters' Shareholding:

S. No.		**Shareholding at the beginning of the year**		**Cumulative Shareholding during the year**	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
	At the beginning of the year	18,455,633	100	19,275,6333	100
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	**As per details given below**	-	-	-
	ALLOTMENT	**DATE**	**NO. OF SHARES**	**TO WHOM ISSUED**	**REASON**
		30/06/2018	3,00,000	The Governor of H. P. through ACS/Pr. Secretary (Power) to the Govt. of H.P.	Allotment to existing Shareholders
		27/09/2018	5,20,000	-do-	-do-
	TRANSFER	**DATE**	**NO. OF SHARES**	**Transferor's & Transferee's Name**	**REASON**
		30/06/2018	30	Sh. R. D. Dhiman, IAS **To** Sh. Tarun Kapoor, IAS	As per Orders of State Government & subsequent approval of BOD

		30/06/2018	10	Dr. Shrikan Baldi, IAS **To** Sh. Anil Kumar Khachi, IAS	-do-
		28/11/2018	10	Sh. Vineet Chawdhry, IAS **To** Sh. Brij Kumar Agarwal, IAS	-do-
		28/11/2018	10	Sh. Tarun Kapoor, IAS **To** Sh. Prabodh Saxena, IAS	-do-
		28/11/2018	20	Sh. Tarun Kapoor, IAS **To** Dr. Shrikant Baldi, IAS	-do-
	At the end of the year Total Shareholdings=	**At the beginning of the year = 18,455,633**	**100% @ Rs.1000/- each**	**At the end of the year = 19,275,633**	**100% @ Rs.1000/- each**

V. INDEBTEDNESS

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

(In Rupees)

	Secured Loans excluding deposits	**Unsecured Loans**	**Deposits**	**Total Indebtedness**
Indebtedness at the beginning of the financial year (2018-19)				
i) Principal Amount	147116435	25086173833	0	25233290268
ii) Interest due but not paid	0	9895193964	0	9895193964
iii) Interest accrued but not due	3637269	0	0	3637269
Total (i+ii+iii)	**150753704**	**34981367797**	**0**	**35132121501**
Change in Indebtedness during the financial year				
- Addition	0	228061000	0	228061000
- Reduction	(147116435)	0	0	(147116435)
- Interest		1801349174	0	1801349174
- Interest accrued but not due	(3637269)	618042141	0	614404872
Net Change	**(150753704)**	**2647452315**	**0**	**2496698611**

Indebtedness at the end of the financial year (2018-19)				
i) Principal Amount	0	25314234833	0	25314234833
ii) Interest due but not paid	0	11696543138	0	11696543138
iii) Interest accrued but not due	0	618042141	0	618042141
Total (i+ii+iii)	**0**	**37628820112**	**0**	**37628820112**

VI.REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

S.No.	Particulars of Remuneration	Designation	Total Amount (in Rs.)
1.	**Name of MD/WTD/Manager:** **1) Sh. Devesh Kumar:** Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	**(Managing Director)** (01.04.2018 to 31.03.2019)	108 - -
	2) Er. Mahesh Sirkek Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	**(Whole Time Director)** (01.04.2018 to 31.03.2019)	20,26,575 1,80,000 -
	Er. Mohinder Singh Rana **Gross Amount Paid as Arrear during F.Y 2018-19** (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	**(Former Director)**	1,23,534 - -
	3) Er. Dharam Singh Thakur: Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	**(Whole Time Director)** (01.04.2018 to 31.03.2019)	19,88,834 1,80,000 -

	Er. Ajay Kumar Gupta: **Gross Amount Paid as Arrear during F.Y 2018-19** (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	**(Former Director)**	2,325 - -
	4) Sh. Neeraj Kumar: Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	**(Whole Time Director)** (01.04.2018 to 31.03.2019	18,25,425 - -
2.	Stock Option	-	-
3.	Sweat Equity	-	-
4.	Commission - as % of profit - others, specify…	-	-
5.	Others, please specify	-	-
	Total (A)	-	**63,34,801**
	Ceiling as per the Act	-	-

B. Remuneration to other directors:

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

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

S.No.	**Particulars of Remuneration**	**Key Managerial Personnel**			
	(Name)	CEO	Company Secretary	CFO	Total
	1) Sh. Sudershan Kumar Sharma Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	20,18,595 NIL -	-	20,18,595
2.	Stock Option	-	-	-	
3.	Sweat Equity	-	-	-	
4.	Commission - as % of profit - others, specify…	-	-	-	
5.	Others, please specify	-	-	-	
	Total		**83,53,396**		**83,53,396**

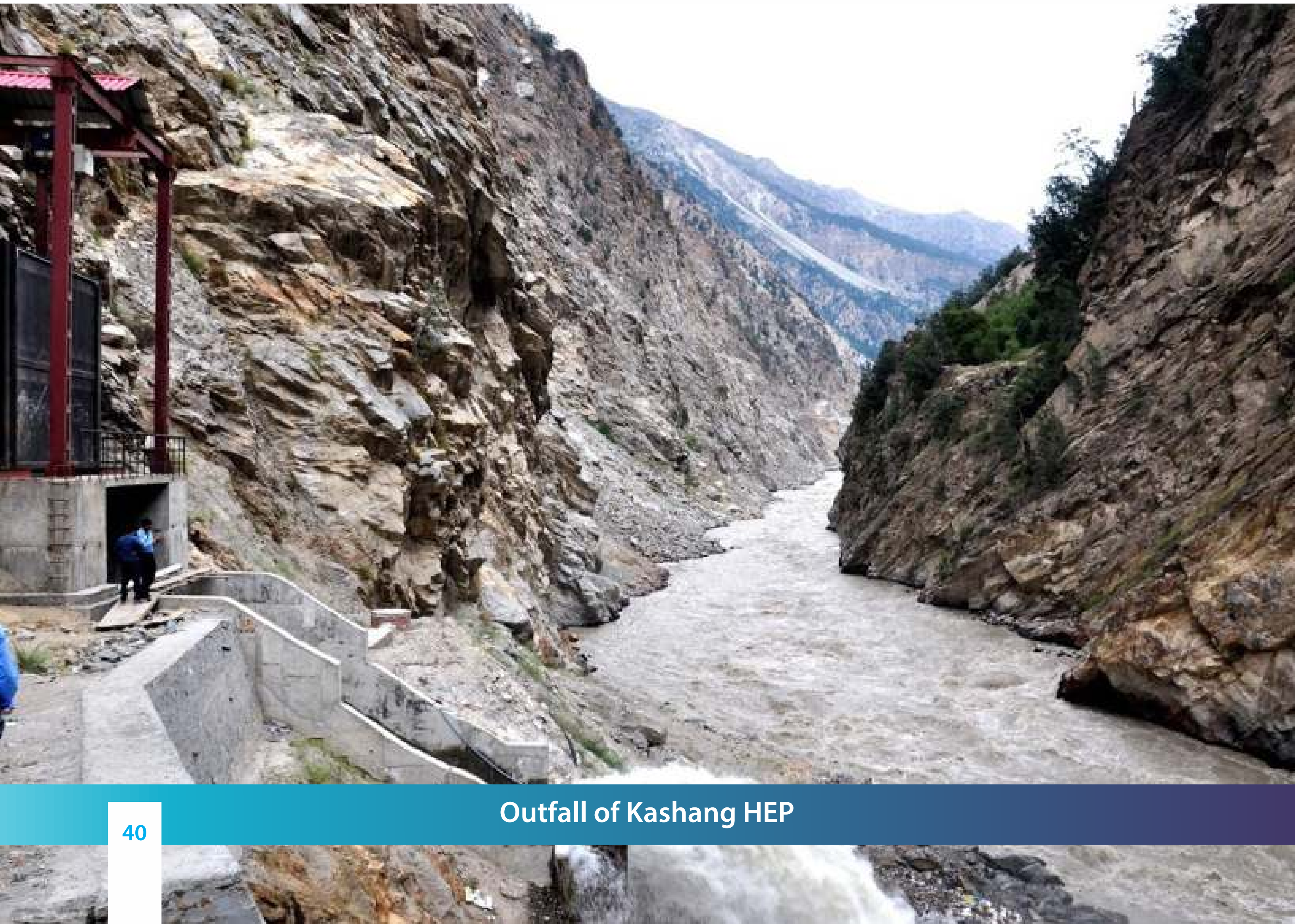
VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

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

Sd/-
Director (Finance & Personnel)

Sd/-
Managing Director

Generator Hall Sainj Hydro Electric Project (100 MW)



Outfall of Kashang HEP

STANDALONE BALANCE SHEET AS AT MARCH 31, 2019

(Rs. in Lacs)

Particulars	Note No.	as at March 31,2019		as at March 31,2018
ASSETS				
Non-Current Assets:				
Property, Plant and Equipment	2.1		303086	294419
Capital Work-in-Progress	2.2		308204	271679
Other Intangible Assets	2.3		8	1
Intangible assets under development	2.4		-	-
Financial Assets				
Investments	2.5	-		-
Loans	2.6	149		148
Others	2.7	-		-
			149	**148**
Deferred Tax Assets	2.8	-		
Regulatory Deferral Account Debit Balance	2.9	-		
Other Non Current Assets	2.10	36705		
			36705	34444
Current Assets				
Inventories	2.11		74	34
Financial Assets				
Trade Receivables	2.12	1757		1617
Cash and Cash Equivalents	2.13	11365		32517
Bank Balance other than above	2.14	9709		2818
Loans	2.15	3		12
Others	2.16	1349		3489
			24182	**40453**
Current Tax Assets	2.17	-		-
Other Current Assets	2.18		6241	278
Inter unit Transfer				
Total Assets			**678649**	**641455**
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	2.19		192756	184556
Other Equity	2.20		(22199)	(11601)
Liabilities				
Non-Current Liabilities:				
Financial Liabilities				
Borrowings	2.21	159795		118172
Other Financial Liabilities	2.22	10993		142869
			170789	**261041**
Provisions	2.23		5690	5008
Other Non Current Liabilities	2.24		69543	69542
Current Liabilities:				
Trade Payables	2.25	-		
Other Financial Liabilities	2.26	262070		132900
Other Current Liabilities			**262070**	**132900**
Provisions	2.27		-	9
Total Equity and Liability			**678649**	**641455**

Significant Accounting Policies 1.0

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

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K. Sharma)	(Manmohan Sharma)	(Rakesh Kanwar)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN No. 08480582	DIN No. 06532390

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

For Anil Karol and Company
Chartered Accountants, FRN No. 4816N
Sd/-
(CA Walia Umesh) Partner, Membership No. 098287

Place: Shimla
Date: 09/06/2021

STANDALONE STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDING MARCH 31, 2019

(Rs. in Lacs)

Particulars	Note No.	For the year ended March 31, 2019	For the year ended March 31, 2018
Income			
Revenue From Operations	2.28	18855	8336
Other Income	2.29	108	5029
Total Income		**18963**	**13365**
Expenses			
Employee Benefit Expenses	2.30	1565	1385
Finance Cost	2.31	12980	9623
Depreciation And Amortization Expenses	2.32	10670	8095
Other Expenses	2.33	4334	2156
Total Expenses		**29550**	**21258**
Profit (Loss) before net movement in regulatory deferral account balance		**(10586)**	**(7893)**
Net movement in regulatory deferral Account Balance		-	-
		(10586)	**(7893)**
Share of Profit / Loss in Joint Venture		-	-
Profit Before Tax		**(10586)**	**(7893)**
Extraordinary Items: Loss on Sale of Fixed Assets		(12)	(20)
Profit (Loss) Before Tax		**(10598)**	**(7913)**
Income Tax			
Current Tax		-	-
Deferred Tax		-	-
Profit (Loss) for the period		**(10598)**	**(7913)**
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit or loss			
-Remeasurement of the net defined benefit liability/asset			
-Income tax on above item			
Total		-	-
Total Comprehensive Income for the period		**(10598)**	**(7913)**
Earnings per Equity share			
(before net movement in regulatory deferral account Balance			
Basic and Diluted	2.34	(56)	(45)
Earnings per Equity share			
(after net movement in regulatory deferral account Balance			
Basic and Diluted	2.34	(56)	(45)

Significant Accounting Policies 1.0

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

For and on behalf of the Board of Directors

Sd/- (B.L. Verma) D.G.M. (Finance)	Sd/- (Sudershan K. Sharma) Company Secretary	Sd/- (Manmohan Sharma) Director (Finance) DIN No. 08480582	Sd/- (Rakesh Kanwar) Managing Director DIN No. 06532390

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

For Anil Karol and Company
Chartered Accountants
FRN No. 4816N
Sd/-
(CA Walia Umesh)
Partner
Membership No. 098287

Place: Shimla
Date: 09/06/2021

STANDALONE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31,2019

(Rs. in Lacs)

Particulars	For the year ended 31.03.2019		For the year ended 31.03.2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/ Loss Before Tax	-	**(10598)**	**(7913)**
Adjustment for	-	-	
Loss of Fixed/CWIP Assets	12	0	20
Depreciation	10669	0	8095
Interest Income on Term Deposits	-	-	(37)
Share of Loss in joint venture		-	1
Finance/Interest Cost	-	-	9623
	-	10681	17702
Adjustment for Assets and Liabilities	-	-	
Inventories	(40)	-	(3)
Trade Receivables and Unbilled Revenue	(141)	-	(74)
Loans, Other Financial Assets and Other Assets	(10705)	-	11412
Other Financial Liabilities and other Liabilities	129170	-	(9663)
Other Current Liabilities	(9)	-	
Provisions	682	-	750
	-	118958	2422
Cash Generated from Operating activities	-	119041	12211
Less: Income Tax Paid	-	-	
Net Cash generated from Operating activities	-	**119041**	**12211**
	-	-	
CASH FLOW FROM INVESTING ACTIVITIES	-	-	
Net Expenditure on Property Plant & equipment and CWIP and EDC	55869	-	54358
Other Non Current Assets	2261	-	
Interest on Term Deposit / Sweep Deposits	(2)	-	(3184)
Term Deposit with Banks (having maturity more than 3 months)	-	-	(2877)
Depreciation on CWIP	-	-	-
CWIP from Deficit Account	-	-	-
Less: Loss of Fixed/CWIP assets from torrential rain & flood	12	-	20
Net Cash used in Investing activities	-	**58140**	**(48317)**
	-	-	
CASH FLOW FROM FINANCING ACTIVITIES	-	-	
Share Capital	8200	-	17466
Long Term Borrowings -Proceeds	(90252)	-	14639
Net Cash used for Financing activities	-	**(82052)**	**32105**
Net Increase in Cash and Cash Equivalents	-	**(21152)**	**(4001)**
Opening Balance Cash and Equivalents	-	**32517**	**36518**
Closing Balance Cash and Equivalents	-	**11365**	**32517**

Restricted Cash Balance			
Earmarked Balance (Unpaid Dividend)	-	-	
Margin Money for BG/ Letter of Credit and Pledged Deposits	-	4436	2326
	-	**4436**	**2326**

For and on behalf of the Board of Directors

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

Sd/-
(Sudershan K. Sharma)
Company Secretary

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

Sd/-
(Rakesh Kanwar)
Managing Director
DIN No. 06532390

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

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

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

Place: Shimla
Date: 09/06/2021

STATEMENT OF CHANGE IN EQUITY

(Rs. in Lacs)

Particulars	Equity Share Capital	Other Equity		Total Other Equity	Total
		Reserve & Surplus	Other Comprehensive Income		
		Retained Earnings	Remeasurement of the Net Defined Benefit Assets/Liability (net of Tax)		
Changes in equity for the year ended on March, 2018					
Opening Balance as on 1st April 2018	184556	-11601	0	-11601	172955
Equity Shares issued during the year	8200				8200
Other Comprehensive Income for the period	0				0
Profit/ Loss for the Period		-10598		-10598	-10598
Dividend					
Dividend Tax					
Opening Adjustment in Retained Earnings					
Closing Balance as at March 31, 2019	**192756**	**-22199**		**-22199**	**170557**

For and on behalf of the Board of Directors

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

Sd/-
(Sudershan K. Sharma)
Company Secretary

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

Sd/-
(Rakesh Kanwar)
Managing Director
DIN No. 06532390

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

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

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

Place: Shimla
Date: 09/06/2021

HIMACHAL PRADESH POWER CORPORATION LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019

1. COMPANY INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY

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

B. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

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

1.2 BASIS OF MEASUREMENT

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

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

1.4 CURRENT AND NON-CURRENT CLASSIFICATION

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or

Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when:

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

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

1.5 PROPERTY, PLANT AND EQUIPMENT (PPE)

a) The Group has opted to utilize the option under para D7AA of Appendix D to Ind AS 101 which permits to continue to use the Indian GAAP carrying amount as a deemed costunder Ind AS at the date of transition to Ind

AS. Therefore, the carrying amount of property, plant and equipment according to the Indian GAAP as at April 1, 2015 i.e. Group's date of transition to Ind AS, were maintained in transition to Ind AS.

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

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

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

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

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

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

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

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

1.6 CAPITAL WORK-IN-PROGRESS

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

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

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

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

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

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

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

1.7 INVESTMENT PROPERTY

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

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

ii) Sale in the ordinary course of business.

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

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

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

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

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

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

1.8 INTANGIBLE ASSETS

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

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

ii) The cost of the asset can be measured reliably

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

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

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

1.9 REGULATORY DEFERRAL ACCOUNTS

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

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

1.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

1.11 INVENTORIES

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

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

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

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

1.12 FOREIGN CURRENCY TRANSACTIONS

a) Functional and Presentation Currency:

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

b) Transactions and Balances:

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

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

1.13 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION, SUBSEQUENT MEASUREMENT AND IMPAIRMENT

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

A) Financial Assets

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

Measurement:

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

De-recognition:

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

B) Financial Liabilities:

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

Measurement:

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

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

De-recognition:

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

1.14 INVESTMENT IN JOINT VENTURES AND ASSOCIATES

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

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

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

1.15 LEASES

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

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

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

Operating Lease:

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

1.16 GOVERNMENT GRANTS

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

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

1.17 BORROWING COSTS

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

1.18 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) A provision is recognised when:

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

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

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

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

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

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

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

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

1.19 REVENUE RECOGNITION AND OTHER INCOME

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

1.20 EMPLOYEE BENEFITS

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

a) **Short-term Benefits**

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

b) **Terminal Benefits**

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

1.21 DEPRECIATION AND AMORTIZATION

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

a) Depreciation is charged on Straight Line method following the rate & methodology notified by the H.P State Electricity Regulatory Commission (HPERC) for the purpose of fixation of tariff as amended from time to time, **except in case of:**

b) Mobile Phones are depreciated fully @ 25% P.A. in 4 years.

c) Kitchen items and small office items are depreciated over the period of 3 years, keeping10% residual value.

d) Assets costing Rs. 5000/- or less are depreciated fully in the year of procurement.

e) Expenditure on software is recognised as "Intangible Asset" and amortised fully over three years on SLM or over a period of its legal rights to use, whichever is less.

f) Infrastructural development construction power depreciated @5.28% SLM under the head any other assets not covered in the HPERC Schedule.

g) Depreciation is provided on pro-rata basis from the month in which the asset becomes obsolete is provided till the end of the month in which such declaration is made.

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

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

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

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

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

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

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

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

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

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

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

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

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

1.22 INCOME TAXES

Income tax expense comprises current tax and deferred tax.

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

a) Current Income Tax

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

b) Deferred Tax

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

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

1.23 EARNINGS PER SHARE

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

1.24 STATEMENT OF CASH FLOWS

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

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

1.25 MATERIAL PRIOR PERIOD ERRORS

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

2 NOTES ON ACCOUNTS

The amounts in financial statements are presented in India Rupees and all figures has been rounded off to the nearest Rs. lacs except when otherwise stated. The previous year figures have also been reclassified/ regrouped/ rearranged wherever necessary to confirm to this year's classification.

(Rs. in Lacs)

Particulars	Sub Note	Amount as at March 31,2019	Amount as at March 31,2018
2.1 Property Plant and Equipment	2.1.1	303086	294419
2.2 Capital Work In progress	2.2.1	308204	271679
2.3 Intangible Assets	2.3.1	8	1
TOTAL		**611299**	**566099**
2.4 Intangible assets under development		0	0
TOTAL		**0**	**0**

NON - CURRENT ASSETS

FINANCIAL ASSETS

2.5 INVESTMENTS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Investment in Equity Instruments		
Non Trade - Unquoted (at Cost)		
(a) Subsidiary Companies		
(b) Joint Venture Companies	338	338
3375000 (P.Y. 3375000) Equity Shares of Rs. 10/- in Himachal Emta Power Ltd	-	-
Less Provision for doubtful investments	(338)	(338)
Total Investment in Equity Instruments	**-**	**-**
Other Investment	-	-
Total Other Investment	**-**	**-**
Total Investments	**-**	**-**

The company has made an investment of Rs. 337.5 Lacs in the equity of Himachal Emta Power Limited (HEPL) which has been established as Companies joint Venture with Emta for setting up (2*250MW) thermal Power Plant at Raniganj, West Bengal. The company has 50% equity participation in HEPL. The objective of joint venture is coal block for ensuring the uninterrupted fuel supplies thereto. However, Hon'ble supreme Court of India has cancelled all allottment of coal block and termed all captive coal block allocation since 1993 as illegal. The joint venture company of Himachal EMTA has filed a claim to the ministry of Coal for expenditure incurred on the project & has not received the claim for the Ministry of Coal as yet. Provision for Doubtful Investment has been made in books as final shares from the Himachal Emta is received by the company.

2.6 FINANCIAL ASSETS - LOANS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Security Deposits		
- Secured Considered Good	1	-
- Unsecured Considered Good	148	148
- Doubtful	-	-

Loans to employess		
- Secured Considered Good	-	-
- Unsecured Considered Good	-	-
- Doubtful	-	-
TOTAL FINANCIAL ASSETS - NON CURRENT	**149**	**148**

2.7 FINANCIAL ASSETS - OTHERS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Fixed Deposits with Banks having Maturity for more than 12 months	0	0
TOTAL	**-**	**-**

2.8 DEFERRED TAX ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Deferred Tax Assets	0	0
TOTAL	**-**	**-**

2.9 REULATORY DEFERRAL ACCOUNTS- DEBIT BALANCE

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Regulatory Deferral Accounts- Debit Balance	0	0
TOTAL	**-**	**-**

2.10 NON - CURRENT ASSETS

OTHER NON CURRENT ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Capital Advances:		
Secured by Hypothecation of Equipment / Material	-	-
Unsecured Considered Good	7,911	-
Covered by Bank Guarantee	453	5,682
Others	496	4,499
Loans and advances to Related Parties		
Loans and Advances to Joint Ventures		
Secured Considered Good	-	-
Unsecured Considered Good	61	61
Less: Provision for doubtful advance	(61)	(61)
Advances to Others		
Others - Secured Considered Good	-	5
Others - Unsecured Considered Good	686	1,272
Deposit with Judicial Authorities	-	-

Capital Stores At Cost (as certified by the management)		
Other items	2	2
Recoverable Contractors	-	13,620
Others-Secured Considered Good	4325	-
Others -Unsecured Considered Good	13119	-
Others Recoverable	314	231
Less: Provision for doubtful recoverable	(63)	(63)
Recoverable from Staff	2	1
Deposits With Income Tax Authorities	8874	8,673
Grant Receivable - Non Current	566	522
Prepaid Expenses	18	-
Deferred Employee Benefits Expense	-	-
TOTAL OTHER NON- CURRENT ASSETS	**36705**	**34,444**

CURRENT ASSETS

2.11 INVENTORIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Loose Tools	-	-
Stores and Spares	74	34
Less: Provision for Shortage of store and Obsolescence	-	-
TOTAL	**74**	**34**

FINANCIAL ASSETS

2.12 TRADE RECEIVABLES

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Secured considered good		
Unsecured considered good		
- Power	1734	1,593
- Lab Charges	24	24
Doubtful	-	-
Related Party	-	-
TOTAL	**1757**	**1,617**

2.13 CASH AND CASH EQUIVALENTS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Term Deposits (having original maturity of upto 3 months)	-	-
Cash and Bank Balances	-	-
Cash in Hand	-	1
Stamps in Hand	-	-

Remittances in Transit	-	-
Balances with Banks	-	-
Current Deposits	9403	24,125
Term Deposits with maturity period up o 3 months	1961	8,391
TOTAL	**11365**	**32,517**

2.14 BANK BALANCE - OTHER THAN ABOVE

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Earmarked Balance (Unpaid Dividend)		
Margin Money for Pledged Deposits	3312	1,201
Other Term Deposits having maturity period for more than 3 months	5272	492
Margin Money for BG/ Letter of Credit	1125	1,125
TOTAL	**9709**	**2,818**

2.15 LOANS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Recoverable from Staff	-	1
Security Deposit	-	-
Secured Considered Good	-	-
Unsecured Considered Good	2	-
Doubtful	-	-
Loans and Advances to Related Parties	-	-
Loans and Advances to Directors	-	-
Secured Considered Good	-	-
Unsecured Considered Good	-	-
Advances to Employees	-	-
Secured considered good	-	-
Unsecured Considered Good	-	11
Doubtful	-	-
TOTAL	**2**	**12**

2.16 OTHER ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Interest Accrued but not due on Deposits with Banks	327	177
Interest Recoverable	139	227
Recoverable from Staff	-	-
Income Tax Refund	-	-
Amount Recoverable from Others	46	-
Accrued Interest on Advances to Others	-	-

Amount Recoverable from Contractor & Suppliers		3085
- Secured considered good	7	
- Unsecured Considered Good	830	
Other Current Assets	-	-
TOTAL	**1349**	**3489**

2.17 CURRENT TAX ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Current Tax Assets	0	0
TOTAL	**0**	**0**

2.18 OTHER CURRENT ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Advances to Contractors & Suppliers		
Secured Considered Good	125	-
Unsecured Considered Good	35	187
Doubtful	-	-
Less: Provision for Doubtful Advances	-	-
Advances to Govt Department		
Secured Considered Good	-	-
Unsecured Considered Good	189	-
Doubtful	-	-
Advances Others		
Secured Considered Good	-	-
Unsecured Considered Good	485	41
Prepaid Expenses	24	50
Other Recoverable	-	0.09
Deposit with Courts	5383	-
Grant Receivable	-	-
TOTAL	**6241**	**278**

2.19 EQUITY SHARE CAPITAL

Particulars	as at March 31,2019		as at March 31,2018	
	No. of Shares	Amount (Rs. in Lacs)	No. of Shares	Amount (Rs. in Lacs)
AUTHORISED Equity Shares of par Value of Rs 1,000/- each	25000000	250000	20000000	200000
ISSUED, SUBSCRIBED AND FULLY PAID UP Equity Shares of par Value of Rs 1,000/- each fully paid up	19275633	192756.33	18455633	184556.33
TOTAL		**192756.33**		**184556.33**

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

Particulars	as at March 31,2019		as at March 31,2018	
	No. of Shares	%	No. of Shares	%
Government of Himachal Pradesh	6096345	31.63	52,76,345	28.59
Himachal Pradesh Infrastructure Development Board	11871507	61.59	1,18,71,507	64.32
Himachal Pradesh Electricity Board Limited	1307731	6.78	13,07,731	7.09
TOTAL	**19275583**	**100.00**	**1,84,55,583**	**100.00**

2.19.2 THE RECONCILIATION OF SHARES OUTSTANDING IS SET OUT BELOW:

Particulars	as at March 31,2019		as at March 31,2018	
	No. of Shares	Amount (Rs. in Lacs)	No. of Shares	Amount (Rs. in Lacs)
No. of shares at the beginning	18455633	184556.33	16709008	167090.08
No. of shares issued during the year	820000	8200.00	1746625	17466.25
No. of shares Bought Back during the year	-	-	-	-
No. of shares at the end	19275633	192756.33	18455633	184556.33

2.20 OTHER EQUITY

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Retained Earnings		
Opening Balance	(11601)	(3687)
Less: Previous years adjustment	-	-
Adjustment of Carrying amount of Investment in Himachal Emta Power Limited	-	-
Add: Profit for the Year as per Statement of Profit and Loss	(10598)	(7913)
Closing Balance	(22199)	(11601)
Total Other Equity (A+ B+C)	**(22199)**	**(11601)**

2.21 BORROWINGS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Bonds or Debentures	-	-
TOTAL	**-**	**-**
Long Term Loans		
From Other Parties		
Secured		
Power Finance Corporation for Sawra Kuddu HEP *(Repayable in quarterly instalments upto April 2013, carrying interest@ 11.75% p.a. payable quarterly)*	-	1,471
Loan from Indian Overseas Bank, S.E. New Delhi (Secured)	-	-
Loan from Andhra Bank (Secured)	-	-
Total (A)	**-**	**1,471**

Unsecured		
Government of Himachal Pradesh Loan for Shongtong HEP *(Rate of Interest 3.83% p.a. payable in half yealrly instalments from July 2018 to January 2028)*	8792	7215
Government of Himachal Pradesh Loan for Shongtong HEP *(Rate of Interest 0.75% p.a. payable in half yealrly instalments from July 2023 to January 2053)*	4874	4838
Government of Himachal Pradesh Loan		
Government of Himachal Pradesh Loan (Trench 1) *(Rate of Interest 10% pa payable in yearly instalments of principal and interest from April 18 to January 2023)*	29150	3890
Government of Himachal Pradesh Loan (Trench 2) *(Rate of Interest 10% pa payable in yearly instalments of principal and interest from April 18 to January 2025)*	15939	41073
Government of Himachal Pradesh Loan (Trench 3) *(Rate of Interest 10% pa payable in yearly instalments of principal and interest from April 18 to January 2026)*	71056	32316
Government of Himachal Pradesh Loan (Trench 4) *(Rate of Interest 10% pa payable in yearly instalments of principal and interest from April 18 to January 2027)*	29985	27370
Total (B)	**159795**	**116701**
TOTAL (A+B)	**159795**	**118172**

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

2.22 OTHER FINANCIAL LIABILITIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Deferred Repayment of Interest of Govt. of Himachal Pradesh Loan	-	98952
Deferred Repayment of Principal of Govt. of Himachal Pradesh Loan	-	41135
Other Expense Payable	-	-
Govt. Dues Payable	-	-
Deposits, Retention Money from Contractors and Others	5914	2793
Less: Investment held as security	-	(11)
Provision for Expenses	5023	-
Liability for contractor and supplier	57	-
TOTAL	**10993**	**142869**

2.23 PROVISIONS - NON CURRENT

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Provisions		
Gratuity Payable	1861	1,630
Leave Encashment	1030	801
Pension Payable	2799	2,577
TOTAL	**5690**	**5,008**

Changes During the year

(Rs. in Lacs)

	As at March 31,2018	For The Year			As at March 31,2019
		Additions	Write Back/Transfer	Utilization	
Unfunded Employees Benefit					
Pension Contribution	1630	232	0	1	1861
Gratuity	801	923	683	11	1030
Leave Encashment	2577	943	717	4	2799
TOTAL	**5008**	**2098**	**1400**	**16**	**5690**

2.24 OTHER NON CURRENT LIABILITIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Capital Grant government of India		
(A) Utilised Grant		
Renuka		
Opening Balance	68,680	68,680
Addition during the year	-	-
Less: Accumulated Depreciation on Fixed Assets	174	(153)
Closing Balance	68506	68,527
Gyspa		
Opening Balance	1022	988
Addition during the year	44	35
Less: Accumulated Depreciation on Fixed Assets	(30)	(7)
Closing Balance	1037	1,015
Total Utilised Grants	**69543**	**69,542**

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 Govrnment of beneficiary states. The contributions received for Renukaji Dam Project from the Central Government, Delhi, Jal Board and the Haryana Government aggregating Rs. 68,680 lacs and for Gyspa Dam Project from PWC Rs 500 lacs has been treated as capital Reserve, (net of depreciation) in compliance with AS 12.

2.25 TRADE PAYABLES

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Trade Payables	0	0
TOTAL	**0**	**0**

2.26 OTHER CURRENT LIABILITIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Liabilities for Employee's Remuneration and Benefits	152	116
Share Application Money pending Allotment	8800	1000
Current Portion of Power Finance Corporation Loan payable	0	-

Interest Accrued and Due on Loan	123146	36
Current Portion of Government of HP loan	93347	93026
Advance for Deposit Work	1500	14
Deposits, Retention Money from Contractors and Others	706	1971
Liabilities for Government Departments	2374	847
Liabilities For Contractors & Suppliers	5239	4141
Provision for Expenses	26490	31625
Taxes and Duties Payable	316	122
Bank Overdrawn due to Bank Reconciliation	0	-
TOTAL	**262070**	**132899**

2.27 OTHER CURRENT LIABILITIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Provisions		
Unfunded Employee Benefit		
Gratuity Payable	0	9
Leave Encashment	-	-
Pension Payable	-	-
Others	-	-
TOTAL	**0**	**9**

Changes During the year

(Rs. in Lacs)

	As at 01.04.2018	For The Year			As At 01.04.2019
		Additions	Write Back/Transfer	Utilization	
Unfunded Employees Benefit					
Pension Contribution	-	-	-	-	-
Gratuity Provision	4	-	-	4	-
Leave Encashment	5	-	-	5	-
TOTAL	**9**	**-**	**-**	**9**	**-**

2.28 REVENUE FROM OPERATIONS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Sales		
Energy Sales	18833	8315
Sale of Services		
Rent from Property	22	21
Rent of Land	-	-
TOTAL	**18855**	**8336**

2.29 MISCELLANEOUS INCOME

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Interest on Bank Deposits - FDR's	-	37
Income for providing Design works/Lab Receipt	5	3
Interest from Banks	3	2
Adjustment of Depreciation on Capital Grants	-	-
Late Payment Surcharge	0	30
Others	118	4,455
Sale of Scrap	1	-
Prior Period Income	(19)	502
TOTAL	**108.10**	**5,029**

2.30 EMPLOYEE BENEFITS EXPENSES

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Salaries, Wages, Allowances and Benefits	1221	1,231
Contribution to Provident and Other Funds	58	52
Leave Salary and Pension Contribution	101	85
Welfare Expenses	186	16
TOTAL	**1565.37**	**1,385**

2.31 FINANCE COSTS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Bank Charges/LC Charges	0	0
Interest on Term Loans	12,980	9,623
TOTAL	**12,980**	**9,623**

2.32 DEPRECIATION AND AMORTIZATION EXPENSE

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Depreciation for the year	10670	8095
Depeciation Charged to Statement of Profit & Loss	**10670**	**8095**

2.33 OTHER EXPENSES

OFFICE AND ADMINISTRATIVE EXPENDITURE

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Repair and Maintenance		
Buildings	72	144
Roads	1	-

Plant & Machinery	820	128
Office Equipments & Furniture	1	1
Civil Works	102	-
Electro Mechanical Works	-	-
Vehicles	0	1
Others	7	15
Less: Claims Received from Insurance Companies *	-	-
Rent, rates and Taxes	22	25
Insurance:		
Vehicles	-	-
Other Assets	40	29
Security Expenses	-	-
Electricity & Water Charges	138	98
Less: Recovered from Employees & Contractors	-	-
Research and Development	-	-
Travelling & Conveyance	3	5
Training Expenses	1	1
Less: Cost of Application Forms Received	-	-
Legal and Professional Charges	130	119
Communication Expenses	5	10
Printing & Stationery	6	8
Statutory Audit Fees	8	9
Tax Audit Fee	-	-
GST Audit Fee	-	-
Cost Audit Fee	-	-
Internal Audit Fee	-	-
Consultancy Fee	-	1
Publicity and Advertisement Expenses	2	3
Advertisement & Publicity	-	-
Expenses in relation to sale of power	1725	173
Free Power	34	28
EMP Expenses	-	-
Hiring of Vehicles	140	97
Vehicle Running Charges and Insurance Charges	3	1
Annual Technical Support- SAP	34	491
Fees and Subscription	8	6
Expenses on Transit Camps	0	0
Books & Periodicals	1	2
Hospitality and Entertainment Expense	2	2
Freight and Labour Charges	0	0
Postage and Telegram Expenses	0	0
Raising Day Expense	13	10
Rebate to Customers	35	-
Provision for Doubtful advances	-	49

Disaster Management Plan Exps.	-	-
Directors Sitting Fees	-	-
Deferred Revenue Expenditure Written Off	-	-
Meeting Expenses	1	1
Environment & Ecology Expenses	54	-
Office Expenses	71	1
Prior Period Expenses	763	348
Expenditure Write Off	41	-
Interest & Penalties under I.Tax	-	-
Miscellaneous Expenses	50	-
Exchange Rate Variation	-	-
4000800 R&R Schemes / Plan	-	-
Expenditure on Catchment Area Treatment	-	-
Project Inauguration Expenses	-	-
Expenses on Regulated Power	-	-
Less: Regulated Power Adjustment - Sales	-	-
Rehabilitation Expenses	-	-
Local Area Development Expenses	-	-
TOTAL	**4334**	**2156**

2.34 EARNING PER SHARE BASIC AND DILUTED

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2019
Net Profit after Tax	(10,598)	(7,913)
Weighted Average Number of Shares	1,88,65,633	1,75,82,271
Face Value of Share	1,000	1,000
EPS	(56)	(45)

Sub Note No. 2.1 SCHEDULE OF PROPERTY PLANT AND EQUIPMENT

(Rs. in Lacs)

Particulars	GROSS BLOCK						DEPRECIATION						NET BLOCK	
	As at 01.04.2018	Addition during the year	Deductions/ Adjustments	Previous Year		As at 31.03.2019	As at 01.04.2019	Addition during the year	Deductions/ Adjustments	Previous Year		As at 31.03.2019	As at 31.03.2019	As at 31.03.2018
				Deletion	Addition					Deletion	Addition			
Land - Lease Hold	28	0	-	(3)	-	26	4	1	-	(3)	-	2	24	24
Land - Free Hold	76873	15,321	(719)	-	-	91476	1	-	-	-	-	1	91475	76,873
Residential Buildings	2457	0	-	(29)	205	2633	162	91	-	(29)	205	430	2203	2,294
Non-Residential Buildings	1528	108	-	-	92	1729	100	71	-	-	92	264	1465	1,428
Temporary Sheds / Erections	2	10	-	(3)	-	10	3	3	-	(3)	-	3	7	0
Project Civil Works	154456	597	(96)	-	-	154957	7,249	7370	(7)	-	-	14612	140344	1,47,206
Roads, Bridges & Traffic Tunnels	0	0	-	-	-	(0)	0	-	-	-	-	0	0	0
Project Electro Mechanical Works	61889	3,668	(44)	-	0	65513	2,655	3016	(3)	-	0	5668	59846	59,235
Plant (currently for Water Treatment)	1	0	-	-	2	3	(1)	0	-	-	2	1	2	2
Office Machinery (like lab, fire, safety)	68	0	-	-	68	136	(33)	8	-	-	68	42	93	101
Electronics & Electrical Items	206	43	-	-	181	430	(97)	26	-	-	181	111	319	303
Furnitures & Fixtures	172	7	-	-	159	338	(75)	26	-	-	159	111	227	247
Computers & Data Processing Machines	84	32	-	-	73	189	(12)	20	-	-	73	81	108	96
Vehicles	81	52	-	-	23	156	(1)	16	-	-	23	38	118	82
Kitchen Items	3	0	-	-	0	3	2	1	-	-	0	2	1	1
Fire Fight Equipment	0	0	-	-	-	0	0	0	-	-	-	0	0	0
Small Office Items	0	0	-	-	0	0	0	0	-	-	0	0	0	0
Helipad	11	0	-	-	12	23	(8)	1	-	-	12	5	18	19
Bridges & Culverts	508	0	-	-	72	580	16.	19	-	-	72	107	473	492
Server and Networks	402	0	-	-	497	899	49	202	-	-	497	748	151	353
Roads	1974	55	-	-	2925	4954	(2,179)	164	-	-	2925	910	4044	4,153
Assets not owned by Company (Roads)	0	-	-	-	-	-	0	-	-	-	-	0	0	0
Assets not owned by Company (Others)	0	-	-	-	-	-	0	-	-	-	-	0	0	0
Infrastructure Dev. Construction Power	1815	790	(1)	-	1	2605	303	134	-	-	1	438	2167	1,512
Total (A)	**302558**	**20,683**	**(859)**	**(34)**	**4,312**	**3,26,660**	**8,138**	**11,168**	**(10)**	**(34)**	**4,312**	**23,574**	**3,03,086**	**2,94,419**

Note No. 2.2.1
CAPITAL WORK-IN-PROGRESS

(Rs. in Lacs)

Particulars	Note No.	Amount As at 31.03.2018	Addition during FY 2018-19	Deletion during FY 2018-198	Net Adj. during FY 2018-19	Amount As at 31.03.2019
Residential Buildings	2.2.1.1	23	9	8	1	24
Non Residential Buildings	2.2.1.1	102	86	99	(13)	89
Roads, Bridges & Culverts	2.2.1.1	88	140	37	103	191
Civil Works	2.2.1.1	97,115	24,413	9,555	14,858	1,11,973
Electro-Mechanical Works	2.2.1.1	38,176	8,666	3,453	5,212	43,388
Construction Power	2.2.1.1	209	40	205	(165)	44
Land Submerged Area	2.2.1.1	19,564	282	996	(714)	18,850
Investigation & Survey	2.2.1.1	12	-	12	(12)	-
Environment and R&R Expenses	2.2.1.1	184	20	204	(184)	-
G.Total		**1,55,473**	**33,654**	**14,571**	**19,084**	**1,74,557**
Expenditure During Construction	2.2.2	1,16,208	20,511	3,073	17,438	1,33,647
Total Carried forward to Balance Sheet		**2,71,681**	**54,165**	**17,644**	**36,522**	**3,08,204**

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

(Rs. in Lacs)

Particulars	Residential Buildings as at 31.03.2019	Non Residential Buildings as at 31.03.2019	Roads, Bridges & Culverts as at 31.03.2019	Civil Works as at 31.03.2019	Electro-Mechanical Works as at 31.03.2019	Construction Power as at 31.03.2019	Land Submerged Area as at 31.03.2019	Investigation & Survey as at 31.03.2019	Environment Expenses as at 31.03.2019	G.Total
Sundernagar	1	-	-	-	-	-	-	-	-	1
Sawra Kuddu HEP	14	-	0	68,158	24,000	5	-	-	-	92,178
Kashang HEP Stage-I	-	-	-	182	-	-	-	-	-	182
Sainj HEP	9	89	190	90	-	-	-	-	-	378
Renuka Dam Project	-	-	-	-	-	-	18,850	-	-	18,850
Shongtong HEP	-	-	-	31,108	19,388	39	-	-	-	50,536
Triveni HEP	-	-	-	-	-	-	-	-	-	-
Thana Plaun HEP	-	-	-	-	-	-	-	-	-	-
Gyspa HEP	-	-	-	-	-	-	-	-	-	-
Surgani Sundla HEP	-	-	-	-	-	-	-	-	-	-
Deothal Chanju	-	-	-	-	-	-	-	-	-	-
Chanju-III	-	-	-	-	-	-	-	-	-	-
Berra-Dol Solar Power Project	-	-	-	193	-	-	-	-	-	193
Kashang HEP Stage-II	-	-	-	12,240	-	-	-	-	-	12,240
G.Total	**24**	**89**	**191**	**1,11,972**	**43,388**	**44**	**18,850**	**-**	**-**	**1,74,557**

Note No. 2.2.2 EXPENDITURE DURING CONSTRUCTION

(Rs. in Lacs)

Particulars	Note No.	Amount As at 31.03.2018	Addition During FY 2018-19	Deletion During FY 2018-19	Net Adj. During FY 2018-19	Amount As at 31.03.2019
EXPENSES (A):						
Employees' Benefits Expenses	2.2.2.1	43,538	5,373	(53)	5,320	48,858
Finance/Interest Cost	2.2.2.2	44,619	10,737	-	10,737	55,356
Depreciation Expenses	2.2.2.3	2,424	502	-	502	2,926
Office and Administrative Expenses	2.2.2.4	34,036	6,328	(3,020)	3,308	37,344
TOTAL (A)		1,24,617	22,940	(3,073)	19,867	1,44,484
Less: Miscellaneous Income	2.2.2.5	(8,409)	(2,429)	-	(2,429)	(10,838)
Less: Renukaji & Gyspa Project Depreciation adjusted against Capital Reserve		-	-	-	-	-
NET EXPENDITURE (B) (Carried forward to CWIP)		**1,16,208**	**20,511**	**(3,073)**	**17,438**	**1,33,647**

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

(Rs. in Lacs)

Particulars	Amount As at 31.03.2019	Addition During FY 2018-19	Deletion During FY 2018-19	Net During FY 2018-19	Amount As at 31.03.2018
Salaries, Wages, Allowances and Benefits	43,287	4,678	(45)	4,633	38,654
Contribution to Provident and Other Funds	878	84	(7)	77	801
Leave Salary and Pension Contribution	3,405	488	-	488	2,917
Travelling Exp.	386	38	(0)	38	349
Medical Exp.	471	45	(0)	45	425
Welfare Expenses	431	40	(0)	40	392
TOTAL	**48,858**	**5,373**	(53)	**5,320**	**43,538**

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

(Rs. in Lacs)

Particulars	Amount As at 31.03.2019	Addition During FY 2018-19	Deletion During FY 2018-19	Net During FY 2018-19	Amount As at 31.03.20187
Interest on Term Loans	55,300	10,736	-	10,736	44,564
Bank Charges/LC Charges	37	1	-	1	35
Others-FBT/Service Tax Interest	19	-	-	-	19
TOTAL	**55,356**	**10,737**	**-**	**10,737**	**44,619**

Note No. 2.2.2.3 DEPRECIATION EXPENSES

(Rs. in Lacs)

Particulars	Addition During FY 2018-19	Deletion During FY 2018-19	Net Adj. During FY 2018-19	Amount During FY 2017-18
Depreciation for the year (Transferred to Profit & Loss Account)	-	-	-	-
Depreciation for the year (Transferred to Expenditure During Construction)	502	-	502	(15)
TOTAL	**502**	**-**	**502**	**(15)**
Depreciation written off from Capital Reserve	-	-	-	-

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

(Rs. in Lacs)

Particulars	Amount As at 31.03.2019	Addition During FY 2018-19	Deletion During FY 2018-19	Net During FY 2018-19	Amount As at 31.03.2018
Repairs and Maintenance Vehicle	93	15	-	15	78
Repairs and Maintenance Office Furniture & Equipment's	77	13	(2)	11	66
Repairs and Maintenance Plant and Machinery	98	7	-	7	91
Repairs and Maintenance Buildings	575	41	-	41	534
Repairs and Maintenance Others	47	6	-	6	41
Office & Administration Expenses	39	-	(498)	(498)	537
Hospitality and Entertainment Expenses	143	11	(0)	11	132
Meeting Expenses	61	8	-	8	53
Misc. Expenses	139	(1)	-	(1)	140
Communication Expenses	595	73	-	73	521
Rent, Rates and Taxes	1,533	259	(3)	256	1,277
Consultancy Fees	903	52	(1)	51	851
Annual Technical Support-SAP/ AMC	1,601	577	-	577	1,023
Vehicle Running Charges & Insurance Charges	255	50	(0)	50	205
Hired Vehicle Expenses	1,828	220	(0)	219	1,608
Training & Seminar	286	21	-	21	265
Fees & Subscription	30	0	-	0	29
Electricity & Water Expenses	428	89	(0)	89	339
Printing & Stationery	258	20	(0)	20	239
Books, Periodicals & Newspapers	65	5	(0)	5	60
Freight & Labour Charges	36	3	-	3	33
Insurance	28	7	-	7	21
Raising Day Expense	34	-	-	-	34
Legal & Professional Charges	441	112	(0)	112	329
Postage & Telegram Expenses	27	2	-	2	25
Publicity & Advertisement Expenditure	238	23	-	23	215
Expenditure on Transit Camps/Guest House	40	1	(0)	1	39
Business Promotion Expenses	165	0	-	0	165
Power/ Water Park	0	-	-	-	0
Foreign Exchange Variation Cost	57	1	-	1	56
Land Acquisition Expenses	9	2	(0)	2	7
LADA	5,786	767	-	767	5,019
Relief and Rehabilitation Costs	5,730	315	-	315	5,415
Environmental and Ecology exp.	2,495	(2,229)	(3)	(2,232)	4,727
Expenditure on Enabling Assets	461	-	-	-	461
CAT Plan	7,282	2,598	-	2,598	4,684
Study and Research	73	30	-	30	43
Survey & Investigation	9,348	433	-	433	8,914
Construction Power HPSEBL 1-8-1	46	-	-	-	46
Environment Management Plan	1,274	41	-	41	1,232

Fuel expenses Data Centre	6	-	-	1	5
Gift & Presentation A/c (Pending Allocation)	4	1	-	-	4
Honorarium & Stipend	250	250	-	250	-
Incidental expenses-Power Water & parks	0	(45)	-	(45)	45
Outsource Manpower Expenses (Pending Allocation)	3,077	537	-	537	2,540
Retain earning Adjustment unto FY 2014	2,410	-	-	-	2,410
Safety Related Expenses	0	0	-	0	-
Winter Heating Exp. (Pending Allocation)	64	5	-	5	59
Wages (Daily paid staff) (PROJECT)	8	1	-	1	7
Remuneration to Auditors	18	4	(0)	4	14
Consumables Stores	87	4	(0)	4	83
Transmission Lines	12	-	-	-	12
Common Cost (HO & SNR)	(2,854)	1,950	(2,259)	(309)	(2,544)
Incidental exp after COD(proportio)Stage-1 2017-18	(1)	-	-	-	(1)
Incidental exp Before COD Stage-1	(8,153)	-	-	-	(8,153)
Expenditure related to previous year	47	47	-	47	-
AUC-Amount Settlement	(253)	-	(253)	(253)	-
TOTAL	**37,344**	**6,328**	**(3,020)**	**3,308**	**34,036**

Note No. 2.2.2.5 MISCELLANEOUS INCOME TRANSFERRED TO EXPENDITURE DURING CONSTRUCTION

(Rs. in Lacs)

Particulars	Amount As at 31.03.2019	Addition During FY 2018-19	Deletion During FY 2018-19	Net Adj. During FY 2018-19	Amount As at 31.03.2018
Interest from Banks Deposits/FDR's	(4,645)	(0)	-	(0)	(4,644)
Income from Providing design work/Lab Receipts	(4)	-	-	-	(4)
Interest from Employees	-	-	-	-	-
House Rent Collection from employees/Other recovery	(21)	-	-	-	(21)
Infirm Sale or Power	(17)	(17)	-	(17)	-
Interest on Tax Refunds	(320)	-	-	-	(320)
Income from Sale of Tender Forms	2	(1)	-	(1)	3
Income from Contractors	(56)	-	-	-	(56)
Income from Transit Camp/Guest House	(1)	-	-	-	(1)
Gain on sale of Assets	(1)	-	-	-	(1)
Miscellaneous Receipts	(5,775)	(2,411)	-	(2,411)	(3,365)
TOTAL	**(10,838)**	**(2,429)**	**-**	**(2,429)**	**(8,409)**

Note No. 2.3 OTHER INTANGIBLE ASSETS

(Rs. in Lacs)

Particulars	GROSS BLOCK						DEPRECIATION						NET BLOCK	
	As at 01.04.2018	Addition during the year	Deductions/ Adjustments	Previous Year		As at 31.03.2019	As at 01.04.2019	Addition during the year	Deductions/ Adjustments	Previous Year		As at 31.03.2019	As at 31.03.2019	As at 31.03.2018
				Deletion	Addition					Deletion	Addition			
SOFTWARE	93	8	0	(46)	0	55	92	0	0	(46)	0	47	8	1
Total	**93**	**8**	**0**	**(46)**	**0**	**55**	**92**	**0**	**0**	**(46)**	**0**	**47**	**8**	**1**

Note No. 2.4 INTANGIBLE ASSETS UNDER DEVELOPMENT

(Rs. in Lacs)

Particulars	As at 01.04.2018	Addition during the year	Deductions/ Adjustments	Previous Year		As at 31.03.2019
				Deletion	Addition	
SOFTWARE	-	-	-	-	-	-
Total	-	-	-	-	-	-

2.35 DISCLOSURE ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

i) Fair Value Measurement

a) Financial Instruments by Category

(Rs. in Lacs)

Particulars	Note No.	As at March 31, 2019	As at March 31, 2018
		Amortised Cost	Amortised Cost
Financial Assets			
Non Current Financial Assets			
(i) Investments	2.5	-	-
(ii) Loans	2.6	149	148
(iii) Others	2.7	-	-
Bank Deposits with more than 12 Months Maturity			
Current Financial Assets			
(i) Trade Receivables	2.12	1,757	1,617
(ii) Cash and Cash Equivalents	2.13	11,365	32,517
(iii) Bank Balance other than above	2.14	9,709	2,818
(iv) Loans	2.15	3	12
(v) Other Assets			
Interest Accrued	2.16	327	177
Other Recoverable	2.16	1,022	3,312
Total Financial Assets		**24,332**	**40,601**
Financial Liabilities			
(i) Long Term Borrowings			
a) Term Loans Financial Institutions	2.21	-	1,471
b) Term Loans from Others	2.21 & 2.22	1,59,795	2,27,496
(ii) Deposits / retention non current	2.22	10,993	2,793
Current Financial Liabilities			
(iii) Other Financial Liabilities			
a) Current Maturity of Term Loans Financial Institutions	2.26	-	36
b) Current Maturity of Term Loans other	2.26	2,16,493	1,22,318
c) Deposit/Retention Money	2.26	706	1,971
d) Liability against Capital Works	2.26	5,239	4,141

e) Other Payables	2.26	39,632	33,724
Total Financial Liabilities		**4,32,858**	**3,93,951**

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

B) FAIR VALUATION MEASUREMENT

(i) Fair Value Hierarchy

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

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

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

(Rs. in Lacs)

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

(a) Financial Assets/ Liabilities Measured at Fair Value- recurring Fair Value Measurement

(Rs. in Lacs)

Particulars	Note No.	As at March 31, 2019			As at March 31, 2018		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets at FVTOCI							
(i) Investments							
- In equity Instrument quoted		-	-	-	-	-	-
- In government Securities		-	-	-	-	-	-
- In public sector undertakings/ Public Financial Institution and Corporate Bonds		-	-	-	-	-	-
TOTAL		-	-	-	-	-	-

(b) Financial Assets/ Liabilities measured at amortised cost for which fair value are not disclosed

(Rs. in Lacs)

Particulars	Note No.	As at March 31, 2018			As at March 31, 2017		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets							
(I) Loans to employees & Others	2.6 & 2.15		152			160	
(ii) Other		-	-	-	-	-	-
Bank deposits with more than 12 months maturity	2.7	-	-	-	-	-	-
Total Assets		**-**	**152**	**-**	**-**	**160**	**-**

Financial Liabilities							
(I) Long term Borrowings (incl. current Maturity & Interest)	2.21 & 2.26		3,76,288			3,51,321	
(ii) Deposit / Retention Money (Including Current)	2.21 & 2.26	-	6,620	-	-	4,764	-
Total Liabilities		**-**	**3,82,908**	**-**	**-**	**3,56,086**	**-**
Total		**-**		**-**	**-**		**-**

Valuation techniques and process used to determine fair values

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

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

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

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

(Rs. in Lacs)

Particulars	Note No.	As at March 31, 2019		As at March 31, 2018	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
(I) Loans to employees & Others	2.6 & 2.15	152	152	160	160
(ii) Other		-	-	-	-
Bank deposits with more than 12 months maturity	2.7	-	-	-	-
Total Assets		**152**	**152**	**160**	**160**
Financial Liabilities					
(I) Long term Borrowings (incl. current Maturity & Interest)	2.21 & 2.26	3,76,288	3,76,288	3,51,321	3,51,321
(ii) Deposit / Retention Money (Including Current)	2.21 & 2.26	6,620	6,620	4,764	4,764
Total Liabilities		**3,82,908**	**3,82,908**	**3,56,086**	**3,56,086**

Significant Estimates:

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

(ii) Financial Risk Management

Financial risk factors:

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

a) Credit risk:

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

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

b) Liquidity risk:

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

c) Market risk:

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

(A) Credit Risk:

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

a) Trade Receivables:

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

b) Financial assets at carrying cost:

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

c) Financial instruments and cash deposits:

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

(B) Liquidity Risk:

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

Maturities of Financial Liabilities:

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

(Rs. in Lacs)

As at 31st March, 2019						
Contractual maturities of financial liabilities	Note No.	Outstanding Debt on 31.3.2019	Within one Year	More than 1 year & less than 3 Years	More than 3 year & less than 5 Years	More than 5 Years
1. Borrowings (including interest accrued but not due)	2.21, 2.22 & 2.26	381312	222395	49445	49445	60027
2. Other financial liabilities	2.22 & 2.26	51547	45633	3392	2522	0

(Rs. in Lacs)

As at 31st March, 2018						
Contractual maturities of financial liabilities	Note No.	Outstanding Debt on 31.3.2018	Within one Year	More than 1 year & less than 3 Years	More than 3 year & less than 5 Years	More than 5 Years
1. Borrowings (including interest accrued but not due)	2.21, 2.22 & 2.26	382911	-	294012	40754	48146
2. Other financial liabilities	2.22 & 2.26	11029	-	10056	973	-

(c) Market Risk:

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

(i) Interest rate risk and sensitivity:

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

(Rs. in Lacs)

Particulars	As At 31st March 2019	As At 31st March 2018
Fixed Rate Borrowings	2,53,143	2,52,369

ii) Price Risk:

Exposure:

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

iii) Foreign Currency Risk

Foreign Currency Risk Exposure:

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

Particulars	As At 31st March 2019			As At 31st March 2018		
Foreign Currency	USD	Euro	CHF	USD	Euro	CHF
Financial Assets						
Net Exposure to foreign currency risk (asset)	0.7			0.7		
Financial Liabilities						
Retention Money		1.32				
Other Payables	7.22	0.84			1.38	0.41
Net Exposure to foreign currency risk (Liabilities)	-6.52	-2.16		0.7	-1.38	-0.41

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

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

(iii) Capital Management

(a) Capital Risk Management:

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The primary objective of the Company's capital management is to maximize the shareholder value. The Company's primary objective when managing capital is to ensure that it maintains an efficient capital structure and healthy capital ratios and safeguard the Company's ability to continue as a going concern, in order to support its business and provide maximum returns for shareholders. The Company also proposes to maintain an optimal capital structure to reduce the cost of capital. No changes were made in the objectives, policies or processes during the year ended 31st March, 2019.

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

(Rs. in Lacs)

Particulars	As At 31st March 2019	As At 31st March 2018
a) Loans and Borrowings	2,53,143.00	2,52,333.00
b) Trade and Other Payables	2,54,949.00	2,16,166.00
b) Less: Cash and Cash Equivalents	11,365.00	32,517.00
c) Net Debt	4,96,727.00	4,35,982.00
d) Total Capital	1,70,588.00	1,72,956.00
e) Capital and Net Debt	6,67,315.00	6,08,938.00
f) Gearing Ratio	74.44	71.60

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

(b) Loan Covenants:

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

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

(c) Dividends:

The Company started commercial operation during the year 2016-17 and total cumulative loss as on 31.03.2019 is Rs.22,199 Lakhs, thus no dividend has been declared by the company.

Other Explanatory Notes to Accounts:

2.36 CONTINGENT LIABILITIES

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

(Rs. in Lacs)

Particulars	As At 31st March 2019	As At 31st March 2018
Capital Works	89119.64	67,052.24
Land Compensation	30585.66	16,123.89
Entry Tax	0	0
Others	400.26	335.25
TOTAL	**1,20,105.56**	**83,511.38**

(i) Capital works:

Contractors have lodged claims aggregating to Approx. Rs. 89,119.64 Lacs, against the Company on account of rate & quantity deviation, cost relating to extension of time and idling charges due to stoppage of work/delays in handing over the site etc. These claims are being contested by the company as being not admissible in terms of provisions of the respective contracts or are lying at arbitration tribunal/other forums/other Courts. As the amounts recommended by the Dispute Boards (DBs) are much less than the amounts claimed by the contractors, the claims on account of further interest and escalation, if any, have not been considered.

(ii) Land Compensation cases:

In respect of land acquired for the projects, some of the land losers have filed claims for higher compensation amounting to Rs. 30,585.66 Lacs before various authorities/courts. Company has shown the same as contingent liability as the matter is subjudice.

(iii) Others:

Claims on account of other matters amounting to Rs. 400.26 lacs mainly on account of claims for damage to property, EPF & others.

The above is summarized as at 31.03.2019 below:

(Rs. in Lacs)

Particulars	Claims as on 31.3.2019	Provision Against the Claims	Contingent Liability as on 31.3.2019	Contingent Liability as on 31.3.2018	Addition of Contigent Liability for the period
Capital Works	89,119.64	0	89,119.64	67,052.24	22,067.40
Land Compensation	30,585.66	0	30,585.66	16,123.89	14,461.77
Others	400.26	0	400.26	335.25	82.34

The above is summarized as at 31.03.2018 below

(Rs. in Lacs)

Particulars	Claims as on 31.3.2018	Provision Against the Claims	Contingent Liability as on 31.3.2018	Contingent Liability as on 31.3.2017	Addition of Contigent Liability for the period
Capital Works	67,052.24	0	67,052.24	33,526.00	28,297.70
Land Compensation	16,123.89	0	16,123.89	33,132.00	33,312.00
Entry Tax	-	0	-	1,088.98	-
Others	-	0	-	317.92	317.62

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

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

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

2.37 DETAIL OF CONTINGENT ASSETS

(Rs. in Lacs)

Particulars	As At 31st March 2019	As At 31st March 2018
Civil Work	38,948.00	33,948.00

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

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

(In Lacs)

Particulars		As At 31st March 2019	As At 31st March 2018
Estimated amount of contracts remaining to be executed on capital account and not provided for	INR	106770.36	1,21,674.16
	Euro	19.5	12.56
	US$	54.15	54.15
	CHF	0.00	0.00
	SWF	0.00	0.00

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

(Rs. in Lacs)

S.No.	Particulars	Year ended 31.3.2019	Year ended 31.3.2018
(i)	Amount Charged to Statement of Profit and Loss Account excluding depreciation	29.89 (Net)	6.56 (Net)
(ii)	Amount Charged to Expenditure attributable to construction	18.07	20.85
(iii)	Amount adjusted by addition to the carrying amount of fixed Assets	Nil	Nil

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

General description of various defined employee benefits are as under:

a) Defined Contribution plans:

Pension:

The Company employees are not covered under any Government pension scheme. However, the employees of the

HPSEBL who are on secondment basis with the company the pension contribution is payable to the HPSEBL as per the formula devised by them.

b) Defined benefit plans:

(I) Employers contribution to Provident Fund:

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

(ii) Gratuity:

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

(iii) Leave encashment:

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

2.42 SEGMENT INFORMATION:

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

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

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

d) Information about major customers:

(Rs. in Lacs)

S.No.	Name of Customer	Revenue from Customers		Revenue from Customers as percentage of revenue	
		2018-19	2017-18	2018-19	2017-18
1.	HPSEB Limited	334.716	3720.42	1.96%	44.74%
2.	TPTCL	16736.13	4594.70	98.04%	55.26%

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

(a) List of Related Parties

(i) Directors & Key Management Personnel:

Name	Designation
Sh. Rakesh Kanwar, IAS	Managing Director (w. e. f. 03/06/2020 to till date)
Sh. Devesh Kumar, IAS	Managing Director (w. e. f. 21/04/2017 to 18/02/2019 and 02/07/2019 to 01/06/2020)
Sh. Ajay Sharma, IAS	Managing Director (w.e.f. 23/02/2019 to 02/07/2019)
Sh. Neeraj Kumar, HAS	Director (Personnel & Finance), (w.e.f. 26/10/2015 to 10/06/2019)
Er. Mahesh Sirkek	Director (Electrical) (w. e. f. 19/04/2017 to 27/01/2020)
Er. Dharam Singh Thakur	Director (Civil) (w.e.f. 09/03/2018 to till date) & Director (Elect.) (w.e.f. 27.01.2020 to till date)
Sh. Manmohan Sharma, HAS	Director (Personnel & Finance) w.e.f. 10.06.2019 till date
Er. Shashi Kant Joshi	Director(Electrical) (w.e.f.20/05/2020 to till date
Sh. Sudarshan Sharma	Company Secretary

(ii) Joint Ventures:

Name of Entity	Principal Place of operation	Principal Activities	Percentage of Shareholding/ voting Power	
			As At 31st March 2019	As At 31st March 2018
Himachal EMTA Power Limited	Kolkata	Thermal Power Generation	50%	50%

Transactions with the related parties are as follows: (Rs. in Lacs)

Particulars	Joint Venture Companies	
Transactions During the Year	2018-19	2017-18
Investment in Share Capital	-	-
Share Application Money	-	-
Amount Recoverable	-	-

2.44 REMUNERATION TO DIRECTORS & KEY MANAGERIAL PERSONNEL

(Rs. in Lacs)

Particulars	Year ended on 2018-19	Year ended on 2017-18
i) Short Term Employee Benefits	114.13	156.30
ii) Post Employment Benefits	Nil	Nil
iii) Other Long Term Benefits	Nil	Nil
iv) Termination Benefits	Nil	Nil
TOTAL	**114.13**	**156.30**

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

2.45 INTEREST IN OTHER ENTITIES

(i) Interest in joint ventures:

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

Name of Entity & place of Business	% of ownership Interest	Relation ship	Accounting Method	Quoted Fair value		Carrying Amount	
				31st March 2019	31st March 2018	31st March 2019	31st March 2018
Himachal EMTA Power Limited	50	Joint Venture	Equity Method	*	*	*	**338

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

Summarised balance sheet as at 31 March 2019 using the Equity Method:
Himachal EMTA Power Limited

(Rs. in Lacs)

Particulars	As At 31st March 2019	As At 31st March 2018
Current Assets		
Cash and Cash Equivalents	1.34	1.34
Other Assets	1.07	0.45
Total Current Assets	**2.41**	**1.79**
Total Non Current Assets	**252.43**	**252.00**
Current Liabilities		
Financial Liabilities	0.51	
Current Liabilities	2.02	1.28
Total Current Liabilities	**2.53**	**1.28**
Non Current Liabilities		
Financial Liabilities	121.00	121.00
Other Liabilities	29.9	22.83
Total Non Current Liabilities	**150.9**	**143.83**
Net Assets	**101.41**	**108.68**

Summarised statement of Profit and Loss using Equity Method:

(Rs. in Lacs)

Particulars	As At 31st March 2019	As At 31st March 2018
Revenue	0.00	0.00
Interest Income	0.83	0.72
Other Expenses	1.16	1.16
Depreciation and Amortisation	0.00	1.00
Profit Before Tax	-0.83	-1.34
Tax Expense	2.53	0.00
Total Comprehensive Income for the Year	**-3.36**	**-1.34**

2.46 IMPAIRMENT OF ASSETS

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

2.47 FAIR VALUATION OF ASSETS AND LIABILITIES

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

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

(Rs. in Lacs)

	Particulars	Year ended on 2018-19	Year ended on 2017-18
A	Expenditure in Foreign Currency	Nil	9.60
B	Earnings in Foreign Currency	Nil	Nil
C	Value of Import Calculated on CIF basis	Nil	Nil
i)	Capital Goods	Nil	Nil

ii)	Spare Parts	Nil	Nil
D	Value of Component, Stores and Spare Parts Consumed	Nil	Nil
i)	Imported	Nil	Nil
ii)	Indigenous	Nil	Nil

2.49 QUANTITATIVE DETAILS IN RESPECT OF ENERGY GENERATED & SOLD

Hydro Power :

S.No.	Particulars	Year ended on 2018-19	Year ended on 2017-18
1)	Licensed Capacity	170 MW	165 MW
2)	Installed Capacity	170 MW	165 MW
3)	Actual Generation (million Units)	547.44 MUs	327.18 MUs

2.50 PAYMENT TO AUDITORS INCLUDES:

(Rs. in Lacs)

Particulars	Year ended on 2018-19	Year ended on 2017-18
As Auditors		
Statutory Auditors **(includes revision of fee from the F.Y. 2015-16)**	0.00	5.62
Tax Audit	1.00	1.00
Other services (Certification fee)	0.00	0.70
Reimbursement of Expenses	0.00	1.51
Reimbursement of Service Tax/GST	0.18	1.46
TOTAL	**1.18**	**10.29**

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

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

2.52 INFORMATION IN RESPECT OF MICRO AND SMALL ENTERPRISES AS AT 31ST MARCH 2018 AS REQUIRED BY MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006:

(Rs. in Lacs)

Particulars	Year ended on 2018-19	Year ended on 2017-18
a) Amount remaining unpaid to any supplier:	Nil	Nil
Principal amount	Nil	Nil
Interest due thereon	Nil	Nil
b) Amount of interest paid in terms of section 16 of the MSMED Act along with the amount paid to the suppliers beyond the appointed day	Nil	Nil
c) Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act	Nil	Nil
d) Amount of interest accrued and remaining unpaid	Nil	Nil
e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises, for the purpose of disallowances as a deductible expenditure under section 23 of MSMED Act.	Nil	Nil

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

2.54 STATUS OF PENDING INCOME TAX CASES AS ON DATE

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

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

iii) FY 2014-15, the case is pending before Hon'ble High Court of H.P., partial relief allowed by the Ld. ITAT Chandigarh. Corporation has filed an appeal before Hon'ble High Court for full Tax exemption u/s 260A of Income Tax Act, 1961.

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

v) For the FY 2016-17, an amount of Rs. 6,55,52,279/- (Rs. 60667400/- + Rs. 4884879/-), has been deposited as Advance tax (including TDS & TCS). The assessment proceeding is pending with the Assessing Officer of Income Tax authorities.

vi) For the FY 2017-18, an amount of Rs. 7,62,66,645/- (Rs. 64689324/- + Rs. 11577321/-), has been deposited as Advance tax (including TDS and TCS) with Income Tax authorities. The assessment proceedings under process with the Assessing Officer of Income Tax authorities.

vii) For the FY 2018-19, an amount of Rs. 1,71,74,529/-, (Rs. 62,96,381+ Rs. 1,08,74,148) has been deposited as Advance tax, TDS & TCS. Assessment proceedings by AO are under process.

2.55 ENTRY TAX

The H.P. Excise and taxation department imposed penalty and interest for default in payment of Entry Tax on material supplied by various contractors. The matter is sub-judice under Appellate Authority-cum-Additional Excise and Taxation Commissioner, Shimla. The status of which is as given below. However provision for recovery of same from respective contractors has been created in Books of Accounts :

(Rs. in Lacs)

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

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

2.57 CHANGE IN ACCOUNTING POLICY

a) In order to have uniformity across the Company's sub-units/Projects and to follow a realistic method of apportionment of common expenses, where a common GM Office is superintending the activities of more than one projects, Company has changed the method of apportionment of such common expenses, from charging the expenses on the basis of power generation capacity to charging the expenses on actual expenditure of the each project as on close of financial year basis. Effect of same has been taken in the books of Accounts.

b) **Apportionment of expenditure of Corporate Office and DW Sunder Nagar:**

Pre COD

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

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

Post COD

(i) Expenditure :

The Company has apportioned the expenditure of corporate office and Sunder Nagar (Design Wing) from 01 September 2016 to 31st March 2019 in the following proportions :-

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

(ii) Income Portion:

The Company has apportioned the income of corporate office and Design Wing Sunder Nagar from 01 September 2016 to 31st March 2019 in the following proportions:-

- 15% of the total income to Renuka ji project.
- In case of Commissioned projects the apportionment has been done in the ratio of Sales (Gross Sales-13% free power) to Capital outlay.
- Rest is apportioned to the projects which are under construction stage/ Investigation Stage on the basis of ratio of the capital expenditure incurred by these projects.
- During the year expenditure of Head Office and DW Sundernagar, has been apportioned in the ratio of days of the financial year 278:87 i.e. from 01st April 2018 to 3rd January 2019 and 4th January 2019 to 31st March 2019, due to commissioning of the Solar Power Plant, Berradol (5MW), on 4th January 2019.

2.58 The HPSEB has retained Rs. 13.69 crores from the amount due on account of sale proceeds of power to the company against the amount payable on account of Leave salary and pension contribution of their employees deployed on secondment basis with Company. Company has made required provision for liability on account of Leave salary and pension contribution of their employees in its books of accounts as on 31.03.2019, However, settlement of payable & receiveable amounts claimed by both the parties is being reconciled and shall be settled accordingly.

2.59 STATE GOVERNMENT LOAN FOR SHONGTONG KARCHAM HEP (450 MW):

The Shongtong Karcham HEP (450MW) being financed by State Government of Himachal Pradesh, through funds received from ADB and KFW. ADB funding to the project has expired in October 2018. KFW which was funding the E & M Package, initially temporarily stopped the funding to the State Government, on the basis of the report of their consultant regarding safety of the barrage structure and now has not renewed the agreement, which expired in December 2019. Corporation has explored funding of remaining works of the project from the Commercial Banks.

2.60 DEMAND BY THE PF AUTHORITIES:

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

2.61 INCREASE IN AUTHORIZED CAPITAL

The Company has increased the Limit of Borrowing from Rs. 3,500/- crores to Rs. 5,000/- crores in its 70th Meeting held on 03rd December 2019. However, the State Government has asked to maintain the Status quo.

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

2.63 SURVEY AND INVESTIGATION OF KHAB HYDRO ELECTRIC PROJECT

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

2.64 GRANT RECEIVABLE

The company has shown Rs 5.22 crore as grant receivable from Central Water Commission, Government of India. The Central Water Commission has sanctioned Rs 12.50 crore to the company for field survey and investigation and preparation of Detailed Project report of the Gyspa HEP(300MW). The Central Water Commission has released Rs 5.00 crore to the company for the above work on 31 March 2012, with the condition that next installment will be paid on the submission of the DPR of the project. The work for conducting the investigation preparation of DPR was allotted and the same was started by the consultant. but could not be completed due to sustained opposition and hindrance by local people. The Company has incurred expenditure in excess of the amount released by the authorities and the same has been shown as grant receivable from the Central Water Commission. The Gyspa HEP has been declared strategically important project and has been declared as "National Project" by Ministry of Water Resources, Government of India in the year 2009 and the same is covered under Indus Water Treaty 1960. The Central Water Commission vide their letter dated 12th October 2018, has urged the Principal Secretary (MPP& Power), Government of Himachal Pradesh, to direct the concerned officials to take appropriate action for resolving the concern of project affected families so that the survey and investigation work HEP may be completed and the DPR could be prepared at the earliest. Further in a renewed effort, a Meeting, through Video Conference was held on 17.10.2019, under the Chairmanship of Chief Secretary to the GoHP It was decided that the investigation work must be resumed immediately. HPPCL is in the process of fresh award of work to new contractor. Towards this end Dy. Commissioner, Lahaul Spiti, will talk directly to the affected people and address their concerns. Concerned HPPCL officers shall also meet DC & SP; Lahaul & Spiti who shall extend due help in starting the work. In view of above developments the excess expenditure over the amount received is being treated as grant receivable from the concerned authorities.

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

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

2.66 LOCAL AREA DEVELOPMENT FUND

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

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

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

2.69 Amount recoverable from contractors includes a sum of Rs. 112.14 crores recoverable from Coastal Projects on account of works being executed on their risk and cost awarded to M/s HCC Limited. The Lender Banks of the Contractor have filed liquidation proceedings with NCLT and the company has filed claim of Rs. 334.99 crores against the contractor. No provision for amount doubtful for recovery has been made, as the matter is pending with NCLT.

2.70 STATUS OF THE NAKTHAN HEP

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

2.71 POWER SALE ARRANGEMENTS

In case of Kashang HEP Stage-I, the PPA agreement was in force with HPSEB and expired on 06th May 2018. After that the Company has made arrangement to sell the power in Energy Exchange through Power Trader, M/s PTC India Limited.

In case of Sainj HEP the arrangement has been made to sell the power in Energy Exchange through Tata Power Trading Corporation with effect from 04th September 2017 (i.e. the date of Commissioning of the Project).

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

2.72 An amount of Rs. 5 Crores has been received as seed money against Kishau Corporation Ltd., from Govt. of HP, as promoters share during the F.Y. 2017-18. The amount shall be disbursed to the Kishau Corporation Ltd. after receiving proper instructions from Govt. of H.P.

2.73 The Govt. of H.P. had earlier allowed deferment of repayment of Loan and Interest till F.Y 2018-19 vide letter No. MPP-C(7)-1/2017 dated 09.01.2018. However, request has been submitted to GoHP, to further defer the repayment of loan and interest, due as on date and also of the principal amount of loan and interest, which shall become subsequently due till C.Y. 2024, till the construction of Shongtong Karchham HEP, vide letter No. HPPCL/F&A/deferment/2019-9668-70 dated 31.08.2019 and even reference No.19901 dated 29.02.2020. In response to the same the Finance Dept. of Govt. of H.P. vide their letter No. MPP-C(12)-1/2017 dated 27.04.2020, has sought some clarifications from the Corporation, before they concur such deferment. The same are being submitted.

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

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

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

2.77 The Enforcement Directorate vide Provisional Attachment Order 03/2017 dated 29/12/2017 (F No ECIR/ 02/ 54520/2 014/07 / 7537) dated 29/12/2017, has attached the assets of the Himachal Emta Private Limited (a Joint Venture Company) , amounting to Rs. 2.59 crores. At present the case is pending in the Hon'ble Supreme Court of India.

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

2.79 Shares to GoHP, against the share application money of Rs. 78.00 Crore and 10.00 Crore, received on 06.03.2019 and 28.03.2019, respectively, could not be issued immediately i.e. till 31.03.2019, but the same were issued in the next financial year when the BoD Meeting was held on 24th April 2019. Further shares were also issued to GoHP for Rs.74.25 Crores and Rs.49.50 Crores on dated 20.08.2019 and 03.12.2019, respectively. However return with respect to same could not be filed with RoC, due to tagging of Company as "ACTIVE Non-compliant", pursuant to the Companies (Incorporation) Amendment Rules 2019. Shares to GoHP, against Share Application Money, received on 15.02.2020, were issued on 20.03.2020.

2.80 To finance the working capital requirements, Corporation is availing the cash credit limit of Rs. 200.00 Crore, from KCC Bank Ltd, which was sanctioned by the Bank on 21st November, 2019. As on 20th May 2020, total limit exhausted/utilized by the corporation stood at Rs. 106.52 Crores. Further UCO Bank has sanctioned term loan of Rs. 40.00 Crore, to finance the remaining works of HRT of Sawra Kuddu HEP. Out of which Rs. 20.83 Crore has been availed till 31.03.2020. Repayment of this loan has started w.e.f. 31.03.2020. Interest is being paid monthly basis and Principal repayment on quarterly basis. This Corporation has also raised a Cash Credit Limit of Rs.200.00 Crore from H.P. State Co-operative Bank Ltd. on 05th March 2021. However as on date no withdrawals have been made by the Corporation.

2.81 **Shut Down of Sainj HEP:** The Sainj HEP was shut down from 19th March 2019 to 19th June 2019 due to seepage in the Adit Plug. The HCC was informed for the leakage in the Adit and the same was to be done by the HCC during the Defect Liability period in the list of the outstanding work. The HCC has not carried out the work and the same was done by Abhay Sahani Projects at risk and reward cost of the HCC Ltd at a cost of Rs. 2.78 crores.

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

2.83 Term Loan PFC: The Company has decided to avail Term Loan Facility from the Power Finance Corporation Limited for Rs. 2207.63 crores for the Shongtong-Karchham HEP and the Approval of the same was given in the 74th BoD Meeting held on 8th March 2021.

2.84 Surrender of Unviable Projects: The Board of Directors in there meeting subsequent to the adoption of the accounts has approved surrender of Unviable and Idle projects due to non feasibility. The following are the details of the same:

(Rs. in Lacs)

Sr. No.	Name of the project	Capacity	Cost incurred as on 31st March 2019
1	Chirgaon Majhgaon	52 MW	1,043.72
2	Dhamwari Sundla	70 MW	-
3	Lujai HEP	45 MW	-
4	Chairoti Sachu	26 MW	-
5	Saichu HEP	58 MW	-
6	Saichu Sach Khaj	117 MW	-
	TOTAL		**1,043.72**

2.85 The Company has requested the Government of India for additional amount of ₹ 31,602 lacs to be deposited with the courts on urgent basis. The GOI has denied the request and with the condition that funds can only be granted after settling of all the clearances. UYRB has also directed all the participating states to deposit their respective share money with HPPCL.

2.86 Commissioning of Sawra Kuddu HEP: The Sawra Kuddu HEP (111MW) of the Corporation was commissioned on 21st January 2021.

2.87 Land Court cases Renuka Ji Project : The Board of Directors in its 75th meeting on meeting 18th March 2021 has decided not to file the Regular First Appeal in the Honable High Court against the awards passed by the Lower Courts and against the decision of the Honable High Court. Liabilities in this respect have not been booked yet, as the same was decided after the approval of Annual Accounts for the F.Y. 2018-19 on 10th June 2020. However, contingent provision for the amount involved has been made under Note 2.36 above.

For and on behalf of the Board of Directors

Sd/- (B.L. Verma) D.G.M. (Finance)	Sd/- (Sudershan K. Sharma) Company Secretary	Sd/- (Manmohan Sharma) Director (Finance) DIN No. 08480582	Sd/- (Rakesh Kanwar) Managing Director DIN No. 06532390

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

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

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

HIMACHAL PRADESH POWER CORPORATION LIMITED FOR THE YEAR ENDED ON 31ST MARCH 2019

Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs.)

S. No.	Particulars	Details
1.	Name of the subsidiary	Not applicable
2.	Reporting period for the subsidiary concerned, if different from the holding Group's reporting period	
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	
4.	Share Capital	
5.	Reserves & Surplus	
6.	Total Assets	
7.	Total Liabilities	
8.	Investments	
9.	Turnover	
10.	Profit before taxation	
11.	Provision for taxation	
12.	Profit after taxation	
13.	Proposed Dividend	
14.	% of shareholding	

Notes: The following information shall be furnished at the end of the statement:

1. Names of subsidiaries which are yet to commence operations - N/A
2. Names of subsidiaries which have been liquidated or sold during the year - N/A

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

	Name of associates/Joint Ventures	Himachal Emta Power Limited U40102HP2007PLC030601
1.	**Latest audited Balance Sheet Date**	31st March 2019
2.	**Shares of Associate/Joint Ventures held by the Group on the year end**	
	Number:	33,75,000
	Amount of Investment in Associates/Joint Venture	Rs. 3,37,50,000/-
	Extend of Holding%	50%
3.	**Description of how there is significant influence**	Control 50 % of the voting power and shareholding in the Group
4.	**Reason why the associate/joint venture is not consolidated**	NA
5.	**Net worth attributable to shareholding as per latest audited Balance Sheet**	53.00 Lakhs before Provision Nil after Provision
6.	**Profit/Loss for the year**	
	Considered in Consolidation	Loss of Rs. 2.00 Lakhs
	Not Considered in Consolidation	Nil

1. Names of associates or joint ventures which are yet to commence operations - N/A
2. Names of associates or joint ventures which have been liquidated or sold during the year - N/A

For and on behalf of the Board of Directors

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

Sd/-
(Sudershan K. Sharma)
Company Secretary

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

Sd/-
(Rakesh Kanwar)
Managing Director
DIN No. 06532390

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

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

Anil Karol and Company
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To

The Members of HIMACHAL PRADESH POWER CORPORATION Limited

Report on the Standalone Ind AS Financial Statements

Qualified Opinion

We have audited the accompanying standalone Ind AS financial statements of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the standalone Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2019, and its profit/loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Qualified Opinion

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

A Preparation of the Financial Statements

(I) During the course of audit it was found that supplementary information submitted by the units does tally with the approved financial statements submitted to us for audit . The Current and Non current classification details submitted by the units does tally with current and non current assets and liabilities depicted in the Financial statements

Balance Sheet

(Rs. in Lacs)

Particulars	Details Provided	Approved Financial Statements	Difference
Property, Plant and Equipment	3,03,004.48	3,03,086.00	-81.52
Financial Assets			
Loans	151.62	147.7	3.91
Other Non Current Assets	43,481.80	36,705.00	6,776.80
Inventories	68.71	74.00	-5.29
- Cash and Cash Equivalents	9,403.53	11,365.00	-1,961.47
- Bank Balance other than above	11,670.06	9,709.00	1,961.06

- Loans	0.19	3.00	-2.81
- Other Assets	550.89	1,349.00	-798.11
Other Current Assets	347.42	6,241.00	-5,893.58
Financial Liabilities			
- Borrowings	1,40,368.35	1,59,795.00	-19,426.65
- Other Financial Liabilities	6,143.56	10,993.00	-4,849.44
Current Liabilities			
-Other Financial Liabilities	2,86,346.99	2,62,070.00	24,276.99

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

(Rs. in Lacs)

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

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

(Rs. in Lacs)

	As per our Calculations	Approved Financial	Difference
Cash Flow Statement			
Cash Flow from Operating Activities			
Depreciation	10,653.93	10,669.00	-15.07
Inventories	-34.96	-40.00	5.04
Finance/Interest Cost	12,980.04	-	12,980.04
Adjustment for Assets and Liabilities			
Inventories	-34.96	-40.00	5.04
Loans Other Financial Assets and Other Assets	-6,286.52	-10,705.00	4,418.48
Other Financial Liabilities and other Liabilities	14,798.83	1,29,170.00	-1,14,371.17
Cash Flow from Investing Activities			
Net Expenditure on Property Plant and Equip.	-47,355.72	-55,869.00	8,513.28
Term Deposit with Banks (having maturity mor	-8,727.08	-2,261.00	-6,466.08
Interest on Term Deposit/Sweep Deposits	1,916.00	2.00	1,914.00
Cash Flow from Financing activities			
Long Term Borrowings - Proceeds	2,280.61	-90,252.00	92,532.61
Long Term Borrowings - Repayment	-1,471.16	-	-1,471.16

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

B Non-Compliance of Indian Accounting Standard (Ind As)

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

(i) Indian Accounting Standard (Ind As 1) Preparation of Financial Statements

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

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

The Company has been granted the deferment of repayment of principal payment and payment of interest till FY 2018-19 refer Note 2.21. The company must account for the interest payable on such deferment till the close of the year at market rate as grant from the government and has to be accounted for as the addition to cost and the same has also to be shown as addition of grant. No such interest has been accounted for by the company till the close of the year as per para 10 A of the IND AS. In the absence of the information we are unable to comment on same.

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

The para 55 to 62 of the Indian accounting standard is applicable to the company in respect of the Post Employment Benefit: Defined Benefit Plans which requires that actuarial valuation of the liability of employees defined benefit plan has to be made at the end of the year and same has to be accounted for on in the books of accounts.

The Company has not accounted for the liability on the basis of the actuarial valuation and only actual liability has been provided. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.

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

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

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

The financial Statements for the year under review are provided to us on 19thJune 2020 which was approved by the BOD on 10th June 2020. The financial statements are not adjusted for the events occurred between the Balance sheet date both favourable and unfavourable till date of the finalisation of this report.

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

The Company has not made Fair Value of the assets and Labilities as on 31st March 2018, on 31st March 2017 (Refer Note No 2.47). The same is not in line with the IND as 113 Fair Value Measurement which is mandatory applicable to the company.

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

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

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

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

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

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

C Observations on the Financial Statements

1 Property Plant and Equipment Note 2.1

i) We invite attention to Note No 2.56 wherein its stated that the Company is in possession of forest land at, Sainj HEP, Shongtong HEP, and Sawra Kuddu and no provision has been made as the amount of lease has not been ascertained. In the absence of information, we are unable to comment on the same. This observation was also reported in previous year report.

ii) We Invite attention to Note no 2.65 where in the company has not accounted for the cost of the Land and Buildings of HPSEB Limited amounting to Rs Rs. 4,599 lakhs. In our Opinion the Property Plant and Equipment are understated to the extent of above and correspondingly the other Current Financial Liabilities are also understated to the extent of above. The Sainj HEP has entered into agreement to lease out the land from the above land in possession to AFCONS Infrastructure Limited Lease agreement in the month of September 2019 for four years

(iii) The Shongtong Unit has not bifurcated the cost of free hold land the details of the which is as under:-

		Amount
1.	Land	2,20,28,726.00
2.	Trees	51,82,644.00
3.	Structure	1,06,23,413.00
	Total	**3,78,34,783.00**

The Company should show the costs other then land separately so that they can be depreciated separately on the commissioning of the project on the basis of the useful life of the main assets.

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

The Company has shown Rs. 18,849 Lacs (previous year Rs. 19,564 Lacs) under the Capital work in progress which has to be shown under Free hold Land. In our opinion the Free hold land is understated and CWIP Submerged land is overstated to that extant.

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

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

vi) **Deposit with Court Sawara Kuddhu HEP**

The Hon'ble High Court of Himachal Pradesh on 12th October 2018, 25th October 2018 and 2nd January 2019 has reduced the rate of compensation of land from Rs. 3,038 per centiar to Rs. 2,700 per centier . This has resulted in reduction of the land compensations and refund of the amount from the Deposit with Hon’ble High Court. The company has received Rs. 690 Lacs as refund from the Hon'ble High Court on account of the reduction in the award amount. The Deposit with court which is treated as part of land cost is overstated to the extent of above and other current assets are understated to that extent as the reduction in the award amount was known to the management before the adoption of the Balance Sheet.

vii) The Kashang Unit has three turbines installed at the power House. Due to damage to the Silt Flushing tunnels at the project sites the runners of the turbines got damaged. The Damage of the Runners was over the accepted norms and the damage was not of normal day to day and of routine nature and the running of the runners with the extent of damage was not viable for the operation of the projects.

It has been observed that turbine no 3 was kept idle for the year under review and was not in operation during the whole of the year. Similarly Unit 1 was not in operation from August 2018 to February 2019 and it has been informed by the HEP that the unit 3 was not in operation during the year under review due to the fact that runners of the Unit 3 was sent for repairs and as such the same was not operation. During the year under review HEP has charged the following depreciation on the three turbines

S.No.		Depreciation Charged	Depreciation for non operational period	
1.	Turbine 1	5,08,00,542.00	3,38,67,028.00	was not in operation for eight months
2.	Turbine 2	5,08,00,542.00	-	in operation for full year
3.	Turbine 3	5,08,00,542.00	5,08,00,542.00	was not in operation for the full year
		15,24,01,626.00	**8,46,67,570.00**	

In our opinion the depreciation of current year for non operating Turbines has to be adjusted with the remaining life of the assets and assets expected usage. By charging the Depreciation on the idle machinery against the revenue of the Operational Turbines is not justified and will be contravention of the Matching Concept of the Accounting . The Management should consider the maintenance period while determining its useful life and the depreciation may be adjusted accordingly. Thus Excess depreciation of Rs. 846.67 lacs has been charged during the year under review.

(viii) The Kashang unit has booked the cost of the training expenses to the cost of the E and M works amounting to Rs. 48.82 lacs. The training expenses paid after the start of the commercial operations has to be charged to the Revenue Expenditure as the expenditure has not been incurred to bringing the assets to the working condition. Thus the E and M Works are overstated by Rs. 48.82 lacs during the year under review and expenditure are understated to that .

2. Capital Work in Progress 2.2

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

(Amount in Lacs)

Project Unit	Residential Building	Construction Power	Total
Sundernagar	1	-	**1**
Sawra Kuddu HEP	14	5	**19**
Shongtong HEP	-	39	**39**
Total	**15**	**44**	**59**

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

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

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

		INR	Euro	US $	Total
1st Progressive payment	07-04-2016	15,06,05,000.00	56,58,000.00	2,39,53,000.00	**18,02,16,000.00**
2nd Progressive payment	13-05-2016	15,06,05,000.00	57,04,000.00	2,40,87,000.00	**18,03,96,000.00**
3rd Progressive payment	31-03-2017	15,06,05,000.00	46,74,000.00	2,43,64,000.00	**17,96,43,000.00**
Total		**45,18,15,000.00**	**1,60,36,000.00**	**7,24,04,000.00**	**54,02,55,000.00**

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

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

(iv) The Sainj Unit has paid Entry Tax amounting to Rs. 544 lakhs from September 2010 to December 2016 to HCC Limited. As per the Himachal Pradesh Entry Act 2010 the dealer paying the entry tax is entitled to take the credit of the entry tax and adjust the same with the Vat Liability of the Dealer which the dealer has claimed in the Vat return filed by the contractor to the concerned Assessing Authorities. Thus, the dealer was not entitled to claim the entry tax which was adjusted by dealer towards its Vat Liability. Thus CWIP Project Electro Mechanical works is overstated to the extent of Rs. 544 lakhs and other current assets are understated to that extent. The HCC has gone into court case and the amount is of non recoverable nature as the amount is not recovered till date.. Thus provision for the same is required and provisions are understated to the extent of above

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

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

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

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

(Amount in Lacs)

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

In our opinion the apportionment of expenditure to Renukaji @ 15 % is not justifiable and thus Rs. 2142 Lakhs (Previous Year Rs. 1,948 lacs) has been excess allocated during the year 2016- 2017 to the Renukaji and same has been less allocated to other units. .

This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP

The Company during the year under review has also adopted the same method of apportionment and the following are the details of appropriations made during the year:-

Appropriations made up to 03rd January 2019

(Amount in Lacs)

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

Appropriations made after 03rd January 2019

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,45,844.26	56.90	268.69	238.51	30.18
Renukaji	13,966.20	5.45	25.73	75.88	-50.15
Shongtong	69,372.26	27.07	127.80	113.45	14.35

Chirgaon Majhgaon	1,057.13	0.41	1.95	1.73	0.22
Triveni Mahadev	640.69	0.25	1.18	1.05	0.13
Thana Plaun	2,172.13	0.85	4.00	3.55	0.45
Nakhtan	2,070.71	0.81	3.81	3.39	0.43
Gyspa Dam	1,022.15	0.40	1.88	1.67	0.21
Surgani Sundla	1,090.39	0.43	2.01	1.78	0.23
Deothal Chanju	435.72	0.17	0.80	0.71	0.09
Chanju III	896.63	0.35	1.65	1.47	0.19
Kashang II	17,734.16	6.92	32.67	29.00	3.67
Bara-Khmba	2.94	0.00	0.01	0.00	0.00
Bara-Khmba	1.09	0.00	0.00	0.00	0.00
Total	**2,56,306.44**	**100.00**	**472.19**	**472.19**	**-0.00**

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

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

3 Non-Current Investment Note 2.5

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

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

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

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

(iv) We invite attention to note 2.77 where in the Enforcement Directorate has attached the assets of the Himachal Emta Private Limited amounting to Rs. 259 Lacs. The Directors report of the Himachal Emta Limited for the year 2018-19 stated that the CBI has filed charge Sheet accusing the two Directors of the company Sh. Ujjal Kumar Upadhaya and Sh. Bikas Mukherji in the matter pertaining to the allocation of Gourangdih ABC coal Block by misrepresentation of facts. The ED on the basis of the Charge sheet filed has attached the assets of the Gourangdh Coal Limited considering them to be proceeds of crime under Prevention of Money Laundering Act 2002.At present the case is pending with the Supreme court of India against the attachment order. No Disclosure of the same has been made in the notes to accounts.

4 ther Non-Current Financial Assets Note 2.10

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

(ii) The Shongtong HEP, has paid Rs. 44.07 Lakhs (previous year Rs. 45.31 Lakhs) to land owners for acquisition of land measuring 0.1702 hectare, for the project, at the time of mutation it is found that the same land was already acquired by HPPWD. The amount is doubtful for recovery as the amount has not been recovered from the land owners and a provision for the same is required. In our opinion Other Non-Current Financial Assets is overstated to the extent of above and consequently the expenditure is understated to the extent of above

(iii) (a) We invite attention to Note No 2.69 where in it is stated that the amount recoverable from contractors includes a sum of Rs. 11,233.54 lakhs (previous year Rs. 7,943 lakhs) recoverable from Coastal Projects on account of risk and cost. The contract with the contractor was terminated in the year 2013 and the same was awarded to M/s HCC Limited The amount paid to HCC Limited on account extra cost has been shown as recoverable from Coastal Projects. The amount is doubtful of recovery from the Coastal Projects as there is no agreement with the party to recover the money as the contract with the party has already been terminated since 2013. The Company has gone into liquidation as the lender banks of the contractor has filed liquidation petition with NCLT and the amount is doubtful of recovery.

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

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

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

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

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

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

d) Further the Company has filed a claim of Rs. 40,567.17 Lakhs inclusive of interest with the NCLT against the Coastal Projects Limited as the contractor company has gone into liquidation which is in the nature of Contingent

Assets and same has been disclosed as Contingent Assets as per Note 2.37. The Official Liquidator has not accepted the claim of the company stating the reason that the matter is pending with the High Court with Hon'ble High Court of Himachal Pradesh

(iv) We invite attention to Note No 2.62 where in it is stated that the company has not made a provision for Rs. 103 lakhs (Previous Year Rs.103 Lakhs) recoverable from Gammon India since 2013 through Directorate of Energy. The amount has to be recovered along with interest of 10 % per annum. The amount has not been recovered till the date of audit and the same is doubtful of recovery hence provision for doubtful advance is required. In our opinion the Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.

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

(vi) **Grant Receivable**

We invite attention to Note No 2.64 where in it is stated that company is showing Rs. 522 lakhs (previous year Rs. 448 lakhs) as recoverable grant from the Central Government on account DPR and Investigation Expenses. The Government of India has approved Rs. 1,250 Lakhs for survey and investigation of the project and paid Rs. 500 Lakhs as advance and the rest of the amount is to be paid on the submission of the DPR. The work of the DPR is not completed since 2012 due to sustained opposition to the project by local people. The Central Government has stayed the further payment of the grant until the submission of the DPR. The grant recoverable shown is not as per para 7 and 8 of the Indian Accounting Standard (Ind as) 20 Accounting for Government Grants and Disclosures thereof which states that: -

"7 Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:

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

(b) the grants will be received.

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

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

(vii) The Shongtong unit is showing following advances to the contractors the recoverability of the same is dependent on the completion of the project and the same has not been discounted and shown as per the fair value as required by IND AS 113. In the absence of information, we are unable to comment on the same (Please also refer Note 2.47). The following are details of the advances

(Amount in Lacs)

	Contractor	Current Year Amount	Previous Year Amount
1.	Patel Engineering	5,146.00	5,143.00
2.	Andtriz Hydro	2,605.00	3,155.00
	Total	**7,751.00**	**8,298.00**

(viii) The Shongtong unit has given advance of Rs. 70 lacs (Previous Year Rs. 100 lakhs) to IPH Khwangi for irrigation scheme and the same has not been charged to expenditure during construction. In our opinion the Non-Current Financial Assets are overstated to the extent of above and CWIP are understated to the extent of above.

(ix) The Shongtong unit is showing advance of Rs. 154 lacs (Previous Year Rs. 154 lakhs) to HPSEB as on 31st March 2019 and as the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 154 lakhs and CWIP are understated to the extent of above.

(x) The Sawra Kuddu HEP is showing a sum of Rs. 485 lakhs (Rs. 714 lakhs) as Deposit Work Paid which has not been capitalised for want of utilisation certificates from the executing agencies. As the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 485 lakhs and CWIP are understated to the extent of above.

(xi) The Chanju III has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 17 lakhs. Thus the Other Non Current Assests are overstated to the extant of above.

(xii) The Deonthal Chanju has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 13.00 lakhs. Thus the Other Non Current Assests are overstated to the extant of above.

(xiii) The Sainj unit has given advance against the retention money to HCC limited amounting to Rs. 450 Lacs. The Contractor has not paid the Advance and the interest due on the same. Thus advance to Contractor and Retention money is overstated to the extant of above.

(xiv) The Sainj unit has paid Rs. 50 Lacs to HP Fisheries Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalised. Thus the Other Non Current Assets are overstated to the extant of above.

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

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

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

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

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

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

(xxi) The Sawara Kuddhu Unit has shown a Sum of Rs. 665.00 Lacs as amount recoverable on account interest and penalty on entry Tax and provision for the same has been shown as provision for expenses by the unit . The Company has settled the same in the H P (Legacy Case Resolution) scheme 2019 for Rs. 67.92 lacs as final settlement fees. Thus Other non current Assets are overstated to that extant of Rs. 597.08 lacs and similarly the provision for expenses are overstated to that extant.

(xxii) The Chanju III has not capitalised the amount of Rs. 187 lacs paid to HPSEBL which is of non recoverable nature. Thus Other non current Assets are overstated to that extant.

(xxiii) The Deonthal Chanju has not capitalised the amount of Rs. 187 paid to HPSEBL lacs which is of non recoverable nature. Thus Other non current Assets are overstated to that extant.

5 Inventory Note 2.11

The Kashang stage 1 Unit is showing the following inventories at the close of the year

S.No.	Item No.	Description	Amount	Remarks
1.	2000000751	G.I. Pipe 80 mmΦ 248.3 Rmt	1,06,140.80	Transferred from HPSEB
2.	2000000744	Portable Magzine 4 Nos.	1,55,567.00	Transferred from HPSEB
3.	2000000765	Steel Tubler Pole 10 mtr. 42 Nos	4,51,035.90	Transferred from HPSEB
4.	2000000727	Angle Iron 100x100x6mm 17.787 M	6,06,688.42	Transferred from HPSEB
5.	2000000766	ACSR Conductor 14,078 M	6,22,205.05	Transferred from HPSEB
6.	2000005637	Needle Tips & Seat Ring 1 Set	16,60,593.94	Spares for E and M work
	Total		**36,02,231.11**	

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

The item at Sr. No. 6 is spare of the Turbine and has be shown under Property Plant and Equipment's

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

6 Trade Receivables Note 2.12

(i) The Kashang Unit is showing Rs. 103 lakhs (previous year Rs. 73 lakhs) as amount recoverable from HPSEB Limited on account of Late payment surcharge which has not been accepted by the party and the same amount has not been paid by the customer till date and only sale of power is being paid by the party. The amount has been adjusted with the amount payable to HPSEB Limited on account of dues of leave salary and pension contribution payable to the HPSEB limited.in the year 2019-20 The confirmation from the HPSEB is pending in this regard.

(ii) We invite attention to Note No 2.58 wherein it is stated that HPSEB Limited has retained Rs. 1369 Lakhs (Previous Year Rs. 1,369 lakhs) as amount due on account of Leave salary and pension contribution of employees appointed on secondment basis with the company. In our opinion the trade receivables are overstated to the extent of above and also the liabilities are overstated to that extant.

7 Other Current Assets Note 2.18

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

(ii) The Beradol HEP has shown the amount recoverable from HPSEBL amounting to Rs. 93.03 lacs on account of sale of power under the Head Receivable from HPSEB which has to be shown under the Head Trade Receivable . Thus Trade Receivables are understated to the extent of above.

8 Non-Current Other Financial Liabilities Note 2.21

(i) Long Term Borrowings

The Company has taken loan from the State Government for construction of Hydro projects. The Company has not paid the Instalment and interest on the State Government loans. The State Government has provided deferment of loan and interest for the amount accrued up to January 2017 till FY 2018-19. The instalment interest due after January 2017 till the close of the year has not been paid by the company to the state Government. We Invite attention to Note 2.73 where in the Company has made the request for the deferment of Instalment and loan to

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

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

The CAG has also raised concern over the same in there report and suggested that the matter be taken up with the state government to get the benefit of the Govt of India Policies.

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

9 Non-Current Liabilities Provisions Note 2.23

(i) **For Company Employees**

We invite attention to note 1.20 and 2.41 where in the policy adopted for employees benefit and accounting in respect of the same has been disclosed. The Above policy is not in compliance with the Ind AS 19 Employees Cost in relation to Post Employment defined Benefits plan in the matter of its recognition and measurement. In the absence of Information, we are unable to comment on the same of its impact in the balance sheet and profit and Loss Account.

(ii) **For HPSEB Employees**

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

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

(iii) The Company has shown Gratuity Liability at the close of the year in excess by Rs. 86.17 lacs. Thus Provisions non current is overstated to the extant of above.

(iv) The Company has shown Leave Contribution Liability at the close of the year short by Rs. 50.32 lacs. Thus Provisions non current is understated to the extant of above.

10 Other Non-Current Liabilities Note 2.24

a) Utilised Grant Renuka ji

The Company has incurred following expenditure on the Renukaji project till 31st March 2019.

(Amount in Lacs)

Particulars	as on 31st March 2019	as on 31st March 2018
Tangible Assets	51,689.00	42,095.00
Capital Work in progress	32,148.00	32,014.00
Advances	269.00	199.00

	84,106.00	**74,308.00**
Grant Received	68,548.82	68,548.82
	68,548.82	**68,548.82**
Shortfall	**15,557.18**	**5,759.18**

There is a shortfall of expenditure to the tune of Rs. 15,557 Lakhs (Previous year Rs. 5,759 Lakhs) which has to be borne by the participating states. No information about the share of the expenditure of the participating states and confirmation from them has been provided to us for verification. In absence of information we are not able to comment on the same. The Renukaji unit has not made any provision for the amount recoverable from the participating states and the central government. In our opinion the other current assets are under stated to the extent of above similarly the other non-current liabilities are understated to the extent of above.

(ii) We invite attention to Note No 2.85 where in the Company has requested the Government of India for additional amount of Rs. 31,602 lacs to be deposited with the courts on urgent basis.

(iii) We invite attention to para 2 (viii) of our audit report regarding allocation of expenses to Renukaji HEP wherein its stated that the allocation of expenditure of Corporate office and Sundarnagar Design office to the unit has not been confirmed / approved by the participating states and the central government. In the absence of confirmation and approvals we are unable to comment on the apportionment of expenditure charged to the Renukaji HEP. The company has allocated Rs. 2,329 (previous year Rs. 2111 lakhs) as share of corporate office and design wing expenses to the Renukaji HEP till 31st March 2017. In our opinion the amount recoverable from participating states will be reduced by Rs. 2,329 (previous year Rs. 2,111 lakhs) given in above para.

(iv) The Company is earning interest on the surplus funds of Renukaji at Corporate Office by investing the same in short term Fixed Deposits. The Interest earned on the same has not been shown as addition to the Grant nor the same has been reduced from the incidental expenditure during construction period of the unit. The above practice is not in line with the significant accounting policy adopted by the company (refer Note 1.16). In the absence of information, we are unable to comment of the effect of the same on the Financial Statements.

11 Current Liabilities Other Financial Liabilities Note 2.26

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

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

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

(iv) The Other Financial Current Liabilities includes Rs. 74.22 lakhs (Previous Year Rs. 72 lakhs) as unclaimed money on account of payables, retention, security and other payables to the contractors. The amount has been shown under this head because the persons to whom amount is payable is not traceable. In our opinion the other current financial liabilities are overstated to the extent of above and necessary provision for amount written back should be provided.

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

(vi) The Corporate Office has not made the provision for demand raised by the PF Commissioner for the period 09/2008 to 06/2011 on account of PF contributions of Unregistered Contractors amounting to Rs.189 Lakhs on 02nd August 2018 (refer Note 2.60).. Thus, current liabilities are understated to the extent of above.

(vii) **Local Area Development Fund:**

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

HEP	Expenditure Incurred in Crore	Lada Fund @1.5%	Expenses Booked	Deficit
Kashang II and III	219.00	3.29	0.77	2.52
Sainj	1,298.70	19.48	17.97	1.51
Sawra Kuddu	1,876.17	28.14	27.16	0.98
Total	**3,393.87**	**50.91**	**45.90**	**5.01**

In our opinion the Capital work in progress is understated to the extent of Rs. 501 lakhs and correspondingly Current Liabilities are also understated to that extant.

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

(ix) We invite attention to note 2.72 where the Corporate Office has shown Rs. 500 lacs as amount payable to the Kisahau Corporation Limited on account Equity Contribution of the State Government for the seed Money. No Confirmation from the Kisahu Corporation Limited and directions from the State Government to keep the money with company has been provided to us for verification. In the absence of information we are unable to comment on the same.

(x) The Renukaji HEP has shown provision for Land Expenses of Rs. 18,849 Lacs against which the demand has been deposited with the High Court which has been shown as part of Land expenses under Property Plant and Machinery. The company has deposited Rs. 10,600 lacs with High Court against the above provisions. Thus Provisions are overstated to the extant of above and consequentially the Capital Work in progress is overstated to that extant.

(xi) The Renukaji HEP has shown the amount recovered from LAO amounting to Rs. 1600 Lacs as amount payable to Government Agencies . The HEP at the time of advancement to LAO has shown the same as part of land expenses. The amount recovered back has to be reduced from the Land Expenses. Thus Current Liabilities are overstated to the extent of above and similarly the land expenses are overstated to that extent.

(xii) The Shongtong HEP has excess Provision of expenses on account of Escalation costs amounting to Rs. 364 lacs payable to M/s Patel Engineering Limited. The excess provisions has been reversed in the next Financial Year. Thus Current Liabilities are overstated to the extant of above.

(xiii) The Sainj HEP has overstated the Bills Expenses payable on account of Vunlerable Grant payable to affected Families amounting to Rs. 4.80 lacs. Thus current Liabilities are overstated to that extent of above.

(xiv) The Sainj Unit has shown excess provisions on account of expenditure under the Head O and M Tools and tackles amounting to Rs. 212 lacs and the same has been reversed in the next financial year. Thus current liabilities are overstated to the extant of above and correspondingly expenditure are overstated to that extant.

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

(xvi) The Sainj Unit has made provision of Rs. 62.00 lacs on the basis of the supply order issued to the Voith Hydro in the month of November 2018. The Party has supplied the spare parts in the month July 2019 and raised the Invoice. Thus provisions are overstated to the extant of above.

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

12 Other Income Note 2.25

(i) **Foreign Exchange Fluctuations**

The Shongtong HEP has not accounted for the Foreign Exchange gain on the amount payable to Lehmeyar International during the year under review

Lehymehar International

Invoice	Euro	Net Payable in Rs after TDS	in Euro	Euro on 31.3.2019		FE Gain
918001155	63,101.08	47,66,182.33	56,790.97	77.87	44,22,312.99	3,43,869.34
918001499	21,033.69	15,39,792.31	18,930.32	77.87	14,74,104.10	65,688.21
		63,05,974.64	**75,721.29**		**58,96,417.09**	**4,09,557.55**

Thus Income is understated to the extent of above.

(ii) The company has shown prior period income at negative Balance of Rs. 19.00 lacs during the year under review which has to be shown under the head prior period expenses. Thus Other income is understated to the extent of above and other expenses are also understated to that extent.

13 Sale of Power

(i) The Kashang and Sainj HEP has booked the Sale of Power in the books of accounts on net realisation value of the Company Share. No Accounting entry for the Free Power to State Government , LADA Share and auxiliary power has been made in the books which is not in lines with the accounting policy adopted by the company in the year 2016-17. We Invite attention to note 2.57 (b)(Post COD ii) where in the change in accounting policy has been indicated by the company. The following are the details in respect of the same and comparative figures of the previous year.

(Amount in Lacs)

	Particulars	Current Year	Previous Year
3000002	Sale of Energy	2,221.40	1,366.00
		2,221.40	1,366.00
4000750	Free Power to State Govt (Royalty)	1,951.51	1,129.00
4000751	Free Power to State Govt (LADF)	195.15	94.00
4000752	Generation/Auxiliary Energy Expenses	74.74	143.00
	Total	**2,221.40**	**1,366.00**

The company has not disclosed the impact of the same and as result the figures of current and previous year are not comparable. The non accounting of the same will have impact on the apportionment of expenditure of corporate office and sundernagar to various units during the year under review. The impact of the same cannot be quantified hence we are unable to comment on the same.

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

14 Apportionment of expenditure and Income of Corporate Office and Sundarnagar

(i) Expenditure of Corporate Office and Sundarnagar

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

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

(ii) Income of Corporate Office and Sundarnagar

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

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

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

The Company has allocated income to various projects on the basis of allocation of expenditure to different units as per accounting policy of the company during the year under review. The following are the details of the allocation:-

S.No.	Particulars	Current Year Amount	Previous Year Amount	To be apportioned to
1.	Equity Funds	6,43,02,254.00	5,26,73,054.00	All the Units
2.	Renuka Funds	8,00,32,226.00	16,88,61,940.00	To Renuka Funds
		14,43,34,480.00	**22,15,34,994.00**	
	Interest on Funds with LAO	4,73,27,611.00	1,55,69,369.00	Renuka ji
		19,16,62,091.00	**23,71,04,363.00**	

(iii) The expenditure of the Sundernagar Design Wing has been transferred to Different units during the year review. The following are the details of the same.

Name of Power Project	01/04/2018 to 03/09/2019	04/09/2019 to 31/3/2018	Total
Sawra Kuddu	4,19,73,078.54	1,35,32,124.57	5,55,05,203
Sainj	43,80,493.30	4,29,653.00	48,10,146
Renukaji	1,37,46,140.38	43,01,849.69	1,80,47,990
Kashang I	13,36,984.69	1,43,217.67	14,80,202
Shongtong	2,08,42,680.59	64,36,688.42	2,72,79,369
Chirgaon Majhgaon	2,97,512.69	98,085.60	3,95,598
Triveni Mahadev	1,80,335.56	59,446.55	2,39,782

Thana Plaun	6,89,940.25	2,01,540.22	8,91,480
Nakhtan	6,04,884.89	1,92,129.92	7,97,015
Gyspa Dam	2,91,265.88	94,840.30	3,86,106
Surgani Sundla	4,09,508.78	1,01,171.17	5,10,680
Deothal Chanju	1,36,707.48	40,427.86	1,77,135
Chanju III	2,86,088.37	83,193.76	3,69,282
Berra Dol	8,82,369.99	13,18,796.03	22,01,166
Kashang II	55,82,944.46	16,45,460.04	72,28,404
Bara-Khmba	-	272.43	272
Algore Project	-	100.69	101

The Design wing has not provided to us details regarding expenditure incurred on various projects and no job cards has been kept by the design wing to substantiate the expenditure incurred on various projects. In the absence of information we are unable to comment on the same.

(iv) **Apportionment of Expenses of Corporate Office and Sundernagar Design Office**

While calculating the Sale to outlay ratio of the commissioned projects from 03rd January 2019 to 31st March 2019 the company has taken the sale for the full year instead of sales of above mentioned period. The following are the details of the same.

		As per Company	As per our calculations	Excess
Sale	04/01/2019 to 31/03/2019	1,70,53,34,763.00	14,66,54,577.00	1,55,86,80,186.00
Outlay	as on 31/03/2019	21,98,68,09,627.00	21,98,68,09,627.00	-
Ratio %		7.76	0.67	7.09
Eligible Expenditure		33,34,160.00	2,86,588.00	30,47,572.00

Thus Expenditure is overstated to the extent of Rs. 30.47 lacs in respect of the commissioned Projects during the year under review.

The Corporate Office while calculating the sales during the period for the purpose of appropriation of expenditure of corporate office and Sundernagar has not taken the figures form the books of accounts as a result there is variation the sales figure during the year under review . The following are details of the same

Month	Sales Considered	As per Books	Difference
Apr-2018	7,09,44,622.00	5,58,09,668.00	-1,51,34,954.00
May-18	19,22,24,689.91	22,26,64,384.93	3,04,39,695.02
Jun-18	18,36,61,664.42	22,57,35,398.50	4,20,73,734.08
Jul-18	26,85,56,571.53	28,50,73,099.88	1,65,16,528.35
Aug-18	21,29,16,486.13	25,11,18,892.22	3,82,02,406.09
Sep-18	28,27,55,310.39	30,51,85,540.35	2,24,30,229.96
Oct-18	22,67,18,883.91	26,39,09,750.26	3,71,90,866.35
Nov-18	8,51,58,029.19	9,65,66,967.04	1,14,08,937.85

Dec-18	5,95,19,356.18	3,77,12,832.41	-2,18,06,523.77
Jan-19	5,29,54,306.74	5,61,30,014.06	31,75,707.32
Feb-19	4,11,98,447.36	4,03,85,159.04	-8,13,288.32
Mar-19	2,89,14,630.46	4,13,06,027.48	1,23,91,397.02
Total Block	**1,70,55,22,998.23**	**1,88,15,97,734.17**	**17,60,74,735.94**

(vi) The effect of above variations has a impact on the Expenditure to be capitalised on commissioned projects during the year under review the following are the details of the same.

	01/04/2018 to 03/01/2019	**04/01/2019 to31/03/2019**	**Total**
HPPCL	1,00,77,350.49	33,34,160.34	1,34,11,510.83
As per our Calculations	1,10,62,680.98	2,86,588.11	1,13,49,269.09
	9,85,330.50	**-30,47,572.23**	**-20,62,241.73**

The Impact of the above will be that expenditure are overstated by Rs 20.62 lacs and CWIP is overstated to that extent during the year under review.

15 Provision for Income Tax

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

We also invite attention to note 2.54 where in the cases for earlier years are pending with different authorities and the outcome of which are uncertain and may affect the amount shown as Deposits with Income Tax authorities Rs. 8,874.50 lakhs (Previous Year Rs. 9,195 lakhs (refer note 2.10).In view of the uncertainly involved and the matter is subjudice we are unable to comment on the recoverability of the above amount and its effect on the Financial Statements.

16 Goods and Service Tax

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

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

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

The Company has appointed GST auditor to conduct the GST audit under the GST Act. However the GST Audit report for the year under review has not been submitted till the date of the finalisation of this report as the due date for filling of the report was 31st December 2020. In the absence of the report we are unable to comment on the final liability of GST along with interest and penalty.

The GSTR 9 Annual Return for the year 2018-19 submitted by the company shows the following liability

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

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

(iv) The Company has claimed input of GST while filling the monthly 3 B during the year under review. However while filling the GSTR 9 for the year no details for the Input claimed has been filled and claimed and nor liability on account excess claim of ITC has been made. The Following are the details of the same.

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

Thus liabilities are understated to the extent of above.

(v) The GSTR 9C Audit report filed by the GST Auditor for the year 2017-18 on 21/05/2020 shows the following amounts as payable by the Company.

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

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

17 Quantitative Details in respect of energy generated and sold

We invite attention to Note 2.49 where in the Company has stated that it has installed capacity of 165 MW as on 31st March 2019. The company has capacity 65 MW *3 i.e. 195 MW and two turbines was in operation and was used alternatively, the third turbine was not used by the Kashang HEP during the year under review and the installed capacity of the Sainj HEP is 100 MW and one solar unit with the capacity of 5MW was installed during the year under review Thus total Installed capacity is 300 MW instead of 165 MV In our opinion the installed capacity is understated to the extent of 135 MW.

18 Allocation of expenses of Kashang 1, 2 and 3

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

	2018-19	2017-18	2016-17
Stage 1	82.50%	84%	70%
Stage 2 and 3	17.50%	16%	30%
Total	**100%**	**100%**	**100%**

19 Profit and Loss Account

(i) **O and M R & R**

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

(ii) **O and M Disaster Management**

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

(iii) **O and M Plant and Machinery**

The Turbines of the Kashang HEP was shut down since 30th July 2018 due to erosion in Machines runners and under water parts caused by high silt content in the water. The repair work of coating and repair of the eroded component of the Unit 1 and 3 was awarded to AHPL on 19th May 2018 for amount of Rs. 315 lacs.

The Kahsang unit has booked repair and maintenance of runners and its coating to cost of the turbines 1 and 3 to the O and M Expenses plant and Machinery. The high silt in the water has damaged the under water components up to 27%-28%. The IND As 16 states that subsequent costs relating to day to day servicing of the PPE will be covered under ' Repairs and Maintenance. Abnormal and major overhaul of the runners damaged by the slit is not normal repair and Maintenance and will not form of the Repair and Maintenance. In our opinion the benefit of the expenditure is available for more then one year to the company and the expenditure should have been capitalised and to be amortised over the years for which the benefit will be available. Thus Expenditure is overstated to the extent of above and Property Plant and Machinery is understated to that extent.

(iv) **Prior period Expenses**

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

S.No.	Particulars	Amount
1.	for the year 2017-18	1,42,32,088.00
2.	Period erlier then 2017-18	6,21,06,074.00
	Total	**7,63,38,162.00**

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

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

The Kashang Unit has not provided to us the salary cost of the employees posted to the Stage 1, 2 and 3. The Unit does not have the salary cost of employees posted on different stages. In the absence of information we are unable to comment on the apportionment of salary expenses to different stages. The following is the details of salary booked under different stages

(Rs. in Lacs)

Particulars	Current Year	Previous Year
Kashang Stage 1	520.95	634.00
Kashang Stage 2 and 3	110.50	120.00
Total	**631.45**	**754.00**

(vi) The Kashang unit has charged DA @ 144 % instead of 148% while calculating the liability of the Leave Encashment and gratuity of the Company employees. The Following is the details of the of the shortfall

	Amount
Gratuity	1,16,656.00
Leave Encashment	1,30,014.00
Total	**2,46,670.00**

Thus expenditure is understated to the extant of above.

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

The Board of Directors has approved the accounts for the year 2018-19 in the Board meeting of 10th June 2020 before the approval of the audited accounts for the year 2017-18 of the corporation in the Annual general meeting on 19th November 2020.

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

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

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

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

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

22 Investment Property

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

(ii) Chirgaon Majgoan has given Building on rent to HPPTCL amounting to Rs. 1.34 lacs. The Cost of property should be shown as Investment property and depreciation for the corresponding rent has to be charged to the profit and loss Account. Thus Income is understated to the extent of above.

23 Design Wing Sundernagar

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

(ii) The Design Wing is providing Technical services to the Kishaua Power Corporation on behalf of the State Government. However no details in respect of the services provided Design wing has been provided to us.

24 Disaster Recovery Center

The Company has installed SAP ERP software for all its projects including corporate office. The Company has its DRC at Chennai and the same was closed and shifted to Shimla by M/s Siffy Technology . M/s Siffy Technology was awarded the contract for the AMC of the DRC for Rs. 1.25 crores and the reallocating cost of DRC for Rs. 9.67 lacs. The company has proposed to shift the DRC from Chennai to Himachal Pradesh at Data Center Site of HPSEBL at Pointa Sahib or at any other place at Pointa Sahib. The Company does not find any suitable site at Pointa Sahib thus no Disaster Recovery Center of the company is in place till date.

25 Land Court Cases Renuka Ji Project

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

The effect of the said qualifications where ascertainable the loss of current year will be Rs. 11,736 lakhs against reported loss of Rs. 10,586 lakhs. The Other Equity will be Rs. 24,117 lakhs instead of Rs. 22,198 lakhs. The Borrowings will be Rs. 1,40,368 lakhs instead of Rs. 1,59,765 Lakhs. The Other Financial Liabilities will be of Rs. 6,144 lakhs instead of Rs. 10,993 lakhs. The Provisions non current will be of Rs. 4,285 lakhs instead of Rs. 5,690 lakhs. The other non Current Liabilities will be Rs. 82,840 lakhs instead of Rs. 69,543 lakhs .The Other Current Financial Liabilities will be Rs. 2,92,600 lakhs instead of Rs. 2,62,070 lakhs. The Property Plant and Equipment will be Rs. 3,33,156 lakhs instead of Rs. 3,03,086 lakhs. The Capital Work in Progress will be Rs. 2,95,703 lakhs instead of Rs. 3,08,204 lakhs. The Loans will be Rs. 153 lakhs instead of Rs. 149 lakhs .The Other Noncurrent Assets will be Rs. 29,431 lakhs instead of Rs. 36,705 lakhs. The inventories will be Rs. 53 lakhs instead of Rs. 74 lacs. The Trade Receivable will be Rs. 481 lakhs instead of Rs. 1,757 lakhs. The cash and cash equivalents will be Rs. 9,404 instead of Rs. 11,365 lakhs. The Bank Balance will be Rs.11,670 instead of Rs. 9,709 lakhs. The Loans Financial Assets will be Rs. Nil lakhs instead of Rs. 3 lakhs. The Financial Assets others will be Rs. 551 lakhs instead of Rs. 1349 lakhs. The Other current Assets others will be Rs. 14,267 lakhs instead of Rs. 6,241 lakhs.

The Expenditure during the year are overstated on account of Prior period items by Rs. 7,919 lacs for which adjustments has to be made in previous years.

Emphasis of Matter

1. No reasonable effort has been made to remove the qualification raised in earlier year audit reports and the same has been considered in this year report also.
2. We further draw attention to the following matters in the Notes to the stand alone Ind As Financial statements: -

(i) Note No. 2.39 to the standalone Ind AS financial statements regarding the various balances which are subject to reconciliation/ confirmation and respective consequential adjustments.

(ii) Note No 2.59 to the standalone Ind AS financial statements regarding statement on State Government loan for Shontong Karcham HEP (450MW) where the ADB funding to state government has expired and stopping of funding by the KFW to the project.

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

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

Our Opinion is not modified in respect of these matters

Key Audit Matters

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

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

S. No.	Key Audit Matter	How our audit addressed the key audit matter
1	**Contingent Liabilities and Provisions** There are a number of litigations pending before various forums against the Company and the management's judgement is required for estimating the amount to be disclosed as contingent liability and for creating the adequate amount of provision, wherever required. We identified this as a key audit matter because the estimates on which these amounts are based involve a significant degree of management judgment in interpreting the cases and it may be subject to management bias. (Refer Note No. 2.36 to the Standalone Financial Statements, read with the Accounting Policy No.1.18)	We have obtained an understanding of the Company's internal instructions and procedures in respect of estimation and disclosure of contingent liabilities and adopted the following audit procedures: - understood and tested the design and operating effectiveness of controls as established by the management for obtaining all relevant information for pending litigation cases; - discussed with the management any material developments and latest status of legal matters; - examined management's judgements and assessments whether provisions are required; - considered the management assessments of those matters that are not disclosed as the probability of material outflow is considered to be remote; - reviewed the adequacy and completeness of disclosures; Based on the above procedures performed, the estimation and disclosures of contingent liabilities and creation of provisions are considered to be adequate and reasonable.
2	**Property, Plant & Equipment** There are areas where management judgement impacts the carrying value of property plant and equipment and the irrespective depreciation rates. These include the decision to capitalise or expense costs; the annual asset life review; the timeliness of the capitalisation of assets and the use of management assumptions and estimates for the determination or the measurement and recognition criteria for assets retired from active use. Due to the materiality in the context of the balance sheet of the Company and the level of judgement and estimates required, we consider this to be as area of significance. (Refer Note No. 2.1 to the Standalone Financial Statements, read with the Significant Accounting Policy No. 1.5)	We assessed the controls in place over the fixed asset cycle, valuated the appropriateness of capitalisation process Performed tests of details on costs capitalised ,the timeliness and accuracy of the capitalisation of the assets and the de- recognition criteria for assets retired from active use. In performing these procedures, were viewed the judgements made by management including the nature of underlying costs capitalised; determination of realizable value of the assets retired from active use ;the appropriateness of asset lives applied in the calculation of depreciation; the useful lives of assets prescribed in schedule II of the Companies Act, 2013 and the useful lives of certain assets as per the technical assessment of the management. We have observed that the management has regularly reviewed the aforesaid judgements and there are no material deficiencies in measurement and recognition of property, plant and equipment.
3	**Capital work-in-progress(CWIP)** The company is involved in various capital works like construction of new power projects, installation of new	We performed an understanding and evaluation of the system of internal control over the capital work-in-progress, with reference to identification and testing of key controls.

	plant and machinery, civil works etc. These projects/works take a substantial period of time to get ready for intended use and due to their materiality in the context of the balance sheet of the Company, this is considered to be an area which had the significant effect on the overall audit strategy and allocation of resources in planning and completing our audit. (Refer Note No.2.2 to the Standalone Financial Statements, read with the Significant Accounting Policy No. 1.6)	We assessed the progress of the project and the intention and ability of the management to carry forward and bring the asset to its state of intended use. We assessed the timeliness and accuracy of capitalisation of assets when it is ready for the intended use.

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

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

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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Standalone Ind AS Financial Statements

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

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

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

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

Auditor's Responsibility

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

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) We have sought and except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

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

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

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

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

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

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

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

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

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

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

   iii. There were no amounts as at 31.03.2019 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

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

Place: Shimla
Date: 09 /06/2021
UDIN 21098287AAAABZ3116

Anil Karol and Company
Chartered Accountants

ANNEXURE 1 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended 31st March 2019.

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

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

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

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

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

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

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

(vi) The company has made and maintained cost accounts and records as specified by the Central Government under section 148 (1) of the Companies Act 2013. However, we have not made a detailed examination of these accounts and records with a view to determine whether they are accurate and complete. The companies cost accounting records has been audited by the Cost Auditors M/s Balwinder and Associates and they have submitted the report on 19/11/2020.

(vii) (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2019 for a period of more than six months from the date they became payable. However the Liability on account of Goods and Service Tax can not be quantified as GST audit is under progress till the finalisation of this report. We are informed that the provisions of Employees' State Insurance Act are not applicable to the company.

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

S.No.	Statue / Act	Nature Due	Amount in lacs	Period	Forum Which Pending
1.	Entry Tax	Interest	337.70	2010-15	Addl. Excise & Taxation Commissioner -cum- Applellate Authority
2.	Entry Tax	Penalty	751.28	2010-15	Addl. Excise & Taxation Commissioner -cum- Applellate Authority
3.	Provident Fund	PF Dues	189.26	2008-11	Central Government Industrial Tribunal Chandigarh
4.	GST	GST	868.78	2017-18	Amount payable as per GSTR 9 C
5.	GST	Interest	333.64	2017-18	Amount payable as per GSTR 9 C
6.	GST	GST	5.72	2018-19	Amount payable as per GSTR 9

7.	Income Tax	Demand	146.28	2015-16	Appeal with CIT Solan
8.	Service Tax		65.00		Sawra Kuddu
	TOTAL		**2697.66**		

The Amount of interest and penalty on the Entry Tax thereon due to Excise and taxation department has been settled under Legacy Cases Resolution Scheme by paying the Requisite Settlement Fees by the company.

(viii) The Company has not defaulted any repayment of loans or borrowing to any financial institution or bank or dues to debenture holders. However, the Government of Himachal Pradesh has given the sanction to the deferment of repayment Loan and interest up to Jan 2017. No Deferment has been given by the State Govt after that and the request for the same has been given by the company for further deferment. and company has not paid the amount of instalment of loan and interest after January 2017 till the finalisation of the report.

(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) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information/explanation given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we have been informed of any such cases by the management except in the year 2015 at Renukaji HEP and the same is pending with State Vigilance.

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

(xii) Company is not a Nidhi Company.

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

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

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

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

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

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

Place: Shimla
Date: 09/06/2021

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 2019.

S.No.	Directions	Action Taken	Impact on Financial Statement
1.	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	According to the information and explanations given to us and based on our audit, the Company has a system in place to process the accounting transactions through M M Module, Project System, Human Capital Module and Financial and Controlling Module through IT system and for this purpose SAP-ERP has been implemented by the Company. Periode n d Financial Statements are compiled offline based on balances and transactions generated from such SAP-ERP system for the purpose of preparing The Accounting transactions for sale of power is not generated though Sales and distribution Module and being directly posted in FI Module. We have neither been informed nor have we come across during the course of our audit any accounting transactions whichhavebeen processed outside the IT system having impact on the integrity of the accounts. The company has maintained separate Data Centre but does not have Disaster Recovery Centre	Nil
2.	Whether there is any restructuring of an existing loan or cases of waiver/write No such case come off of debts / loans / interest etc. made by a lender to the company due to the across during If yes, the financial impact may be stated. company's inability to repay the loan?	The State Government Loans has been restructured for repayment of loan and interest up to Jan 2017 till the year2018- 19. The Company had requested the State Government for further deferment in the month of September 2020. The State Government has deferred only the dues for the year FY 2020-21 till FY2021-22.	Nil
3.	Whether funds received / receivable for specific schemes from Central / State agencies were properly accounted for / utilized as per its term and conditions? across during List the cases of deviation.	The Funds received for Renukaji Project and Gyspa Project has been properly accounted for except the interest earned on the short term deposit from the surplus fund has been accounted for as the income of the corporation instead of the crediting the same to the amount payable to the central / State Government. Refer Para C 14(ii) of the main audit . No information in respect of interest earned on the short term investment has been provided to us	The Amount payable to the Central / State is understated to the extent of interest earned on the short term investment.

4.	Whether land acquisition is involved in setting up the new projects report whether settlement of dues done expeditiously and in transparent manner	The land has been acquired at Renukaji Dam. All the payments on account of settlement has been transferred to the LAO However a sum of Rs 188.49 crores has not been paid till the close of the year and provision for the same has been made in the books of accounts.	Nil
5.	How much cost has been incurred on abandoned projects and of this how much cost has been written off	The Corporation has abandoned the Tidong HEP and Sunni Project . The Amount incurred on Tidong project is being shown as recoverable from the Directorate of energy and the amount has not being written off the by the Management. The Corporation has written off Rs 41.26 lacs as amount recoverable from SJVNL on account of cost of the Sunni Project.	Nil
5.	Indicate Whether the company has efficient system for monitoring and adjusting advances to contractors/ supplier. Highlight the Significant instances of failure of the System if any	The company has proper system of adjusting the advances to suppliers, except in following cases:- **1. Patel Engineering** Due to non completion of the percentage of the work completed by the Contracto **2. HCC Limited** Due court case involved **3. Costal Projects** Company in Liquidation at NCLT	Nil

Anil Karol and Company
Chartered Accountants

ANNEXURE 3

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

We have audited the internal financial controls over financial reporting of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2019, 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:

- Implementation and Compliance of Indian AS at unit level to ensure the compliance of the Indian AS on the company as a whole.
- Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013 and requirements of the Ind AS
- Harmonisation in creation of account heads at Corporate Level in relation to advances, liabilities and vendors according to the nature of expenditure so that no duplication of account code exits and only single account code is allotted to individual vendors in the company as a whole.
- Payment to contractors strictly on the basis of authorisation of the BOD.
- Option of marking of clearing entries in the SAP should be followed by all the accounting units in respect of current as well as old accounting entries.
- Scrutiny of old Earnest Money Deposits, security deposits, Retention money and other payables to contractors.
- Capitalisation of Capital Work in Progress in timely and efficient manner.
- Reconciliation of retro entries in SAP for CPT Module.
- Payment to Contractors of Additional Advance/ Advance against Retention Money and its accounting treatment.
- Recovery of delay damages from the contractors and accounting thereof
- Provision of Expenses should be made on realistic basis and the payment in subsequent financial year should be adjusted from the provision only.
- Long Term Advances and Deposit Work should be regularly reviewed and accounted for where the significant work has been completed.
- Accounting of Provision is respect of doubtful advances and other recoverable.
- Review of Negative Balances in liabilities and assets heads.
- Accounting of EMD in the nature of FDR in the books of accounts.
- Recording of financial entries in foreign exchange also where the advances, retention money and suppliers dues are payable in other currency also.
- Investing of idle funds at HEP in SWEAP Bank accounts to earn bank interest.
- Reversing the Cheques/ Neft Entries for which the Limitation period is over.
- Accounting of Inventories in hand at project site at the close of the year.
- Liability on account of GST should be as per the requirements of the Goods and Service Tax Act.
- Accounting Staff/ Officers at Unit Level should be regularly trained in respect of the Indian Accounting Standards and other Accounting concepts and conventions while preparing the Financial Statements.

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, 2019 standalone financial statements of the Company. However, these areas of improvement do not affect our opinion on the standalone financial statements of the Company.

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

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

Place: Shimla
Date: 09/06/2021

Replies to the Auditor's Report on the Standalone Ind AS Financial Statements (Annual Accounts) for the F.Y. ended on 31st March 2019.

Qualified Opinion:

We have audited the accompanying Standalone Ind AS financial statements of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "The Standalone Ind AS Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2019, and its profit/loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Qualified Opinion

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

<table>
<tr><th>S. No.</th><th>Audit Observation</th><th>Reply</th></tr>
<tr><td>A</td><td>
Preparation of the Financial Statements
I) During the course of Audit it was found that Supplementary information submitted by the units does tally with the approved financial statements submitted to us for Audit. The current and non-current classification details submitted by the units does tally with current and non-current assets and liabilities depicted in the financial statements.
Balance Sheet
(Rs. in Lacs)
<table>
<tr><th>Particulars</th><th>Details Provided</th><th>Approved Financial Statements</th><th>Difference</th></tr>
<tr><td>Property, Plant and Equipment</td><td>3,03,004.48</td><td>3,03,086.00</td><td>-81.52</td></tr>
<tr><td>Financial Assets</td><td></td><td></td><td></td></tr>
<tr><td>Loans</td><td>151.62</td><td>147.7</td><td>3.91</td></tr>
<tr><td>Other Non Current Assets</td><td>43,481.80</td><td>36,705.00</td><td>6,776.80</td></tr>
<tr><td>Inventories</td><td>68.71</td><td>74.00</td><td>-5.29</td></tr>
<tr><td>- Cash and Cash Equivalents</td><td>9,403.53</td><td>11,365.00</td><td>-1,961.47</td></tr>
<tr><td>- Bank Balance other than above</td><td>11,670.06</td><td>9,709.00</td><td>1,961.06</td></tr>
<tr><td>- Loans</td><td>0.19</td><td>3.00</td><td>-2.81</td></tr>
<tr><td>- Other Assets</td><td>550.89</td><td>1,349.00</td><td>-798.11</td></tr>
<tr><td>Other Current Assets</td><td>347.42</td><td>6,241.00</td><td>-5,893.58</td></tr>
<tr><td>Financial Liabilities</td><td></td><td></td><td></td></tr>
<tr><td>- Borrowings</td><td>1,40,368.35</td><td>1,59,795.00</td><td>-19,426.65</td></tr>
<tr><td>- Other Financial Liabilities</td><td>6,143.56</td><td>10,993.00</td><td>-4,849.44</td></tr>
<tr><td>Current Liabilities</td><td></td><td></td><td></td></tr>
<tr><td>-Other Financial Liabilities</td><td>2,86,346.99</td><td>2,62,070.00</td><td>24,276.99</td></tr>
</table>
</td><td>The difference is due to Current/ Non Current classification of closing Balances of Payables/ Receivables G/Ls as on 31.03.2019, required under Ind AS. Which was done on the basis of the position existing as on the date of finalisation of Balance Sheet (Annual Accounts) for submission in the ensuing BoD for approval i.e. on 10.06.2020. Whereas the auditor has taken the position of such payables /receivables as on the date of audit report submitted to management on 09.06.2021. Audit should have taken the position of payable and receivable as on 10.06.2020, as per Ind. AS 10, as no changes can be made in the Balance Sheet (Annual Accounts), once approved in the BoD Meeting, especially, in case of Govt. owned Companies. In overall total of Balance Sheet is not affected.</td></tr>
</table>

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

(Rs. in Lacs)

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

Schedules / Notes to Accounts at Sr. No. 2.30, 2.32 & 2.33, at Pages 24 to 26, have been drawn, based on the Final Trial Balance General Ledgers as at 31.03.2019. As this G/L needs to be further bifurcated into these three Groups, hence the required bifurcation has been done in excel manually, to draw these figures. **Overall variation in the Profit & Loss Account is NIL.**

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

(Rs. in Lacs)

	As per our Calculations	Approved Financial	Difference
Cash Flow Statement			
Cash Flow from Operating Activities			
Depreciation	10,653.93	10,669.00	-15.07
Inventories	-34.96	-40.00	5.04
Finance/Interest Cost	12,980.04	-	12,980.04
Adjustment for Assets and Liabilities			
Inventories	-34.96	-40.00	5.04
Loans Other Financial Assets and Other Assets	-6,286.52	-10,705.00	4,418.48
Other Financial Liabilities and other Liabilities	14,798.83	1,29,170.00	-1,14,371.17
Cash Flow from Investing Activities			
Net Expenditure on Property Plant and Equip.	-47,355.72	-55,869.00	8,513.28
Term Deposit with Banks (having maturity mor	-8,727.08	-2,261.00	-6,466.08
Interest on Term Deposit/Sweep Deposits	1,916.00	2.00	1,914.00
Cash Flow from Financing activities			
Long Term Borrowings - Proceeds	2,280.61	-90,252.00	92,532.61
Long Term Borrowings - Repayment	-1,471.16	-	-1,471.16

In overall there is no variation. The cash flow statement has been prepared by netting cash inflows and cash outflows under same head. Whereas the audit has taken the figures of cash inflows and outflows separately, under some of the heads. However in future, industry practice shall be followed.

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

The Consolidated Balance Sheet has been drawn on the basis of final Trial Balances of the Projects/Accounting Units. The Unit wise Balance Sheet contains the Opening as well as Closing Balances under each head, otherwise, Corporation's Balance Sheet consolidation would not have been possible.

B Non-Compliance of Indian Accounting Standard (Ind As)

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

i) Indian Accounting Standard (Ind As 1) Preparation of Financial Statements

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

All out effort are being made to ensure compliance to all the applicable Ind. ASs. Disclosure to this effect has now been given in the Directors' Report for the F.Y. 2018-19.

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

The Company has been granted the deferment of repayment of principal payment and payment of interest till FY 2018-19 refer

As no such deferment of repayment of Loan & Interest was allowed by GoHP,

	Note 2.21. The company must account for the interest payable on such deferment till the close of the year at market rate as grant from the government and has to be accounted for as the addition to cost and the same has also to be shown as addition of grant. No such interest has been accounted for by the company till the close of the year as per para 10 A of the IND AS. In the absence of the information we are unable to comment on same.	as on the date of finalisation of annual accounts as on 10.06.2020, hence no such benefit accrued to the Corporation. Audit has also observed under Annexure-1 to the Auditors' Report at point No. (viii), that no deferment has been given by the State Govt. Therefore, the compliance to this Ind AS is not required.
	iii) Indian Accounting Standard (Ind AS) 19 Employees Benefits The para 55 to 62 of the Indian accounting standard is applicable to the company in respect of the Post Employment Benefit: Defined Benefit Plans which requires that actuarial valuation of the liability of employees defined benefit plan has to be made at the end of the year and same has to be accounted for on in the books of accounts. The Company has not accounted for the liability on the basis of the actuarial valuation and only actual liability has been provided. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	Due to first time compliance to this Ind AS, involving large No. of calculations, compliance to this Ind AS could not be done due to paucity of time in hand to finalise the Balance Sheet, due to Covid-19 lockdown. However, the same has been done in the F.Y. 2019-20.
	iv) Indian Accounting Standard (Ind AS) 37 Provisions, Contingent Liabilities and Contingent Assets: The Company has disclosed the provisions contingent liabilities and contingent assets only up to the date when the accounts has been approved by the BOD. No Disclosures of Provisions , contingent liabilities and contingent Assets after the accounts approved by the BOD and till the date of finalisation of this report is considered in these financial statements.	The compliance to this Ind AS, where ever required, has been made.
	v) Indian Accounting Standard (Ind AS) 10 Events After the Reporting Period The financial Statements for the year under review are provided to us on 19thJune 2020 which was approved by the BOD on 10th June 2020. The financial statements are not adjusted for the events occurred between the Balance sheet date both favourable and unfavourable till date of the finalisation of this report.	The version of the audit in the para is that the events (both favourable and unfavourable), which occurred between the date of approval of Balance sheet by BoD and till the date of finalisation of audit report are to be adjusted in the Financial Statements. Whereas, as per Ind AS 10, the events occurring after the reporting period are those events, (favourable and unfavorable), that occur between the end of the reporting Period (means end of the F.Y. i.e. 31.03.2019) and the date when the financial statements are approved by the BoD on 10.06.2020, and not as on the date of Audit Report. The compliance to this Ind AS, wherever required have been ensured.
	vi) Indian Accounting Standard (Ind AS) 113 Fair Value Measurement The Company has not made Fair Value of the assets and Liabilities as on 31st March 2018, on 31st March 2017 (Refer Note No 2.47). The	The Company had adopted the carrying cost / value of all liabilities and

	same is not in line with the IND as 113 Fair Value Measurement which is mandatory applicable to the company.	assets as on 1St April 2015 and also on 1St April 2019, as the fair value of the assets and liabilities cannot be measured accurately due to the uncertainty associated with the maturity dates of such assets and liabilities, being linked to completion of assets / commissioning of the projects. Further, the exact date of completion of assets / commissioning of the projects can't be predicted due to various internal/external factors. Hence Fair Value of the assets and Liabilities can't be done.
	vii) Indian Accounting Standard (Ind AS) 109 Financial Instruments The Company has not applied the Ind As 109 while disclosing the Government Loan in the financial statements below market rate interest and its impact on the profit and loss and Balance sheet has not been disclosed in the financial statements.	This has been complied with from the F.Y. 2019-20.
	viii) Indian Accounting Standard (Ind AS) 12 Income Tax The Company has not followed the IND as in respect of Income tax for calculating the deferred tax assets and Liabilities and its accounting in the books of accounts. The same is also not in line with note no 1.21 of the significant accounting policies adopted by the company. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	This has been complied with from the F.Y. 2019-20.
	ix) Indian Accounting Standard (Ind AS) 8 Accounting Policies, Changes in Accounting in Accounting Estimates and Errors The Company has not applied the Ind AS 8 in relation to accounting of the Prior Period Adjustments of errors while preparing the Financial Statements as stated in the para 1.25 of the Significant Accounting Policies of the company.	This has been complied with from the F.Y. 2019-20.
C **1.**	**Observations on the Financial Statements** **Property Plant and Equipment Note 2.1** I) We invite attention to Note No 2.56 wherein its stated that the Company is in possession of forest land at, Sainj HEP, Shongtong HEP, and Sawra Kuddu and no provision has been made as the amount of lease has not been ascertained. In the absence of information, we are unable to comment on the same. This observation was also reported in previous year report.	The process of signing the Lease Deeds is in progress.
	ii) We Invite attention to Note no 2.65 where in the company has not accounted for the cost of the Land and Buildings of HPSEB Limited amounting to Rs. 4,599 lakhs. In our Opinion the Property Plant and Equipment are understated to the extent of above and correspondingly the other Current Financial Liabilities are also	The properties are in the possession of the Company by default. No final decision on purchasing of cited land has been taken yet at competent authority level and sale deeds are also

<table>
<tr><td></td><td>understated to the extent of above. The Sainj HEP has entered into agreement to lease out the land from the above land in possession to AFCONS Infrastructure Limited Lease agreement in the month of September 2019 for four years.</td><td>not executed between both the parties so far. Hence no provision for the liability in the Books of Accounts has been created.</td></tr>
<tr><td></td><td>iii) The Shongtong Unit has not bifurcated the cost of free hold land the details of the which is as under:-
<table>
<tr><th></th><th></th><th>Amount</th></tr>
<tr><td>1.</td><td>Land</td><td>2,20,28,726.00</td></tr>
<tr><td>2.</td><td>Trees</td><td>51,82,644.00</td></tr>
<tr><td>3.</td><td>Structure</td><td>1,06,23,413.00</td></tr>
<tr><td></td><td>Total</td><td>3,78,34,783.00</td></tr>
</table>
The Company should show the costs other then land separately so that they can be depreciated separately on the commissioning of the project on the basis of the useful life of the main assets.</td><td>As per HPREC Guidelines, no such bifurcation is required in case of free hold land. All such costs are associated to Cost of Land acquired, hence needs be booked under one Asset Head "Land" only.</td></tr>
<tr><td></td><td>iv) The Renukaji HEP has accounted for Rs. 31,911 Lacs on account of compensation paid for the land. The Himachal Pradesh Electricity Regulatory Commission Hydro Generation Tariff Regulation has provided that the Depreciation @ 3.34% is leviable on submerged Land. The HP CAG issued comment on the same in the Supplementary audit for the year 2016-17
The Company has shown Rs. 18,849 Lacs (previous year Rs. 19,564 Lacs) under the Capital work in progress which has to be shown under Free hold Land. In our opinion the Free hold land is understated and CWIP Submerged land is overstated to that extant.
The Company has not Charged the depreciation as per the comment issued by the CAG. Thus the company has not charged depreciation for the 2016-17 and 2017-18 amounting to Rs. 3,300 lakhs (previous year Rs. 2,200 lakhs) during the year under review. In our opinion the Property Plant and Equipment is overstated and Capital work in Progress in understated to that extant.</td><td>As per HPERC Notification No. HPERC/SLDC/479 :- regulations Part V, Section 22, Clause 4 "Depreciation shall be calculated annually, based on the Straight Line Method and at the rates specified in Appendix-II to these regulations. The Value base for the purpose of depreciation shall be original cost of the asset. Land is not a depreciable asset and its cost shall be excluded while computing 90% of the original cost of the asset." and as per Appendix II, Regulation 22, Depreciation Schedule, Land owned under full ownership, the rate of depreciation is 0.00%. RDP, HPPCL has acquired/ purchased 947.57 Hectares private land and has full ownership. Hence, it is opined that said depreciation rate is not applicable on this land. As far as depreciation @ 3.34% is concerned, it is applicable in case of Land under lease for (a) Investment in land and (b) For cost of clearing site. The necessary entry w.r.t adjustment of of Rs. 18849 lacks under the CWIP has been made in the books of accounts as on 31.03.2020.</td></tr>
<tr><td></td><td>v) The Renukaji HEP has paid Rs.5,364 Lakhs on account of compensation paid for trees and Structures. The CAG in their supplementary audit report for the year 2016-17 has commented that Rs. 785 Lacs has been less charged on the above and the Property Plant and Equipment is overstated to the extent of above and Capital Work in progress is understated to that extent. The Company has not accounted for the same in the financial statements and no further details has been provided in respect of depreciation to be charged on the above.</td><td>In this regard it is submitted that the trees and structures are also part of land purchased/acquired by HPPCL and as per abovementioned HPERC Notification No. HPERC/SLDC/479 :- regulations Part V, Section 22, Clause 4 the depreciation is not applicable for the compensation paid.</td></tr>
</table>

<table>
<tr><td></td><td>The Qualification of the CAG for the year 2016-17 has been considered in this report.</td><td></td></tr>
<tr><td></td><td>vi) Deposit with Court Sawara Kuddhu HEP
The Hon'ble High Court of Himachal Pradesh on 12th October 2018, 25th October 2018 and 2nd January 2019 has reduced the rate of compensation of land from Rs. 3,038 per centier to Rs. 2,700 per centier. This has resulted in reduction of the land compensations and refund of the amount from the Deposit with Honable High Court. The company has received Rs. 690 Lacs as refund from the Hon'ble High Court on account of the reduction in the award amount. The Deposit with court which is treated as part of land cost is overstated to the extent of above and other current assets are understated to that extent as the reduction in the award amount was known to the management before the adoption of the Balance Sheet.</td><td>After according due opportunity for filing objection etc. by other parties, the application for releasing of excess amount was decided by Hon'ble High Court of Himachal Pradesh. Further Accounts Branch of Hon'ble High Court of Himachal Pradesh as well as concerned bank also take time to vet the calculations and interest liabilities on deposited amount. All this above process take considerable time and final figures were not ascertainable till the adoption of the Balance Sheet on 10.06.2020. Even the amount ascertained by Hon'ble High Court of Himachal Pradesh, is further challengeable by any of the parties, for which time period of three months have to be allowed. Therefore, action in books of accounts can't be taken immediately on decision of the Court.</td></tr>
<tr><td></td><td>vii) The Kashang Unit has three turbines installed at the power House. Due to damage to the Silt Flushing tunnels at the project sites the runners of the turbines got damaged. The Damage of the Runners was over the accepted norms and the damage was not of normal day to day and of routine nature and the running of the runners with the extent of damage was not viable for the operation of the projects.
It has been observed that turbine no 3 was kept idle for the year under review and was not in operation during the whole of the year. Similarly Unit 1 was not in operation from August 2018 to February 2019 and it has been informed by the HEP that the unit 3 was not in operation during the year under review due to the fact that runners of the Unit 3 was sent for repairs and as such the same was not operation. During the year under review HEP has charged the following depreciation on the three turbines.
<table>
<tr><th>S.No.</th><th></th><th>Depreciation Charged</th><th>Depreciation for non operational period</th><th></th></tr>
<tr><td>1.</td><td>Turbine 1</td><td>5,08,00,542.00</td><td>3,38,67,028.00</td><td>was not in operation for eight months</td></tr>
<tr><td>2.</td><td>Turbine 2</td><td>5,08,00,542.00</td><td>-</td><td>in operation for full year</td></tr>
<tr><td>3.</td><td>Turbine 3</td><td>5,08,00,542.00</td><td>5,08,00,542.00</td><td>was not in operation for the full year</td></tr>
<tr><td></td><td></td><td>15,24,01,626.00</td><td>8,46,67,570.00</td><td></td></tr>
</table>
In our opinion the depreciation of current year for non operating Turbines has to be adjusted with the remaining life of the assets and assets expected usage. By Charging the Depreciation on the idle machinery against the revenue of the Operational Turbines is not justified and will be contravention of the Matching Concept of the Accounting. The Management should consider the maintenance period while determining its useful life and the depreciation may be adjusted accordingly. Thus Excess depreciation of Rs. 846.67 lacs has been charged during the year under review.</td><td>This Corporation is required and is following the HPERC Depreciation rates and methodology, notified by the HPERC for the purpose of fixation of Tariff. Deviation from the same may cause violation of rates and methodology, notified for depreciating the assets, by the HPERC for the purpose of fixation of Tariff.</td></tr>
</table>

<table>
<tr>
<td></td>
<td>viii) The Kashang unit has booked the cost of the training expenses to the cost of the E and M works amounting to Rs. 48.82 lacs. The training expenses paid after the start of the commercial operations has to be charged to the Revenue Expenditure as the expenditure has not been incurred to bringing the assets to the working condition. Thus the E and M Works are overstated by Rs. 48.82 lacs during the year under review and expenditure are understated to that.</td>
<td>The services for providing the training to the HPPCL engineers was in the scope of M/s Andritz Hydro Private Limited and the same was the part of the E&M contract of Kashang HEP. Therefore, these expenses has been capitalised in E&M Assets.</td>
</tr>
<tr>
<td>2.</td>
<td>
Capital Work in Progress 2.2
i) The Company has started using the following assets at the project sites but the following asserts has not been put to use for want of completion certificate from the concerned departments of the company.
(Amount in Lacs)
<table>
<tr><th>Project Unit</th><th>Residential Building</th><th>Construction Power</th><th>Total</th></tr>
<tr><td>Sundernagar</td><td>1</td><td>-</td><td>1</td></tr>
<tr><td>Sawra Kuddu HEP</td><td>14</td><td>5</td><td>19</td></tr>
<tr><td>Shongtong HEP</td><td>-</td><td>39</td><td>39</td></tr>
<tr><td>Total</td><td>15</td><td>44</td><td>59</td></tr>
</table>
In our opinion the Capital Work in Progress are overstated to the extent above and the Property Plant and Equipment are understated to the extent of above. The Impact of the depreciation on the above cannot be quantified in the absence of the information.
</td>
<td>In case of Beradol SPP, required capitalisation for Rs.192 Lacs, has been done in the F.Y. 2018-19 only. In case of DW Sundernagar, required action has been taken as on 01.04.2019. In case of Sawra Kuddu & Shongtong HEPs assets capitalisation is under process.</td>
</tr>
<tr>
<td></td>
<td>ii) We Invite attention to Note No 2.70 where in it is stated that the Court case has been filed by the Toss Mini Hydal Project in the Hon'ble High Court of Himachal Pradesh against the Government of Himachal Pradesh. The matter is still under litigation and may have impact on the Development of the Project.</td>
<td>Statement of fact. No comments required.</td>
</tr>
<tr>
<td></td>
<td>
iii) The Shongtong unit has charged the progressive payments made to AHIPL to the capital work in progress account whereas the supplier is raising the invoices afterwards by adjusting the progressive payments in there invoices proportionately. The following are the details of the progressive payments made to the party:-
<table>
<tr><th></th><th></th><th>INR</th><th>Euro</th><th>US $</th><th>Total</th></tr>
<tr><td>1st Progressive payment</td><td>07-04-2016</td><td>15,06,05,000.00</td><td>56,58,000.00</td><td>2,39,53,000.00</td><td>18,02,16,000.00</td></tr>
<tr><td>2nd Progressive payment</td><td>13-05-2016</td><td>15,06,05,000.00</td><td>57,04,000.00</td><td>2,40,87,000.00</td><td>18,03,96,000.00</td></tr>
<tr><td>3rd Progressive payment</td><td>31-03-2017</td><td>15,06,05,000.00</td><td>46,74,000.00</td><td>2,43,64,000.00</td><td>17,96,43,000.00</td></tr>
<tr><td>Total</td><td></td><td>45,18,15,000.00</td><td>1,60,36,000.00</td><td>7,24,04,000.00</td><td>54,02,55,000.00</td></tr>
</table>
The progressive payments made are in nature of the advance paid to the party on the basis of the value of the contract and has to be adjusted with the invoices to be raised by the supplier in future. In our Opinion the Advance to the Supplier is understated and the Capital work in Progress is overstated to that extent.
We invite attention to the Note 1.11 regarding accounting policy in respect of treatment of foreign currency transactions which has not been followed by the company. The Advance also includes foreign exchange components for which no adjustments has been made in the books as per the requirements of the Ind AS 21. The Effects on change in foreign exchange rates applicable to the company. In the absence of the information we are unable to comment on the same.
</td>
<td>This observation has been settled subsequently in the supplementary Audit by the C&AG.</td>
</tr>
</table>

	iv) The Sainj Unit has paid Entry Tax amounting to Rs. 544 lakhs from September 2010 to December 2016 to HCC Limited. As per the Himachal Pradesh Entry Act 2010 the dealer paying the entry tax is entitled to take the credit of the entry tax and adjust the same with the Vat Liability of the Dealer which the dealer has claimed in the Vat return filed by the contractor to the concerned Assessing Authorities. Thus, the dealer was not entitled to claim the entry tax which was adjusted by dealer towards its Vat Liability. Thus CWIP Project Electro Mechanical works is overstated to the extent of Rs. 544 lakhs and other current assets are understated to that extent. The HCC has gone into court case and the amount is of non recoverable nature as the amount is not recovered till date.. Thus provision for the same is required and provisions are understated to the extent of above.	It shall be shown as recoverable from the contractor and accordingly the asset value shall be reduced, hence it is a transaction of capital nature and does not affect Profit & Loss account. Further this amount shall be recovered from the dues payable to the contractor on final settlement of payables & receivables of the contractor, as the final settlement is still pending.
	v) The Kashang Unit has charged interest paid on PFC loan of Rs. 3,000 lakhs transferred from HPSEB at the time of transfer of assets and liabilities from the HPSEB of the Kashang Unit to the Expenditure Under Construction. It has been observed that at the time of transfer of assets from Kashang Unit from HPSEB a sum of Rs. 1,392 lakhs has been used for construction of Transmission Lines at Kashang HEP. During the year 2010-11 the Kashang unit has transferred all cost of the Transmission Lines amounting to Rs. 6,585 lakhs back to the HPSEB Limited. Further It has been observed that at the time of transfer of transmission lines the loan component of the PFC utilised on the construction of Transmission lines has not been transferred to the HPSEB Limited and further a sum of Rs. 871 lakhs has been paid as interest on the above loan by the company till 31st March 2017 to the PFC. Thus, a sum of Rs. 871 Lakhs is recoverable from HPSEB Limited on account interest paid to PFC on transmission lines transferred back to HPSEB. In our opinion Property Plant and Equipment are overstated to the extent of Rs. 871 Lakhs and the other current assets are understated to the extent of above. The observation is continuing since 2016-17 and the amount is not recovered till date hence a provision for the same is required. Thus expenditure is understated to the extant of above.	During the investigation stage, the Kashang HEP Stage-I (65MW) was under the administrative control of the HPSEB Limited. The loan agreement worth Rs 200.00 Crores was executed between HPSEB Limited and Power Finance Corporation Limited (PFC) for the execution civil and transmission work of the Kashang HEP Stage-I (65 MW) and the PFC released Rs 30.00 Crores during the FY 2003-04 as advance/ revolving fund to HPSEB Limited. Later on the project was transferred to HPPCL and assets and liabilities were taken over by HPPCL from KKPCL/HPSEBL along with the loan from PFC as per figures reconciled with HPSEB on 08.11.2012. The summary of the same is as under:- Total Expenditure incurred by HPSEB on Kashang HEP Rs. 15094.36 Lakhs Less: Expenses on Transmission Line of IKHEP Rs. 6585.48 Lakhs **Net Assets Taken over by HPPCL Rs. 8508.88 Lakhs** Less Loan Taken over (2850+848.70) by HPPCL Rs. 3698.70 Lakhs **Net Amount Payable to HPSEBL Rs. 4810.18 Lakhs.** Hence, the Transmission Line 200KV DC from Kashang to Nathpa was not taken over by HPPCL, however the outstanding loan of PFC was taken over by HPPCL at the time of merger, which was further adjusted at the time of issue of equity shares to HPSEB Limited. Therefore, the liability of loan of PFC and interest accrued thereon after the merger was to be borne by the HPPCL.

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

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

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

(Amount in Lacs)

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

In our opinion the apportionment of expenditure to renukaji @ 15 % is not justifiable and thus Rs. 2142Lakhs(Previous Year Rs. 1,948 lacs) has been excess allocated during the year 2016-2017 to the renukaji and same has been less allocated to other units.

This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP.

The Company during the year under review has also adopted the same method of apportionment and the following are the details of appropriations made during the year:-

Appropriations made up to 03rd January 2019

(Amount in Lacs)

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

This has been done as per the decision of the management which was based on the actual proportionate expenditure being incurred on RenukaJi DAM by Corporate Office & DW Sundernagar.

Appropriations made after 03rd January 2019

(Amount in Lacs)

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

In our opinion the apportionment of expenditure to renukaji @ 15% is not justifiable and thus Rs. 219 Lakhs has been excess allocated during the year 2018-2019 to the renukaji and same has been less allocated to other units.

This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP.

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

3. **Non-Current Investment Note 2.5**

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

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

Statement of Facts requires no comments.

ii) The Company has made provision for doubtful investments amounting to Rs. 337.50 lakhs in the books of accounts.

Statement of Facts requires no comments.

	iii) The company Independent auditors of Gourangdih Coal Limited raised concern in respect of preparing the Financial Statements on the basis of Going Concern Concept and under Historical Cost Convention due to deallocation of the Coal Blocks by the decision of the Supreme Court during the year under review.	Statement of Facts requires no comments.
	iv) We invite attention to note 2.77 where in the Enforcement Directorate has attached the assets of the Himachal Emta Private Limited amounting to Rs. 259 Lacs. The Directors report of the Himachal Emta Limited for the year 2018-19 stated that the CBI has filed charge Sheet accussing the two Directors of the company Sh Ujjal Kumar Upadhaya and Sh Bikas Mukherji in the matter pertaining to the allocation of Gourangdih ABC coal Block by misrepresentation of facts. The ED on the basis of the Charge sheet filed has attached the assets of the Gourangdh Coal Limited considering them to be proceeds of crime under Prevention of money Laundering Act 2002.At present the case is pending with the Supreme court of India against the attachment order. No Disclosure of the same has been made in the notes to accounts.	Statement of Facts requires no comments.
4.	**Other Non-Current Financial Assets Note 2.10** I) The Chirgaon Unit is showing a sum of Rs. 5 Lakhs as amount paid to LAO for purchase of land. The accounting unit was transferred from erstwhile Board (HPSEB). The payment was made by the LAO of the HPSEB and the land is in the name of HPSEB. The unit was transferred from the erstwhile HPSEB and the advance account of the LAO is being carried forward by the unit as advance and the land is in the possession of the Corporation. The Unit has not changed the name of the ownership of the corporation in the revenue records nor has adjusted the advance account. In our opinion the company is entitled for title of the land once the award has been ordered by the LAO and land legally vests with the company. Thus, Other Non-Current Financial Assets are overstated to the extent of above and correspondingly the Property Plant and Equipment is understated to the extent of above.	Transfer of title of the land is under process.
	ii) The Shongtong HEP, has paid Rs. 44.07 Lakhs (previous year Rs. 45.31 Lakhs) to land owners for acquisition of land measuring 0.1702 hectare, for the project, at the time of mutation it is found that the same land was already acquired by HPPWD. The amount is doubtful for recovery as the amount has not been recovered from the land owners and a provision for the same is required. In our opinion Other Non-Current Financial Assets is overstated to the extent of above and consequently the expenditure is understated to the extent of above.	The amount paid is being recovered from the welfare grants and R&R benefits accruing to land holders against the Welfare and R&R Schemes. An amount of Rs. 2,97,565/- has been already recovered / adjusted against the welfare grants payable to the land owners. An amount of Rs. 9,32,700/- will be recovered/adjusted from the welfare grant already due to be released to these land holders. Further, an amount of Rs. 8,67,600/- shall be recovered from the R&R benefits i.e. free sand and aggregate as per requisition of land owners.
	iii) (a) We invite attention to Note No 2.69 where in it is stated that the amount recoverable from contractors includes a sum of Rs. 11,233.54 lakhs (previous year Rs. 7,943 lakhs) recoverable from	The recoverable amount is covered under the counter claim raised by HPPCL of Rs.311.77 Crores, before

	Coastal Projects on account of risk and cost. The contract with the contractor was terminated in the year 2013 and the same was awarded to M/s HCC Limited The amount paid to HCC Limited on account extra cost has been shown as recoverable from Coastal Projects. The amount is doubtful of recovery from the Coastal Projects as there is no agreement with the party to recover the money as the contract with the party has already been terminated since 2013. The Company has gone into liquidation as the lender banks of the contractor has filed liquidation petition with NCLT and the amount is doubtful of recovery. The Management has informed to us through a letter from the Director Finance dated 9th June 2021 that in case of non recovery of the amount from the contractor the same will be charged to the cost of the " Main Civil Works" after obtaining the necessary approval from the Board of Directors. We suggest that the Management should take approval from the BOD regarding charging of the amount recoverable from the contractor to the "Main Civil works" in case of the non recovery of the amount due from the contractor at subsequent Board Meeting. The same is required as per the requirement of IND As so that the above cost will become part of the **cost to bring the assets to location and condition necessary for it to be capable of operating in the manner intended by the Management.** The company is not the secured creditors of the Coastal Projects and the company has not shown to our verification any documents in support of their claim that the amount recoverable from the coastal projects are fully secured and there is full probability that the amount will be fully recovered in the near future. In our opinion as the amount is doubt full of recovery necessary provision should be made in the books of accounts. Thus, Other Non-Current Financial Assets are overstated to the extent of above and Capital work in progress are understated to the extent of above.	NCLT. Till the final decision of the NCLT is announced, the amount shown as recoverable can't be declared doubtful for recovery. Further if the amount becomes un-recoverable, it shall be capitalised to the Assets (HRT), as it is related to construction of HRT and hence do not affect Profit & Loss account.
	b) The unit has not charged the GST on the amount of the amount of Rs. 3,287 lacs charged to the Coastal Projects on account of Risk and Award Cost charged to the contractor. Thus GST amounting to Rs. 592 lacs has not been charged on the above on account of reimbursement of expenses and liability is understated to the extent of above.	As the amount recoverable is contingent no GST has been levied on it. Further the GST, if leviable, shall be recovered from M/s Coastal Projects, hence is not Corporations expense. Further being part of the capital expenditure, if the amount charged to M/s Coastal Projects, does not realise, the same shall be capitalised.
	c) The Company has debited the amount of service tax payable by the company amounting to Rs. 65.30 lacs to the service tax authorities and the same has been paid by the company in its own service tax number under the Viswas se Vivad Scheme. The Liability of payment of the service tax was of the company in the pre GST period which was Charged from the HCC on account of Rent Charges of use of Machinery of the Coastal Projects by the HCC. The Amount was credited to the Costal Projects without depositing the service tax from the rent credited to the Coastal Projects. Thus the services are covered Under Principal agent relationship and GST has to be charged on the same and a sum of Rs. 11.70 lacs is to be	Same as above

	paid as GST on the above. The Liability is understated to the extent of above.	
	d) Further the Company has filed a claim of Rs. 40,567.17 Lakhs inclusive of interest with the NCLT against the Coastal Projects Limited as the contractor company has gone into liquidation which is in the nature of Contingent Assets and same has been disclosed as Contingent Assets as per Note 2.37. The Official Liquidator has not accepted the claim of the company stating the reason that the matter is pending with the High Court with Hon'ble High Court of Himachal Pradesh	The matter has been taken-up with the liquidator to include the entire claim amount of HPPCL.
	iv) We invite attention to Note No 2.62 where in it is stated that the company has not made a provision for Rs. 103 lakhs (Previous Year Rs.103 Lakhs) recoverable from Gammon India since 2013 through Directorate of Energy. The amount has to be recovered along with interest of 10 % per annum. The amount has not been recovered till the date of audit and the same is doubtful of recovery hence provision for doubtful advance is required. In our opinion the Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.	The amount shown as recoverable can't be declared as doubtful till the Directorate of Energy refuses to re-imburse the amount involved.
	v) The Renukaji HEP has deposited Rs. 186.42 lacs with HPSEB for deposit work. The HPSEB has fully utilised the advance and given the Utilisation certificate to the company. However the company has not capitalised the assests. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Capital work in progress is understated to the extent of above.	Against the total advance of Rs. Rs.186.42 Lacs, (given in two installments) to HPSEBL, for laying construction power and transmission lines, has been fully utilised by the HPSEBL for various works assigned to them, as per the Utilisation Certificate submitted to that effect by HPSEBL. Adjustment of advance is pending in Books of Accounts due to works executed are still being verified by project authorities (as intimated vide UC).
	vi) **Grant Receivable** We invite attention to Note No 2.64 where in it is stated that company is showing Rs. 522 lakhs (previous year Rs. 448 lakhs) as recoverable grant from the Central Government on account DPR and Investigation Expenses. The Government of India has approved Rs. 1,250 Lakhs for survey and investigation of the project and paid Rs. 500 Lakhs as advance and the rest of the amount is to be paid on the submission of the DPR. The work of the DPR is not completed since 2012 due to sustained opposition to the project by local people. The Central Government has stayed the further payment of the grant until the submission of the DPR. The grant recoverable shown is not as per para 7 and 8 of the Indian Accounting Standard (Ind as) 20 Accounting for Government Grants and Disclosures thereof which states that: - ***"7 Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:*** ***a) the entity will comply with the conditions attaching to them; and***	Statement of facts requires no comments.

<table>
<tr>
<td></td>
<td><i>b) the grants will be received.</i>
<i>8 A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the entity will comply with conditions attaching to it , and that the grant will be received .Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.”</i>
The grant recoverable is not as per the applicable IND as 20 and the contention of the company is that as the project is of National importance and the concerned ministry is continuously pursuing the matter with the State Government and directing the company to take appropriate action to resolve the issue with the affected families so that the survey investigation work may be completed at the earliest. In our opinion the continuous monitoring of the project by the ministry and the Central Government and further directions to resolve the issue with effected families at the earliest is a sufficient compliance for the condition attached to the grant as per the requirement of IND as 20.</td>
<td></td>
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<tr>
<td></td>
<td>vii) The Shongtong unit is showing following advances to the contractors the recoverability of the same is dependent on the completion of the project and the same has not been discounted and shown as per the fair value as required by IND AS 113. In the absence of information, we are unable to comment on the same (Please also refer Note 2.47). The following are details of the advances:
(Amount in Lacs)
<table>
<tr><th></th><th>Contractor</th><th>Current Year Amount</th><th>Previous Year Amount</th></tr>
<tr><td>1.</td><td>Patel Engineering</td><td>5,146.00</td><td>5,143.00</td></tr>
<tr><td>2.</td><td>Andtriz Hydro</td><td>2,605.00</td><td>3,155.00</td></tr>
<tr><td></td><td>Total</td><td>7,751.00</td><td>8,298.00</td></tr>
</table>
</td>
<td>The recovery of mobilization advance as per contract agreement PCC clause14.2, wherein the deduction of mobilization advance starts from the IPC after the total of all IPC's certified for payment to contractor reaches 30% of the contract price. As such, an amount of 1130.50 lakh on account of mobilization advance has been recovered from M/s PEL till date. The balance payment will be recovered from the subsequent IPCs till the complete recovery, which shall be completely repaid prior to time when 90% of the contract price has been certified for payment.
The advance given to AHPL is adjusted/ recovered from the invoices. An amount of 2093.05 lakh on account of mobilization advance has been recovered from M/s AHPL upto 31.03.2021. The balance amount of advance of Rs. 1744.87 lakh outstanding as on 31.03.2021 will be recovered / adjusted as and when invoices of works executed are certified for payment to the contractor. Discounting can't be done at this stage as the actual date of 90% o the work execution is not ascertainable.</td>
</tr>
<tr>
<td></td>
<td>viii) The Shongtong unit has given advance of Rs. 70 lacs (Previous Year Rs. 100 lakhs) to IPH Khwangi for irrigation scheme and the same has not been charged to expenditure during construction. In our opinion the Non-Current Financial Assets are overstated to the</td>
<td>At present an amount of Rs. 20 lakh stands as balance amount of advance to IPH and efforts are being made to obtain the UC. As the work is still being</td>
</tr>
</table>

	extent of above and CWIP are understated to the extent of above.	executed, hence advance can't be settled at this stage
	ix) The Shongtong unit is showing advance of Rs. 154 lacs (Previous Year Rs. 154 lakhs) to HPSEB as on 31st March 2019 and as the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 154 lakhs and CWIP are understated to the extent of above.	As on date Rs. 35.49 lakh are to be adjusted from advance given to HPSEBL. Efforts are being made to obtain the utilization certificate of the above amount. The work is still being executed, hence advance can't be settled at this stage.
	x) The Sawra Kuddu HEP is showing a sum of Rs. 485 lakhs (Rs. 714 lakhs) as Deposit Work Paid which has not been capitalised for want of utilisation certificates from the executing agencies. As the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 485 lakhs and CWIP are understated to the extent of above.	This advance is recoverable in nature. Also there is adjustment of Rs. 229 lakh in the financial year resulting in reduction of advance from 714 lakh to 485 Lakh.
	xi) The Chanju III has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 17 lakhs. Thus the Other Non Current Assests are overstated to the extant of above.	The amount is an 100 % advance payment against the deposit work for Carrying out Preliminary/ Detailed survey along with preparation of Forest Clearance cases and PTCC cases for the construction of 132 KV D/C Transmission Line from Chanju-III HEP to Chanju-I HEP in Distt. Chamba of H.P. Advance can be adjusted only after the completion of work.
	xii) The Deonthal Chanju has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 13.00 lakhs. Thus the Other Non Current Assests are overstated to the extent of above.	The amount is on account of 100 % advance payment against the deposit work for Carrying out Preliminary / Detailed survey along with preparation of Forest Clearance cases and PTCC cases for the construction of 132 KV D/C Transmission Line from Chanju-III HEP to Chanju-I HEP in Distt. Chamba of H.P. Advance can be adjusted after completion of work.
	xiii) The Sainj unit has given advance against the retention money to HCC limited amounting to Rs. 450 Lacs. The Contractor has not paid the Advance and the interest due on the same. Thus advance to Contractor and Retention money is overstated to the extent of above.	As per Supplementary Agreement SA-12, the loan of Rs 4.50 Crores with interest has been issued to HCC against Bank Guarantee of amount Rs.5.18 Crore., which cannot be encashed being stayed by Hon'ble Arbitral Tribunal in reference –III. A revised claim amount of Rs 6.18 Crore has been raised by HPPCL as counter claim. As Corporation has in hand the BG against the advance given and further the entire amount shall be

		recovered from the contractor at the time of Full & final settlement. As of now the same can't be done as the matter is subjudice.
	xiv) The Sainj unit has paid Rs. 50 Lacs to HP Fisheries Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalized. Thus the Other Non Current Assets are overstated to the extent of above.	The Director–cum-Warden of fisheries has been requested to supply the Utilization certificate to settle the advance, which is awaited.
	xv) The Sainj unit has paid Rs. 10 Lacs to State Pollution Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalized. Thus the Other Non Current Assets are overstated to the extent of above.	A Utilization certificate has been received from H.P. State Pollution Control Board wherein it has been certified that only a partial Amount of Rs. 1,06,048/- has been utilized during 2017-18 against the advance amount of Rs. 9,87,388/-. Moreover the expenditure is of capital nature & hence does not affect Profit & Loss Account.
	xvi) The Sainj unit has shownRs. 9 Lacs as recoverable from DOE on account of LADF charges paid on Infirm Power. The amount is not recovered till date and provision for the same is required. Thus the Other Non Current Assets are overstated to the extent of above and expenditure is understated to that extent.	Necessary correspondence in this respect is being done with Directorate of Energy. The amount shall be settled accordingly. Further the amount pertains to infirm sale and shall affect the capital value of assets, hence does not affect Profit & Loss Account.
	xvii) The Sainj unit has shown Rs. 131 lacs (Previous year Rs.71 lacs) as interest recoverable from HCC on account of advance given against retention money . The Party has not repaid the amount of advance and nor the interest on the same has been paid back hence provision for the same is required. Thus the Other Non Current Assets are overstated to the extent of above and expenditure is understated to that extant.	The amount is still recoverable form the contractor. However if it is not repaid by the contractor, it shall be recovered from the retention money payable to the contractor. Further the expenditure is of capital natured and also the matter is under dispute. It does not affect Profit & Loss Account.
	xviii) The Sainj unit has booked advance to HPSEB amounting to Rs. 5.29 lacs which is of non recoverable nature and should have been charged to the CWIP. Thus Current advances has been overstated to the extant of above as the amount has not been recovered and adjusted till date.	Sr. Executive Engineer Division HPSEBL, Thoulot has been requested to submit the utilization certificate of deposited fund (Rs. 5.29 Lakh Only) vide this office letter No. HPPCL/SHEP/SM(B/HM)/Gen/2020-21-338-339 dated 11.09.2020 followed by a reminder of even nos. 458-59 Dated 17.10. It can be settled only on receipt of UC.
	xix) The Sainj unit has booked advance to XEN IPH amounting to Rs. 4.65 lacs which is of non recoverable nature and should have been charged to the CWIP. Thus Current advances has been overstated to the extant of above as the amount has not been recovered and adjusted till date.	Xen , Jal Shakti Department, Division-II Kullu at Bhunter has been requested to start the work at the earliest for which Rs. 4.65 lakh has already been deposited vide this office letter No.

		HPPCL/ SHEP/SM(B/HM) / Gen/ 2020-21-336-337 dated 11.09.2020 followed by a reminder file of even nos.462-63 Dated 17.10.2020. It can be settled only on receipt of UC.
	xx) The Sawara Kuddu Unit has debited Rs. 41 lakhs to Patel Engineering on account of Risk and award cost of the work done during the year 2017-18. The contractor has not paid the amount till date. Thus Provision for non recoverability of amount is required. .Thus Other non current Assets are overstated to that extant.	The said amount was withheld/ recovered, but later on was released due to the decision of Dispute Board in favour of the Contractor. Now the said case of recovery is under arbitration, hence can't be shown as doubtful at this stage. Further this shall be capitalised if not recovered hence does not affect Profit & Loss Account.
	xxi) The Sawara Kuddhu Unit has shown a Sum of Rs. 665.00 Lacs as amount recoverable on account interest and penalty on entry Tax and provision for the same has been shown as provision for expenses by the unit . The Company has settled the same in the HP (Legacy Case Resolution) scheme 2019 for Rs. 67.92 lacs as final settlement fees. .Thus Other non current Assets are overstated to that extant of Rs. 597.08 lacs and similarly the provision for expenses are overstated to that extant.	It is submitted that as per HP (Legacy Case Resolution) Scheme,2019; the case fopr interest & Penalty in r/o/ Entry Tax mater of LKHEP was discharged by the Excise & Taxation Department Government of H.P & accordingly Discharge Certificate was issued. The settlement Fee of amounting Rs. 67,92,974.00 has been deposited by HPPCL to Excise & Taxation Department, H.P for Discharge of Entry Tax case under HP (Legacy Case Resolution) Scheme, 2019. Further, it is submitted that the case for Recovery of settlement Fee from M/s AHPL is already under consideration of Dispute Board and sufficient amount is withheld from the bills of the contractor to secure the above recovery, subject to the decision of the Dispute Board. Hence it can't be declared as doubtfull for recover, at this stage.
	xxii) The Chanju III has not capitalised the amount of Rs. 187 lacs paid to HPSEBL which is of non recoverable nature. Thus Other non current Assets are overstated to that extant.	The amount on account of 100 % advance payment for strengthening of existing Power Supply Line, released to HPSEBL as a deposit work against the estimate submitted by HPSEBL. Work is in progress. Advance will be adjusted after completion of work.
	xxiii) The Deonthal Chanju has not capitalised the amount of Rs. 187 paid to HPSEBL lacs which is of non recoverable nature. Thus Other non current Assets are overstated to that extant.	The amount is on account of 100 % advance payment for strengthening of existing Power Supply Line, released to HPSEBL as a deposit work against the estimate submitted by HPSEBL. Work is in progress. Advance will be adjusted

<table>
<tr><td></td><td></td><td>after completion of work.</td></tr>
<tr><td>**5.**</td><td>**Inventory Note 2.11**
The Kashang stage 1 Unit is showing the following inventories at the close of the year
<table>
<tr><th>S.No.</th><th>Item No.</th><th>Description</th><th>Amount</th><th>Remarks</th></tr>
<tr><td>1.</td><td>2000000751</td><td>G.I. Pipe 80 mmΦ 248.3 Rmt</td><td>1,06,140.80</td><td>Transferred from HPSEB</td></tr>
<tr><td>2.</td><td>2000000744</td><td>Portable Magzine 4 Nos.</td><td>1,55,567.00</td><td>Transferred from HPSEB</td></tr>
<tr><td>3.</td><td>2000000765</td><td>Steel Tubler Pole 10 mtr. 42 Nos</td><td>4,51,035.90</td><td>Transferred from HPSEB</td></tr>
<tr><td>4.</td><td>2000000727</td><td>Angle Iron 100x100x6mm 17.787 M</td><td>6,06,688.42</td><td>Transferred from HPSEB</td></tr>
<tr><td>5.</td><td>2000000766</td><td>ACSR Conductor 14,078 M</td><td>6,22,205.05</td><td>Transferred from HPSEB</td></tr>
<tr><td>6.</td><td>2000005637</td><td>Needle Tips & Seat Ring 1 Set</td><td>16,60,593.94</td><td>Spares for E and M work</td></tr>
<tr><td></td><td>**Total**</td><td></td><td>**36,02,231.11**</td><td></td></tr>
</table>
The Item from sr no 1 to 5 amounting to Rs. 19.41 lacs has to be shown at Net Realisable Value and the necessary provision of obsolescence has to be made. No information in respect of the same has been provided to us.
The item at Sr No 6 is spare of the Turbine and has be shown under Property Plant and Equipment's. Thus Inventory is overstated to the extent of Rs. 16.60 lacs and property Plant and Equipment's is understated to the extent of above.</td><td>The Item from Sr No. 1 to 5: The valuation of inventory item at sr. No. 1 to 5 is presently at cost of acquisition, however any change required in the valuation method as per audit observation is the matter of change in policy which required the approval of competent authority.
The Item at Sr. No. 6 : The Needle Tips & Seat Ring is a mandatory spare for Turbine of the machine and one or two set of the same are kept as extra for immediate replacement to avoid generation loss in case of the erosion of the already installed component. This spare is required to be replaced every year due to its erosion during the monsoon season resulting from heavy silt inflows. Therefore the uses period and future economic benefit derived from spare part are limited only up to one period and according to Ind AS 16, The spares parts, stand-by equipment and servicing equipment qualify as Property, Plant and Equipment when an entity expects to use them over the period of more than one year. Hence the spares available to use in store does not qualify the condition to be shown under Property, Plant and Equipment's.</td></tr>
<tr><td>**6.**</td><td>**Trade Receivables Note 2.12**
I) The Kashang Unit is showing Rs. 103 lakhs (previous year Rs. 73 lakhs) as amount recoverable from HPSEB Limited on account of Late payment surcharge which has not been accepted by the party and the same amount has not been paid by the customer till date and only sale of power is being paid by the party. The amount has been adjusted with the amount payable to HPSEB Limited on account of dues of leave salary and pension contribution payable to the HPSEB limited.in the year 2019-20 The confirmation from the HPSEB is pending in this regard.</td><td>The amount has been recovered now in the F.Y. 2019-20. Hence as the amount has been recovered before drawing the Balance Sheet for the F.Y. 2018-19 as on 10.06.2020, therefore, it can't be considered doubtful for recovery.</td></tr>
<tr><td></td><td>ii) We invite attention to Note No 2.58 wherein it is stated that HPSEB Limited has retained Rs. 1369 Lakhs (Previous Year Rs. 1,369 lakhs) as amount due on account of Leave salary and pension contribution of employees appointed on secondment basis with the company. In our opinion the trade receivables are overstated to the extent of above and also the liabilities are overstated to that extant</td><td>This has been settled in the F.Y. 2019-20.</td></tr>
<tr><td>**7.**</td><td>**Other Current Assets Note 2.18**
i) The Sawara Kuddu unit has not shown the amount recoverable</td><td>The case is under arbitration and shall be recovered as per the decision of</td></tr>
</table>

	from Patel Engineering on account of recovery of concrete cutting amounting to Rs. 84 lacs (previous year Rs. 84) lakhs. In our opinion the other Current Assets are understated to the extent of above and CWIP is overstated to the extent of above.	arbitration case. The said amount is already shown as recoverable from the contractor. Total Amount of Rs.77.50 lakh is shown as recoverable from M/s Patel Engineering Limited against concrete cutting recovery.
	ii) The Beradol HEP has shown the amount recoverable from HPSEBL amounting to Rs. 93.03 lacs on account of sale of power under the Head Receivable from HPSEB which has to be shown under the Head Trade Receivable. Thus Trade Receivables are understated to the extent of above.	Has been rectified in the F.Y. 2019-20.
8.	**Non-Current Other Financial Liabilities Note 2.21** i) **Long Term Borrowings** The Company has taken loan from the State Government for construction of Hydro projects. The Company has not paid the Instalment and interest on the State Government loans. The State Government has provided deferment of loan and interest for the amount accrued up to January 2017 till FY 2018-19. The instalment interest due after January 2017 till the close of the year has not been paid by the company to the state Government. We Invite attention to Note 2.73 where in the Company has made the request for the deferment of Instalment and loan to State Government . The State Government has given has not accepted the request and has granted the deferment for the year 2020-21 till the year 2021-22. In our opinion the Company has defaulted in payment of instalments and interest to the state government which is holding 31.63%(Previous Year 28.59 %) of the equity. However there is no other default in payment of loan and interest to any other Financial institutions/Banks. The Company has not complied with Requirements of the IND AS 20 Accounting of the Government Grant which states that the any concession from the government should be added as addition to the cost and should be credited to the revenue.	HPPCL had requested Deferment of Loan dues from GoHP vide letter No. 8865 dated 11.09.2020. In response, GoHP vide letter No. MPP-C(12)-1/2017 dated 05th February, 2021 has agreed to the deferment of loan dues for the FY 2020-21 till the FY 2021-22. Further, HPPCL vide letter No. 16843 dated 24/02/2021 has again requested the GoHP that the repayment of entire principal and interest installment due up to 31.03.2021, may also be deferred.
8.	ii) The loan to the company was sanctioned by the Central Government to the State Government as 90 % grant and 10 % loan basis has been further advanced to the company as 100 percent loan which was sanctioned to the state government under Clean energy program. The Funding of the Grant to State Government as Loan to the Company has increased the financial cost Liability on account of interest payable to the State Government. This will increase the cost per unit of the generation of power and will not be recovered from the consumer and have to be borne by the company . The charging of the interest will not make the company profitable as it constitutes 40% to 45% of the revenue cost and the company has not paid the interest to the state government even after three units are commissioned and the company is pursuing for the deferment of principal and interest till 2024 and in earlier year also the deferment has been granted by the State Government. The CAG has also raised concern over the same in there report and suggested that the matter be taken up with the state government to get the benefit of the Govt of India Policies.	The matter of channeling of grant portion of the financial assistance by GoHP as loan to HPPCL has already been raised by CAG as pointed out in this Para contents. The reply of the management of HPPCL has been submitted. On similar lines, it is again submitted that it is a policy matter of GoHP and the entire equity in HPPCL is also invested by the GoHP and, therefore, it is the right of the State Government to transfer funds to HPPCL as loan or otherwise.

<table>
<tr><td></td><td>iii) The Long-term Liabilities includes EMD, Retention Money and Security Deposits pending since inception of projects and the same has not been paid till the close of the year. The Internal control in respect of them is very weak and should be strengthened and the liabilities should be assessed at fresh and should be charged to revenue in appropriate cases.</td><td>EMD, Retention Money and Security Deposits etc. are being released to the contractors, whenever, claims are being submitted by the contractors.</td></tr>
<tr><td>9.</td><td>**Non-Current Liabilities Provisions Note 2.23**
i) **For Company Employees**
We invite attention to note 1.20 and 2.41 where in the policy adopted for employees benefit and accounting in respect of the same has been disclosed. The Above policy is not in compliance with the Ind AS 19 Employees Cost in relation to Post Employment defined Benefits plan in the matter of its recognition and measurement. In the absence of Information, we are unable to comment on the same of its impact in the balance sheet and profit and Loss Account.</td><td>Adequate provisions have been created as per the defined Gratuity and Leave Encashment Plans, adopted by the Corporation. Compliance to Ind AS has been ensured w.e.f. F.Y 2019-20.</td></tr>
<tr><td></td><td>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.</td><td>Calculation and booking of such liabilities is based on the methodology devised by State/Central Govt. and on terms & conditions accepted by both the parties.</td></tr>
<tr><td></td><td>iii) The Company has shown Gratuity Liability at the close of the year in excess by Rs. 86.17 lacs. Thus Provisions non-current is overstated to the extent of above.</td><td>The same has been rectified in the F.Y. 2019-20.</td></tr>
<tr><td></td><td>iv) The Company has shown Leave Contribution Liability at the close of the year short by Rs.50.32 lacs. Thus Provisions non-current is understated to the extent of above.</td><td>The same has been rectified in the F.Y. 2019-20.</td></tr>
<tr><td>10.</td><td>**Other Non-Current Liabilities Note 2.24**
a) Utilised Grant Renuka ji
I) The Company has incurred following expenditure on the Renukaji project till 31st March 2019.
(Amount in Lacs)
<table>
<tr><th>Particulars</th><th>as on 31st March 2019</th><th>as on 31st March 2018</th></tr>
<tr><td>Tangible Assets</td><td>51,689.00</td><td>42,095.00</td></tr>
<tr><td>Capital Work in progress</td><td>32,148.00</td><td>32,014.00</td></tr>
<tr><td>Advances</td><td>269.00</td><td>199.00</td></tr>
<tr><td></td><td>**84,106.00**</td><td>**74,308.00**</td></tr>
<tr><td>Grant Received</td><td>68,548.82</td><td>68,548.82</td></tr>
<tr><td></td><td>**68,548.82**</td><td>**68,548.82**</td></tr>
<tr><td>Shortfall</td><td>**15,557.18**</td><td>**5,759.18**</td></tr>
</table>
There is a shortfall of expenditure to the tune of Rs. 15,557 Lakhs (Previous year Rs. 5,759 Lakhs) which has to be borne by the participating states. No information about the share of the expenditure of the participating states and confirmation from them has been provided to us for verification. In absence of information we are not able to comment on the same. The Renukaji unit has not made any provision for the amount recoverable from the participating states and the central government. In our opinion</td><td>Funds/grants receivable as on 31.03.2020 as worked out are Rs.56,49,77,262.35/- and entry in this regard has been made in the books of account in the F.Y. 2019-20. Cumulative funds / grants received up to 31.03.2021 are Rs. 710,86,79, 755/- and up to 31.03.2020 are Rs. 689,52,79,655/-. During this FY 2020-21 Rs. 5 Cr. and Rs. 16.34 Cr. has been received from H.P. Govt. and Haryana Govt. up to 31.03.2021 respectively. The recoverable amount shall be recovered from the funds being received.</td></tr>
</table>

	the other current assets are under stated to the extent of above similarly the other non-current liabilities are understated to the extent of above.	
	ii) We invite attention to Note No 2.85 where in the Company has requested the Government of India for additional amount of Rs. 31,602 lacs to be deposited with the courts on urgent basis.	Disclosure to this effect has been under Note No. 2.85. Consequent to this Government of Haryana has released the fund of Rs.16.34 crore against share money for construction of Renukaji Dam on 14.10.2020 through RTGS. Further, H.P Govt. has also released Rs. 5 crore during the FY 2020-21. The latest position w.r.t funds received from funded agencies has already been stated in the Para 10(i) above.
	iii) We invite attention to para 2 (viii) of our audit report regarding allocation of expenses to Renukaji HEP wherein its stated that the allocation of expenditure of Corporate office and Sundarnagar Design office to the unit has not been confirmed / approved by the participating states and the central government. In the absence of confirmation and approvals we are unable to comment on the apportionment of expenditure charged to the Renukaji HEP. The company has allocated Rs. 2,329 (previous year Rs. 2111 lakhs) as share of corporate office and design wing expenses to the Renukaji HEP till 31st March 2017. In our opinion the amount recoverable from participating states will be reduced byRs. 2,329 (previous year Rs. 2,111 lakhs) given in above para.	The proportionate expenditure of Corporate office and Design Office has been allocated on the basis of expenditure being incurred by HPPCL on Renukaji HEP. As such expenditure shall form part of the total funds agreed to be provided by GoI and beneficiary States, hence prior approval of booking of every expenditure being incurred in Renuka Ji Dam is not required. Further, keeping in view that a major portion of the funds required for construction of Dam shall come from Central Govt. and only 10% of the funds required shall be contributed by beneficiary states, hence beneficiary wise booking of expenditure is not required.
	iv) The Company is earning interest on the surplus funds of renukaji at Corporate Office by investing the same in short term Fixed Deposits. The Interest earned on the same has not been shown as addition to the Grant nor the same has been reduced from the incidental expenditure during construction period of the unit. The above practice is not in line with the significant accounting policy adopted by the company (refer Note 1.16). In the absence of information, we are unable to comment of the effect of the same on the Financial Statements.	This has been done as per the decision of the management
11.	**Current Liabilities Other Financial Liabilities Note 2.26** i) The Liability on account of Retention Money, Security Deposit and dues payable to Contractors and suppliers are subject to Confirmation. In the absence of Information, we are unable to comment on its effect on assets and liabilities.	Current Liabilities on account of retention money, Contractor and Suppliers dues payable are being cleared on regular basis and Portion of Security deposits also released to vendors time to time and the matter has also been taken up with concerned offices for releasing the pending security deposited. Confirmations of

		Balance payable as on 31st March 2019, were sought from respective Contractors/ Govt. Departments. Based on the confirmations received/not received, the liabilities have been shown in Books of Accounts.
	ii) The different units of the company are showing separately the amount payable and recoverable from HPSEB Limited. No Confirmation from the HPSEB Limited has been provided to us for the amount payable and recoverable. In our opinion only one account of the HSPEB Limited should be maintained and net balance of recoverable or payable should be shown in the financial Statements.	Most of the amounts under Payable and Receivable heads, pertaining to HPSEBL have been settled. In case of remaining pending entries necessary reconciliation is being done and the accounts shall be settled accordingly.
	iii) The Other Current Liabilities includes EMD, Retention Money and Security Deposits pending since inception of projects and the same has not been paid till the close of the year. The Internal control in respect of them is very weak and should be strengthened and the liabilities should be assessed at fresh and should be charged to revenue in appropriate cases.	The liabilities against EMD, Retention Money, Security Deposit and dues payable to Contractors are released as and when claims are submitted by Contractors, on the basis of verifications of such claims by concerned Engineering-in-charge (EIC).
	iv) The Other Financial Current Liabilities includes Rs.74.22 lakhs (Previous Year Rs. 72 lakhs) as unclaimed money on account of payables, retention, security and other payables to the contractors. The amount has been shown under this head because the persons to whom amount is payable is not traceable. In our opinion the other current financial liabilities are overstated to the extent of above and necessary provision for amount written back should be provided.	Decision in this regard is under consideration of the management.
	v) The SwaraKuddu unit has made a provision for CAT Plan Expenses on 04th January 2016 amounting to Rs. 69 lakhs. The Unit has informed us that the amount has not been paid as the previous utilisation certificates has not been provided by the Forest Department. In our opinion the amount is of the nature of withheld amount and should be shown under the head Non-Current Financial Liabilities. Thus, current Liabilities are overstated to the extent of above.	The amount is of the nature of current liability as same shall be released on receipt of utilization certificate of the previously paid amount.
	vi) The Corporate Office has not made the provision for demand raised by the PF Commissioner for the period 09/2008 to 06/2011 on account of PF contributions of Unregistered Contractors amounting to Rs. 189 Lakhs on 02nd August 2018(refer Note 2.60). Thus, current liabilities are understated to the extent of above.	Matter being sub-judice, has been shown under contingent liabilities under Note on Accounts No.2.60, Hence do not affect P & L Account.
	vii) **Local Area Development Fund: -** We Invite attention to Note 2.66 where in the company has not made any provision of amount payable to LADA fund on account increase in cost of the Projects. The following are the details of the Projects and understatement of Liability on account of additional amount payable to LADA Fund.	In case of Sainj HEP provision of the balance amount LADA has been made in the books of accounts in the F.Y 2019-20. In case of Sawra Kuddu & Kashang Stage–II & III, amount payable

<table>
<tr><td></td><td>
<table>
<tr><th>HEP</th><th>Expenditure Incurred in Crore</th><th>Lada Fund @1.5%</th><th>Expenses Booked</th><th>Deficit</th></tr>
<tr><td>Kashang II and III</td><td>219.00</td><td>3.29</td><td>0.77</td><td>2.52</td></tr>
<tr><td>Sainj</td><td>1,298.70</td><td>19.48</td><td>17.97</td><td>1.51</td></tr>
<tr><td>Sawra Kuddu</td><td>1,876.17</td><td>28.14</td><td>27.16</td><td>0.98</td></tr>
<tr><td>Total</td><td>3,393.87</td><td>50.91</td><td>45.90</td><td>5.01</td></tr>
</table>
In our opinion the Capital work in progress is understated to the extent of Rs. 501 lakhs and correspondingly Current Liabilities are also understated to that extant.</td><td>against LADF have been deposited regularly. Due to ongoing works at project ends and final project cost not yet arrived, hence the exact amount of final installment is not determinable at this stage. The marginal amounts, remaining to be deposited are subject to further adjustments and shall be accordingly provided/released.</td></tr>
<tr><td></td><td>viii) The Kashang Unit has not Charged GST on the Liquidation Charges amounting to Rs.534.42 lakhs on Rs. 2,969 Lacs charged from HCC. The Company has not shown the Liability under GST returns filed during the year under review nor the same has been charged to the contractor . The observation was also reported in the previous year also. Thus the current liabilities and understated to that extant and other non current assets is also understated to that extant.</td><td>GST Act 2017 came into force w.e.f 1st July 2017 and the Liquidation Charges pertains to Pre-GST period and were recorded in the books of Accounts in the FY 2016-17 vide SAP Document no. 113550 dated 31.03.2017, hence the GST was not applicable on the date of transaction and accordingly no GST was charged on LD Charges. Further this has not been reported in the GST Audit Report by the GST Auditors.</td></tr>
<tr><td></td><td>ix) We invite attention to note 2.72 where the Corporate Office has shown Rs. 500 lacs as amount payable to the Kisahau Corporation Limited on account Equity Contribution of the State Government for the seed Money. No Confirmation from the Kisahu Corporation Limited and directions from the State Government to keep the money with company has been provided to us for verification. In the absence of information we are unable to comment on the same.</td><td>A sum of Rs. 5.00 Crore was received from GoHP on account of Equity Contribution towards Kishau Dam Project. In this regard, a sum of Rs. 0.75 Crore has already been remitted to Kishau Dam Project on dated 03-12-2020. For the remittance of balance amount, approval of worthy Board of Directors is being sought. Accordingly, upon receipt of instructions/ approval the balance amount shall be remitted to Kishau Dam project.</td></tr>
<tr><td></td><td>x) The Renukaji HEP has shown provision for Land Expenses of Rs. 18,849 Lacs against which the demand has been deposited with the High Court which has been shown as part of Land expenses under Property Plant and Machinery. The company has deposited Rs. 10,600 lacs with High Court against the above provisions. Thus Provisions are overstated to the extent of above and consequentially the Capital Work in progress is overstated to that extent.</td><td>The provision for Land Expenses of Rs 18,849 Lacs against which the demand has been deposited with the High Court which has been shown as part of Land expenses under Property Plant and Machinery has been adjusted now in the F.Y 2019-20.</td></tr>
<tr><td></td><td>xi) The Renukaji HEP has shown the amount recovered from LAO amounting to Rs. 1600 Lacs as amount payable to Government Agencies . The HEP at the time of advancement to LAO has shown the same as part of land expenses. The amount recovered back has to be reduced from the Land Expenses. Thus Current Liabilities are overstated to the extent of above and similarly the land expenses are overstated to that extent.</td><td>The amount has been transferred by LAO, HPPCL, Shimla out of the amount deposited with LAO against different awards and remained unpaid due to some reasons and the same is to be disbursed as and when interested persons come forward to receive the same as intimated by LAO vide letter No. LAO.Bkg/2018-583-85, 586-88 dt 04.10.2018. As the same is required to be disbursed as clarified by LAO,</td></tr>
</table>

		HPPCL Shimla hence shown as payable.
	xii) The Shongtong HEP has excess Provision of expenses on account of Escalation costs amounting to Rs. 364 lacs payable to M/s Patel Engineering Limited. The excess provisions has been reversed in the next Financial Year. Thus Current Liabilities are overstated to the extant of above.	The excess provision has now been revesred in the F.Y. 2019-20.
	xiii) The Sainj HEP has overstated the Bills Expenses payable on account of Vulnerable Grant payable to affected Families amounting to Rs. 4.80 lacs. Thus current Liabilities are overstated to that extent of above.	Bills Expenses payable on account of Vulnerable Grant payable to affected Families amounting to Rs 4.80 lacs has been rectified now in the F.Y. 2019-20.
	xiv) The Sainj Unit has shown excess provisions on account of expenditure under the Head O and M Tools and tackles amounting to Rs. 212 lacs and the same has been reversed in the next financial year .Thus current liabilities are overstated to the extant of above and correspondingly expenditure are overstated to that extant.	The provisions were made as per the tentative details provided by concern division The provisions was revert back as the expenditure has been booked through Z bill in subsequent year.
	xv) The Swara Kuddhu HEP has transferred land measuring 0.9224 hectare to the HPTCL for the construction of 220 KV Switching Station at Hatkoti. The Company has received Rs. 916 lacs as cost towards the cost of land in the month of November 2018. The company has handed over the possession of the land to the HPTCL but has shown the amount as advance from the customers and the sale deed for the same has not been executed so far. In our opinion the advance has to be adjusted with the cost of the land and the deposit with the court. Thus current liabilities are overstated to the extent of Rs 916 Lacs.	The amount received from HPPTCL is equivalent to the awarded amount and the deposits made in High Court. The rate of land will vary now, as per the latest orders of the Hon'ble High Court. Further in the absence of Sale deed / agreement, final consideration and terms and conditions of the handed over land cannot be ascertained. Hence, amount has been shown as advance from HPPTCL and shall be settled.
	xvi) The Sainj Unit has made provision of Rs. 62.00 lacs on the basis of the supply order issued to the Voith Hydro in the month of November 2018. The Party has supplied the spare parts in the month July 2019 and raised the Invoice. Thus provisions are overstated to the extant of above.	The provisions were made as per the tentative details provided by concern division or base to supply order placed in the Nov 2018. But the Voith Hydro supply the material on July 2019 and same date they raised the invoice. But the provision made in 18-19 revert back in 2019-20.
	xvii) The Sainj Unit has shown a sum of Rs. 519 lacs as amount payable to Voith Hydro. The HEP has not provided to us the details in respect of the same and nor any confirmation from the supplier has been provided. The Amount is payable since 2017 and the same has not been paid till the date of the audit. Thus the liabilities are overstated to the extent of above.	The reconciliation of the accounts in respect of E&M package of Sainj HEP is in progress. All the pending dues payable to M/S VHN shall be settled while carrying out the final settlement.
12.	**Other Income Note 2.25** i) **Foreign Exchange Fluctuations** The Shongtong HEP has not accounted for the Foreign Exchange gain on the amount payable to Lehmeyar International during the year under review:	The foreign exchange gain has now been booked in subsequent year.

Lehymehar International

Invoice	Euro	Net Payable in Rs after TDS	in Euro	Euro on 31.3.2019		FE Gain
918001155	63,101.08	47,66,182.33	56,790.97	77.87	44,22,312.99	3,43,869.34
918001499	21,033.69	15,39,792.31	18,930.32	77.87	14,74,104.10	65,688.21
		63,05,974.64	75,721.29		58,96,417.09	4,09,557.55

Thus Income is understated to the extent of above.

ii) The company has shown prior period income at negative Balance of Rs. 19.00 lacs during the year under review which has to be shown under the head prior period expenses. Thus Other income is understated to the extent of above and other expenses are also understated to that extent.

Has been rectified in the subsequent financial years.

13. **Sale of Power**

I) The Kashang and Sainj HEP has booked the Sale of Power in the books of accounts on net realisation value of the Company Share. No Accounting entry for the Free Power to State Government, LADA Share and auxiliary power has been made in the books which is not in lines with the accounting policy adopted by the company in the year 2016-17. We Invite attention to note 2.57 (b)(Post COD ii) where in the change in accounting policy has been indicated by the company. The following are the details in respect of the same and comparative figures of the previous year.

(Amount in Lacs)

	Particulars	Current Year	Previous Year
3000002	Sale of Energy	2,221.40	1,366.00
		2,221.40	1,366.00
4000750	Free Power to State Govt (Royalty)	1,951.51	1,129.00
4000751	Free Power to State Govt (LADF)	195.15	94.00
4000752	Generation/Auxiliary Energy Expenses	74.74	143.00
	Total	2,221.40	1,366.00

The company has not disclosed the impact of the same and as result the figures of current and previous year are not comparable. The non accounting of the same will have impact on the apportionment of expenditure of corporate office and sundernagar to various units during the year under review. The impact of the same cannot be quantified hence we are unable to comment on the same.

Sale of power entries have been taken into books as per instruction issued by SoP department vide letter no. HPPCL/SoP/13%FP/Kashang HEP/2017-9731-38 dated 24.07.2018. As per ibid letter HPPCL is entitled for selling only 87% of the power and 13% Royalty Power of GoHP has to be provided in the shape of free power (free of Cost) at Bus bar of the project. Therefore, accounting of revenue generated from sale of 87% of Power including UI/DSM etc. is to be accounted for in the Books of Accounts. Further, During the F.Y. 2018-19, the power generated was sold in energy exchange directly. As the portion of free power @13% was not remitted to Corporation and non-availability of exact figure of free power given to State Govt. and to LADF, the amount booked under sale of power is net of such free power. Disclosure under Note Para 2.57(b), refers.

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

The agreement for sale of power has been executed with HPSEB Ltd. in March 2017. As HPPCL is not making any Profit and is under Loss, the Advance Depreciation Benefit can't be availed, therefore, for availing the benefit of Rs. 4.79 Per Unit, HPPCL shall have to execute new agreement with HPSEB Ltd. after the approval of HPERC. HPPCL is looking forward for the same and correspondence in this regard is already in the pipe line with HPSEB Ltd.

14. Apportionment of expenditure and Income of Corporate Office and Sundarnagar

i) **Expenditure of Corporate Office and Sundarnagar**

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

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

Keeping in view practicability, the allocation has been done accordingly. The methodology has been disclosed in the Notes on Accounts No. 2.57(c).

ii) Income of Corporate Office and Sundarnagar

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

-Funds received for Equity

-Funds for Renukaji Project

-Imp rest Funds for ADB Funded Projects State Govt Loan

-Interest on Funds With LAO

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

The Company has allocated income to various projects on the basis of allocation of expenditure to different units as per accounting policy of the company during the year under review. The following are the details of the allocation: -

S.No.	Particulars	Current Year Amount	Previous Year Amount	To be apportioned to
1.	Equity Funds	6,43,02,254.00	5,26,73,054.00	All the Units
2.	Renuka Funds	8,00,32,226.00	16,88,61,940.00	To Renuka Funds
		14,43,34,480.00	**22,15,34,994.00**	
	Interest on Funds with LAO	4,73,27,611.00	1,55,69,369.00	Renuka ji
		19,16,62,091.00	**23,71,04,363.00**	

The allocation of interest earned on short term bank deposits, made out of idle funds, have been allocated on the basis of the approved practice.

iii) The expenditure of the Sundernagar Design Wing has been transferred to Different units during the year review. The following are the details of the same.

Name of Power Project	01/04/2018 to 03/09/2019	04/09/2019 to 31/3/2018	Total
Sawra Kuddu	4,19,73,078.54	1,35,32,124.57	5,55,05,203
Sainj	43,80,493.30	4,29,653.00	48,10,146
Renukaji	1,37,46,140.38	43,01,849.69	1,80,47,990
Kashang I	13,36,984.69	1,43,217.67	14,80,202
Shongtong	2,08,42,680.59	64,36,688.42	2,72,79,369
Chirgaon Majhgaon	2,97,512.69	98,085.60	3,95,598
Triveni Mahadev	1,80,335.56	59,446.55	2,39,782
Thana Plaun	6,89,940.25	2,01,540.22	8,91,480
Nakhtan	6,04,884.89	1,92,129.92	7,97,015
Gyspa Dam	2,91,265.88	94,840.30	3,86,106

Same as above

Surgani Sundla	4,09,508.78	1,01,171.17	5,10,680
Deothal Chanju	1,36,707.48	40,427.86	1,77,135
Chanju III	2,86,088.37	83,193.76	3,69,282
Berra Dol	8,82,369.99	13,18,796.03	22,01,166
Kashang II	55,82,944.46	16,45,460.04	72,28,404
Bara-Khmba	-	272.43	272
Algore Project	-	100.69	101

The Design wing has not provided to us details regarding expenditure incurred on various projects and no job cards has been kept by the design wing to substantiate the expenditure incurred on various projects. In the absence of information we are unable to comment on the same.

iv) Apportionment of Expenses of Corporate Office and Sundernagar Design Office While calculating the Sale to outlay ratio of the commissioned projects from 03rd January 2019 to 31st March 2019 the company has taken the sale for the full year instead of sales of above mentioned period. The following are the details of the same.

		As per Company	As per our calculations	Excess
Sale	04/01/2019 to 31/03/2019	1,70,53,34,763.00	14,66,54,577.00	1,55,86,80,186.00
Outlay	as on 31/03/2019	21,98,68,09,627.00	21,98,68,09,627.00	-
Ratio %		7.76	0.67	7.09
Eligible Expenditure		33,34,160.00	2,86,588.00	30,47,572.00

Thus Expenditure is overstated to the extent of Rs. 30.47 lacs in respect of the commissioned Projects during the year under review.

This has been rectified in the subsequent financial year.

v) The Corporate Office while calculating the sales during the period for the purpose of appropriation of expenditure of Corporate Office and Sundernagar has not taken the figures from the books of accounts as a result there is variation the sales figure during the year under review . The following are details of the same.

Month	Sales Considered	As per Books	Difference
Apr-2018	7,09,44,622.00	5,58,09,668.00	-1,51,34,954.00
May-18	19,22,24,689.91	22,26,64,384.93	3,04,39,695.02
Jun-18	18,36,61,664.42	22,57,35,398.50	4,20,73,734.08
Jul-18	26,85,56,571.53	28,50,73,099.88	1,65,16,528.35
Aug-18	21,29,16,486.13	25,11,18,892.22	3,82,02,406.09
Sep-18	28,27,55,310.39	30,51,85,540.35	2,24,30,229.96
Oct-18	22,67,18,883.91	26,39,09,750.26	3,71,90,866.35
Nov-18	8,51,58,029.19	9,65,66,967.04	1,14,08,937.85
Dec-18	5,95,19,356.18	3,77,12,832.41	-2,18,06,523.77
Jan-19	5,29,54,306.74	5,61,30,014.06	31,75,707.32
Feb-19	4,11,98,447.36	4,03,85,159.04	-8,13,288.32
Mar-19	2,89,14,630.46	4,13,06,027.48	1,23,91,397.02
Total Block	**1,70,55,22,998.23**	**1,88,15,97,734.17**	**17,60,74,735.94**

This has been rectified in the subsequent financial year.

vi) The effect of above variations has an impact on the Expenditure to be capitalised on commissioned projects during the year under review the following are the details of the same.

	01/04/2018 to 03/01/2019	04/01/2019 to31/03/2019	Total
HPPCL	1,00,77,350.49	33,34,160.34	1,34,11,510.83
As per our Calculations	1,10,62,680.98	2,86,588.11	1,13,49,269.09
	9,85,330.50	**-30,47,572.23**	**-20,62,241.73**

The Impact of the above will be that expenditure are overstated by

Same as above.

<table>
<tr><td></td><td>Rs 20.62 lacs and CWIP is overstated to that extent during the year under review.</td><td></td></tr>
<tr><td>15.</td><td>Provision for Income Tax
We invite attention to Note No 2.68 where in no provision has been made by the company for income tax during the year under review.
We also invite attention to note 2.54 where in the cases for earlier years are pending with different authorities and the outcome of which are uncertain and may affect the amount shown as Deposits with Income Tax authorities Rs. 8,874.50 lakhs (Previous Year Rs.9,195 lakhs (refer note 2.10).In view of the uncertainly involved and the matter is subjudice we are unable to comment on the recoverability of the above amount and its effect on the Financial</td><td>No provision for income tax liabilities has been made, as the company has brought forward losses and unabsorbed depreciation as per Income Tax provisions. During the year also the company is in loss.</td></tr>
<tr><td>16.</td><td>Goods and Service Tax
The company has not complied with all the provision of the Goods and Service Tax Act while preparing the monthly returns and the annual returns for the year under review.
We have checked some instances and have observed that the Goods and Service tax has not been deposited on following expenditures and Income:-
1. Tender Income
2. Liquidation Charges
3. Rent Income
4. Late Payment Surcharge
5.Payments Made to Government Departments and Government Bodies under Reverse Charge.
6. Reimbursement of Expenses from Contractors
7. Sale of scrap.
The Company has appointed GST auditor to conduct the GST audit under the GST Act. However the GST Audit report for the year under review has not been submitted till the date of the finalisation of this report as the due date for filling of the report was 31st December 2020. In the absence of the report we are unable to comment on the final liability of GST along with interest and penalty.</td><td>1. GST on Tender income- HPPCL has been deposited GST on almost on all tender income.
2. GST on Liquidation Charges - The case regarding Liquidation charges is sub judice with H'ble High court of HP. The outcome is contingent. In case of adverse decision by Hon'ble High Court, HPPCL may not be in a position to recover Liquidation charges as well as the GST paid on it.
3. GST on Rent Income - HPPCL has deposited the GST on rental Income.
4. GST on Late payment surcharge- The Delayed payment surcharge/ Late Payment Surcharge/ Surcharge on outstanding amount (by whatever name called) cannot be treated as separate service and same shall be included in the value of initial supply to which such charges relate. As the portion of Delayed payment surcharge attributable to exempted supply is exempted. Thus no GST is attracted.
5. GST on Payment made to government departments and government bodies under reverse charge - GST has been paid on the bills where GST have been charged by the concerned Government Departments.
6. N/A
7. N/A.</td></tr>
<tr><td></td><td>ii) The GSTR 9 Annual Return for the year 2018-19 submitted by the company shows the following liability
<table>
<tr><th>Tax</th><th>Amount</th></tr>
<tr><td>IGST</td><td>3,08,488.00</td></tr>
<tr><td>CGST</td><td>13,017.00</td></tr>
<tr><td>SGST</td><td>13,017.00</td></tr>
<tr><td>Total</td><td>3,34,522.00</td></tr>
</table></td><td>Necessary reconciliation is being done in this respect.</td></tr>
</table>

<table>
<tr><td></td><td>No Provision for the same has been made in the Books of accounts. Thus Liabilities are understated to that extent.</td><td></td></tr>
<tr><td></td><td>iv) The Company has claimed input of GST while filling the monthly 3 B during the year under review. However while filling the GSTR 9 for the year no details for the Input claimed has been filled and claimed and no liability on account excess claim of ITC has been made. The Following are the details of the same.
<table>
<tr><th>Tax</th><th>Amount</th></tr>
<tr><td>IGST</td><td>1,14,161.00</td></tr>
<tr><td>CGST</td><td>1,14,161.00</td></tr>
<tr><td>SGST</td><td>10,512.00</td></tr>
<tr><td>Total</td><td>2,38,834.00</td></tr>
</table>
Thus liabilities are understated to the extent of above.</td><td>Necessary reconciliation is being done in this respect.</td></tr>
<tr><td></td><td>v) The GSTR 9C Audit report filed by the GST Auditor for the year 2017-18 on 21/05/2020 shows the following amounts as payable by the Company.
<table>
<tr><th>S.No.</th><th></th><th>CGST</th><th>SGST</th><th>Total</th></tr>
<tr><td>1.</td><td>Tax</td><td>6,01,21,367.00</td><td>6,01,21,367.00</td><td>12,02,42,734.00</td></tr>
<tr><td>2.</td><td>Interest</td><td>1,66,82,144.00</td><td>1,66,82,144.00</td><td>3,33,64,288.00</td></tr>
<tr><td></td><td>Total</td><td>7,68,03,511.00</td><td>7,68,03,511.00</td><td>15,36,07,022.00</td></tr>
</table>
Thus Current Liabilities are understated to the extent of Rs. 1536</td><td>The payable amount is related to the GST on LD Charges, Arbitration Fee and payments made to Government departments, the detailed reasons of which have been specified under Sr. No. 16 (i) above.</td></tr>
<tr><td>17.</td><td>Quantitative Details in respect of energy generated and sold
We invite attention to Note 2.49 where in the Company has stated that it has installed capacity of 165 MW as on 31st March 2019. The company has capacity 65 MW *3 i.e. 195 MW and two turbines was in operation and was used alternatively, the third turbine was not used by the Kashang HEP during the year under review and the installed capacity of the Sainj HEP is 100 MW and one solar unit with the capacity of 5MW was installed during the year under review Thus total Installed capacity is 300 MW instead of 165 MV In our opinion the installed capacity is understated to the extent of 135 MW.</td><td>In case of Kashang HEP Stage-I (65 MW), even though all the three Units of 65 MW each have been commissioned, but for availability of water, only single machine/unit can be operated at a time. Due to water availability at present it is provisioned only for operating single machine of 65 MW at a time, as the KK Link Line in case of Kashang Stage II & III, is not yet constructed/linked. However, all the machines are being run on alternate basis by project offices. Therefore, the installed capacity of this Kashang Stage-I is (65 MW) only.</td></tr>
<tr><td>18.</td><td>Allocation of expenses of Kashang 1, 2 and 3
(I) The method adopted for allocation of expenses by the Kashang Unit to Stage 1, 2 and 3 is not systematic and nor consistently followed,
<table>
<tr><th></th><th>2018-19</th><th>2017-18</th><th>2016-17</th></tr>
<tr><td>Stage 1</td><td>82.50%</td><td>84%</td><td>70%</td></tr>
<tr><td>Stage 2 and 3</td><td>17.50%</td><td>16%</td><td>30%</td></tr>
<tr><td>Total</td><td>100%</td><td>100%</td><td>100%</td></tr>
</table></td><td>Earlier up to FY 2018-19 the common expenditure of Stage 1,2&3 were apportion on the basis of project cost as per the approval of the management, however now from F.Y. 2019-20 onward the most of the expenditure are directly charged to the respective stages on actual basis, wherever possible.</td></tr>
<tr><td>19.</td><td>Profit and Loss Account
i) O and M R & R
The Sainj unit has booked prior period expenses amounting to Rs.</td><td>Shall be given required accounting</td></tr>
</table>

<table>
<tr><td></td><td>6.30 lacs under this Head for the year 2017-18. Thus expenditure is overstated to the extent of above and same has to be shown in the year 2017-18 by recasting the financials statements.</td><td>treatment as per Ind As applicable from the F.Y. 2019-20.</td></tr>
<tr><td></td><td>ii) O and M Disaster Management
The Sainj Unit has booked the cost of hooters and other expenses amounting to Rs. 45.35 lacs as expenditure during the year under review which are of Capital Nature and has to be capitalised by the HEP. Thus expenditure is overstated to the extent of above and property plant and machinery is understated to the extent.</td><td>The amount of Rs. 45.35 has been booked for the cost of hooters and other expenses as expenditure during the FY 2018-19 after the COD of Sainj HEP i.e. during the O&M Stage of the project & against the budget allotted under O&M R&M of the Sainj HEP for the FY-2018-19 and is not of capital nature.</td></tr>
<tr><td></td><td>iii) O and M Plant and Machinery
The Turbines of the Kashang HEP was shut down since 30th July 2018 due to erosion in Machines runners and under water parts caused by high silt content in the water. The repair work of coating and repair of the eroded component of the Unit 1 and 3 was awarded to AHPL on 19th May 2018 for amount of Rs. 315 lacs.
The Kashang unit has booked repair and maintenance of runners and its coating to cost of the turbines 1 and 3 to the O and M Expenses plant and Machinery. The high silt in the water has damaged the under water components up to 27%-28%. The IND As 16 states that subsequent costs relating to day to day servicing of the PPE will be covered under ' Repairs and Maintenance. Abnormal and major overhaul of the runners damaged by the slit is not normal repair and Maintenance and will not form of the Repair and Maintenance. In our opinion the benefit of the expenditure is available for more then one year to the company and the expenditure should have been capitalised and to be amortised over the years for which the benefit will be available. Thus Expenditure is overstated to the extent of above and Property Plant and Machinery is understated to that extent.</td><td>The erosion of the underwater components of the turbine in Hydro Power plant is a normal process and supposed to occur every year during monsoon season due to high silt. Hence, the future economic benefit of the expenditure may or may not be available for more than one year to the company due to the normal process in Hydro project .Therefore, these expenses has been charged to the O&M expenses Plant and Machinery. The repair and coating work of Turbine runner does not fall under measure overhaul of the unit.</td></tr>
<tr><td></td><td>iv) Prior period Expenses
The Company has charged the prior period expenses during the year under review to the profit and loss Account. The Following are the year wise Bifurcation of the same.
<table>
<tr><th>S.No.</th><th>Particulars</th><th>Amount</th></tr>
<tr><td>1.</td><td>for the year 2017-18</td><td>1,42,32,088.00</td></tr>
<tr><td>2.</td><td>Period erlier then 2017-18</td><td>6,21,06,074.00</td></tr>
<tr><td></td><td>Total</td><td>7,63,38,162.00</td></tr>
</table>
As per IND As 8 Accounting Policies, Changes in Accounting Estimates and Errors , the errors has to be rectified retrospectively in the Financial Statements as if the error had never occurred. If the error pertains to period earlier then previous year then the third Balance sheet has to be prepared as opening Balance Sheet. Refer Note 1.25 of the Significant Accounting Policies of the company which has not been complied with. In our opinion the Company has not complied with the requirements of the IND AS 8.</td><td>The Prior period expenses pertain to Kashang HEP Rs. 17, 33,592/- only has been charged to profit & loss account during the year under review. These expenses have been charged due to the compliance of statutory audit observations on the Books of Accounts for the F.Y. 2017-18. Compliance to Ind AS 8 has been ensured from F.Y. 2019-20 onwards.</td></tr>
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<tr>
<td></td>
<td>

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

The Kashang Unit has not provided to us the salary cost of the employees posted to the Stage 1, 2 and 3. The Unit does not have the salary cost of employees posted on different stages. In the absence of information we are unable to comment on the apportionment of salary expenses to different stages. The following is the details of salary booked under different stages

(Rs. in Lacs)

<table>
<tr><th>Particulars</th><th>Current Year</th><th>Previous Year</th></tr>
<tr><td>Kashang Stage 1</td><td>520.95</td><td>634.00</td></tr>
<tr><td>Kashang Stage 2 and 3</td><td>110.50</td><td>120.00</td></tr>
<tr><td>Total</td><td>631.45</td><td>754.00</td></tr>
</table>

</td>
<td>Salary cost couldn't be charged separately to different stages on actual basis due to insufficient data of staff posted against different stages and employees cost has been charged to Stages on the basis of project cost during the FY 2018-19 duly approved by the management. However since F.Y. 2019-20 onward the Salary cost directly charged to the respective stages on actual manpower deployment basis.</td>
</tr>
<tr>
<td></td>
<td>

vi) The Kashang unit has charged DA @ 144 % instead of 148% while calculating the liability of the Leave Encashment and gratuity of the Company employees. The Following is the details of the of the shortfall

<table>
<tr><th></th><th>Amount</th></tr>
<tr><td>Gratuity</td><td>1,16,656.00</td></tr>
<tr><td>Leave Encashment</td><td>1,30,014.00</td></tr>
<tr><td>Total</td><td>2,46,670.00</td></tr>
</table>

Thus expenditure is understated to the extent of above.

</td>
<td>Necessary Rectification has been done in the F.Y. 2019-20.</td>
</tr>
<tr>
<td>20.</td>
<td>

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

The Board of Directors has approved the accounts for the year 2018-19 in the Board meeting of 10th June 2020 before the approval of the audited accounts for the year 2017-18 of the corporation in the Annual general meeting on 19th November 2020.

</td>
<td>

In this respect it is submitted that, as per Part-II Sr. No.(4) of Annexure-I, to the C&AG letter of appointment of Statutory Auditors, which is regarding Conditions to the Auditors: "the auditor may start the audit of the Company immediately on receipt of the accounts of the Company. However, they should certify the accounts for the year only after the audited accounts for the previous year has been laid before the AGM for their consideration. **In case audited accounts of the previous years has been considered but finally not adopted by the shareholders, the auditor can certify the accounts of the succeeding year, indicating the fact of the non-adoption of the previous year accounts in their report."**

</td>
</tr>
<tr>
<td>21.</td>
<td>

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

The company has filed an Appeal with the High Court of Himachal Pradesh that the interest on the short-term investment of the funds in Fixed Deposits with bank from the Equity received from the Government is an addition to the equity and not an income of the

</td>
<td>This is as per the approved policy of the management. However this interest income is to compensate the corresponding escalation cost and</td>
</tr>
</table>

	company and on same the income tax is not payable. Similarly, the Income earned on Renuka Funds is also an additional grant from the Agencies and the same is also not an income of the company and the same will be utilised on the project expenses and is part of the Grant. The Company has not shown the interest earned on equity fund till the close of the year as an addition to the Equity and similarly the interest earned on Renuka HEP funds till the close of the year has not been shown as additional grant from the Agencies. The income tax authorities are considering such income as taxable income and is being charged as taxable Income of the Company. No information in respect of the same has been provided to us by the company till the close of the year. In the absence of the information we are unable to comment on the effect of the same on the Balance Sheet.	borrowing cost etc. of the period for which the funds remained idle, due to obstruction of awarded work, for reasons attributable to the Corporation.
22.	**i) Investment Property** The Company is not showing the assets given on rent/ lease as investment property and the same has been shown under the Head Property Plant and machinery.	Being followed from F.Y. 2019-20 onwards
	ii) Chirgaon Majgoan has given Building on rent to HPPTCL amounting to Rs. 1.34 lacs. The Cost of property should be shown as Investment property and depreciation for the corresponding rent has to be charged to the profit and loss Account. Thus Income is understated to the extent of above.	Being followed from F.Y. 2019-20 onwards
23.	**Design Wing Sundernagar** I) The Design wing has booked Rs. 11.66 lacs as lab income and Consultancy Income. However it has been observed that the design wing has not booked any expenditure in relation to providing such services. All the expenses of the GM Office has been apportioned to the all units of the company and no expenditure has been allocated to the income of the Design Wing. Thus the Matching concept accounting has not been followed by the company.	(I) This office has booked Rs. 541086/- as lab receipt and Rs. 625000/- as income from consultancy during F.Y. 2018-19. At present no such mechanism / policy to segregate the cost/ expenditure in relation to the generation of lab/ consultancy income from the overall expenditure incurred by this office is in place, because of which this office is not in a position to accurately match the expenditure incurred thereof. However, a mechanism to this effect is being framed and finalised.
	ii) The Design Wing is providing Technical services to the Kishaua Power Corporation on behalf of the State Government. However no details in respect of the services provided Design wing has been provided to us.	In this context, it is submitted that the design wing is not providing any technical services to Kishau Corp. directly, however, assisting HPPCL Corporate Planning Office on technical issues being forwarded to DW Sundernagar, from time to time. However, the expenditure incurred directly from this office for Kishau Corp. Ltd. is being booked under the G/L Advance to Govt. Department "Kishau Power Corp.

24.	**Disaster Recovery Center** The Company has installed SAP ERP software for all its projects including corporate office. The Company has its DRC at Chennai and the same was closed and shifted to Shimla by M/s Siffy Technology . M/s Siffy Technology was awarded the contract for the AMC of the DRC for Rs. 1.25 crores and the reallocating cost of DRC for Rs. 9.67 lacs. The company has proposed to shift the DRC from Chennai to Himachal Pradesh at Data Center Site of HPSEBL at pointa Sahib or at any other place at Pointa Sahib. The Company does not find any suitable site at Pointa Sahib thus no Disaster Recovery Center of the company is in place till date.	The Data Center of HPPCL has been now shifted to HP State Data Center at Mehli Shimla, H.P. and is in operation. For DRC also arrangements are also being made by this Corporation with HP State Data Center to provide required space at their DRC, which is located in other seismic zone. However at present the Data Back-up is being saved at two different locations to prevent data loss.
25.	**Land Court Cases Renuka Ji Project** The Board of Directors in its 75th meeting on meeting 18th March 2021 has decided not to the file Regular First Appeal in the Hon'ble High Court against the awards passed by the Lower Courts and against the decision of the Hon'ble High Court. Refer Note 2.36 Notes where in its stated that the company has made contingent provision in respect of the awarded amount amounting to Rs. 11,471.33 lacs. The Decision of the company not to file the appeal will make the contingent provisions as regular provisions and thus the provisions on account of land compensation of Renuka Ji Project is understated to the extent of above.	As the decision taken now involves long process to measure the extent of liabilities involved. Land owners who may be still aggrieved by such orders of the Hon'ble Court may delay the process of final settlements, besides, being large number of cases for which liability needs be calculated, hence liabilities can't be accounted for at this stage. However, disclosure to this effect has been given under the Note No. 2.87.
	The effect of the said qualifications where ascertainable the loss of current year will be Rs. 11,736 lakhs against reported loss of Rs. 10,586 lakhs. The Other Equity will be Rs.24,117 lakhs instead of Rs. 22,198 lakhs. The Borrowings will be Rs. 1,40,368 lakhs instead of Rs.1,59,765 Lakhs .The Other Financial Liabilities will be of Rs. 6,144 lakhs instead of Rs. 10,993 lakhs. The Provisions non-current will be of Rs. 4,285 lakhs instead of Rs. 5,690 lakhs. The other non Current Liabilities will be Rs. 82,840 lakhs instead of Rs. 69,543 lakhs .The Other Current Financial Liabilities will be Rs.2,92,604 lakhs instead of Rs. 2,62,070 lakhs. The Property Plant and Equipment will be Rs. 3,33,156 lakhs instead of Rs.3,03,086 lakhs. The Capital Work in Progress will be Rs.2,95,703 lakhs instead of Rs. 3,08,204 lakhs. The Loans will be Rs.153 lakhs instead of Rs. 149 lakhs .The Other Noncurrent Assets will be Rs.29,435 lakhs instead of Rs. 36,705 lakhs. The inventories will be Rs. 53 lakhs instead of Rs. 74 lacs. The Trade Receivable will be Rs.481 lakhs instead of Rs.1,757 lakhs. The cash and cash equivalents will be Rs. 9,404 instead of Rs. 11,365 lakhs. The Bank Balance will be Rs.11,670 instead of Rs. 9,709 lakhs. The Loans Financial Assets will be Rs. Nil lakhs instead of Rs. 3 lakhs. The Financial Assets others will be Rs. 551 lakhs instead of Rs. 1349 lakhs. The Other current Assets others will be Rs. 14,267 lakhs instead of Rs. 6,241 lakhs. The Expenditure during the year are overstated on account of Prior period items by Rs. 769 lacs for which adjustments has to be made in previous years.	The deviations reported by Auditors are within the specified limits.
	Emphasis of Matter 1) No reasonable effort has been made to remove the qualification raised in earlier year audit reports and the same has been considered in this year report also. 2) We further draw attention to the following matters in the Notes	Most of the observations of the previous financial years have been settled.

<table>
<tr><td></td><td>to the stand alone Ind As Financial statements: -
I) Note No. 2.39 to the standalone Ind AS financial statements regarding the various balances which are subject to reconciliation/ confirmation and respective consequential adjustments.</td><td>Disclosure/explanation to this effect has been given in the Notes on Accounts at Note No. 2.39.</td></tr>
<tr><td></td><td>ii) Note No. 2.59 to the standalone Ind AS financial statements regarding statement on State Government loan for Shontong Karcham HEP (450MW) where the ADB funding to state government has expired and stopping of funding by the KFW to the project.</td><td>Disclosure/explanation to this effect has been given in the Notes on Accounts at Note No. 2.59.</td></tr>
<tr><td></td><td>iii) Note No 2.67 to the standalone Ind AS financial statements regarding stay of Forest land to Kashang Stage II and III project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case.</td><td>Disclosure/explanation to this effect has been given in the Notes on Accounts at Note No. 2.67.</td></tr>
<tr><td></td><td>iv) Note No 2.70 to the standalone Ind AS financial statements regarding statement on Nakhtan project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case. Our Opinion is not modified in respect of these matters</td><td>Disclosure/explanation to this effect has been given in the Notes on Accounts at Note No. 2.70.</td></tr>
<tr><td></td><td>**Key Audit Matters**
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
For each matter below, description of how our audit addressed the matter is provided in that context. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.
<table>
<tr><th>S. No.</th><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>1</td><td>**Contingent Liabilities and Provisions**
There are a number of litigations pending before various forums against the Company and the management's judgement is required for estimating the amount to be disclosed as contingent liability and for creating the adequate amount of provision, wherever required. We identified this as a key audit matter because the estimates on which these amounts are based involve a significant degree of management judgment in interpreting the cases and it may be subject to management bias.
(Refer Note No. 2.36 to the Standalone Financial Statements, read with the Accounting Policy No.1.18)</td><td>We have obtained an understanding of the Company's internal instructions and procedures in respect of estimation and disclosure of contingent liabilities and adopted the following audit procedures:
- understood and tested the design and operating effectiveness of controls as established by the management for obtaining all relevant information for pending litigation cases;
- discussed with the management any material developments and latest status of legal matters;
- examined management's judgements and assessments whether provisions are required;
- considered the management assessments of those matters that are not disclosed as the probability of material outflow is considered to be remote;
- reviewed the adequacy and completeness of disclosures;
Based on the above procedures performed, the estimation and disclosures of contingent liabilities and creation of provisions are considered to be adequate and reasonable.</td></tr>
<tr><td>2</td><td>**Property, Plant & Equipment**
There are areas where management judgement impacts the carrying value of property plant and equipment and the irrespective depreciation rates. These include the decision to capitalise or expense costs; the annual asset life review; the timeliness of the capitalisation of assets and the use of management assumptions and estimates for the determination or the measurement and recognition criteria for assets retired from active use. Due to</td><td>We assessed the controls in place over the fixed asset cycle, valuated the appropriateness of capitalisation process Performed tests of details on costs capitalised ,the timeliness and accuracy of the capitalisation of the assets and the de- recognition criteria for assets retired from active use.
In performing these procedures, were viewed the judgements made by management including the nature of underlying costs capitalised; determination of realizable value of the assets retired from active use ;the appropriateness of asset lives applied in the calculation of depreciation; the useful lives of assets prescribed in schedule II of the Companies Act, 2013 and the useful lives of certain assets as per the technical assessment of the management.</td></tr>
</table>
</td><td>Comments not required</td></tr>
</table>

	the materiality in the context of the balance sheet of the Company and the level of judgement and estimates required, we consider this to be as area of significance. (Refer Note No. 2.1 to the Standalone Financial Statements, read with the Significant Accounting Policy No. 1.5)	We have observed that the management has regularly reviewed the aforesaid judgements and there are no material deficiencies in measurement and recognition of property, plant and equipment.
3	**Capital work-in-progress(CWIP)** The company is involved in various capital works like construction of new power projects, installation of new plant and machinery, civil works etc. These projects/works take a substantial period of time to get ready for intended use and due to their materiality in the context of the balance sheet of the Company, this is considered to be an area which had the significant effect on the overall audit strategy and allocation of resources in planning and completing our audit. (Refer Note No.2.2 to the Standalone Financial Statements, read with the Significant Accounting Policy No. 1.6)	We performed an understanding and evaluation of the system of internal control over the capital work-in-progress, with reference to identification and testing of key controls. We assessed the progress of the project and the intention and ability of the management to carry forward and bring the asset to its state of intended use. We assessed the timeliness and accuracy of capitalisation of assets when it is ready for the intended use.

	Information Other than the Standalone Financial Statements and Auditor's Report Thereon The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the standalone financial statements and our auditor's report thereon. Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.	Statements of facts, comments not required.
	Management's Responsibility for the Standalone Ind AS Financial Statements The Company's Board of Directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and statement of changes in equity of the Company in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with relevant rules issued there under. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application	Statements of facts, comments not required.

	of appropriate accounting policies making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors are responsible for overseeing the Company's financial reporting process.	
	Auditor's Responsibility Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism through out the audit. We also Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. - Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls. - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone	Statements of facts, comments not required.

	financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern. - Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation. Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.	
	Report on Other Legal and Regulatory Requirements 1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.	Comments not required.
	2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the Annexure-2 on the directions issued by Comptroller and Auditor General of India.	Comments not required.
	3. **As required by section 143(3) of the Act, we report that:** a) We have sought and except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;	Comments not required.
	b) Except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;	Comments not required.

	c) The Balance Sheet, Statement of Profit and Loss and statement of Cash Flows and Statement of changes in equity dealt with by this report are in agreement with the books of account;	Comments not required.
	d) Except for the effects of the matter described in the Basis of Qualified Opinion paragraph above ,in our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act,	Comments not required.
	e) The Matter described in the Basis for Qualified Opinion paragraph above, in our opinion may have adverse effect on the functioning of the company.	Comments not required.
	f) In view of the exemptions given vide Notification No. G.S.R. 463 (E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, the provisions of Section 164 (2) of the Companies Act, 2013 regarding disqualification of directors, are not applicable to the company.	Comments not required.
	g)The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.	Comments not required.
	h) With respect to adequacy of Internal Financial Controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure-3" in our opinion the internal financial controls system is adequate but the operating effectiveness of such controls need be improved. I) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us: I. The Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 2.33 to the standalone Ind AS financial statements.	Comments not required.
	ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;	Comments not required.
	iii. There were no amounts as at 31.03.2019 which were required to be transferred to the Investor Education and Protection Fund by the Company.	Comments not required.

ANNEXURE 1 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended on 31st March 2019.

S. No.	Auditor's Report	Reply
i.	(a) The company has generally maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. (b) As explained to us all the assets were got physically verified by the management during the year under review. We were informed that no material discrepancies were noticed on such verification. © Title deed of immovable properties are in the name of the company except in cases of Renukaji HEP, SainjHEP, Shongtong HEP and Chirgaon HEP where the land has not been transferred in the name of the Company.	a) Statement of facts, comments not required. b) Statement of facts, comments not required. c) Action for the transfer of title in the name of the Company has been initiate.
ii.	The inventory of the company consisting of Capital Stores, stores, spare parts and other Items. We were informed that these have been physically verified by the management during the year under review.	Statement of facts, comments not required.
iii.	According to the information and explanations given to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. In view of above, the clauses 3(iii)(a) and 3(iii)(b) of the Order are not applicable.	Statement of facts, comments not required.
iv.	The Company has not given any loan, made investments and issued guarantees under section 185 and 186 of the Companies Act, 2013.	Statement of facts, comments not required.
v.	The Company has not accepted any deposits from the public in terms of section 73 to 76 or any provisions of the Companies Act, 2013 and rules there under.	Statement of facts, comments not required.
vi.	The company has made and maintained cost accounts and records as specified by the Central Government under section 148 (1) of the Companies Act 2013. However, we have not made a detailed examination of these accounts and records with a view to determine whether they are accurate and complete. The companies cost accounting records has been audited by the Cost Auditors M/s Balwinder and Associates and they have submitted the report on 19/11/2020.	Statement of facts, comments not required.
vii.	(a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2019 for a period of more than six months from the date they	Statement of facts, comments not required.

<table>
<tr><td></td><td>became payable. However the Liability on account of Goods and Service Tax can not be quantified as GST audit is under progress till the finalisation of this report. We are informed that the provisions of Employees' State Insurance Act are not applicable to the company.</td><td></td></tr>
<tr><td></td><td>(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:
<table>
<tr><th>S.No.</th><th>Statue / Act</th><th>Nature Due</th><th>Amount in lacs</th><th>Period</th><th>Forum Which Pending</th></tr>
<tr><td>1.</td><td>Entry Tax</td><td>Interest</td><td>337.70</td><td>2010-15</td><td>Addl. Excise & Taxation Commissioner -cum-Applellate Authority</td></tr>
<tr><td>2.</td><td>Entry Tax</td><td>Penalty</td><td>751.28</td><td>2010-15</td><td>Addl. Excise & Taxation Commissioner -cum-Applellate Authority</td></tr>
<tr><td>3.</td><td>Provident Fund</td><td>PF Dues</td><td>189.26</td><td>2008-11</td><td>Central Government Industrial Tribunal Chandigarh</td></tr>
<tr><td>4.</td><td>GST</td><td>GST</td><td>868.78</td><td>2017-18</td><td>Amount payable as per GSTR 9 C</td></tr>
<tr><td>5.</td><td>GST</td><td>Interest</td><td>333.64</td><td>2017-18</td><td>Amount payable as per GSTR 9 C</td></tr>
<tr><td>6.</td><td>GST</td><td>GST</td><td>5.72</td><td>2018-19</td><td>Amount payable as per GSTR 9</td></tr>
<tr><td>7.</td><td>Income Tax</td><td>Demand</td><td>146.28</td><td>2015-16</td><td>Appeal with CIT Solan</td></tr>
<tr><td>8.</td><td>Service Tax</td><td></td><td>65.00</td><td></td><td>Sawra Kuddu</td></tr>
<tr><td></td><td>TOTAL</td><td></td><td>2697.67</td><td></td><td></td></tr>
</table>
The Amount of interest and penalty on the Entry Tax thereon due to Excise and taxation department has been settled under Legacy Cases Resolution Scheme by paying the Requisite Settlement Fees by the company.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>viii.</td><td>The Company has not defaulted any repayment of loans or borrowing to any financial institution or bank or dues to debenture holders. However, the Government of Himachal Pradesh has given the sanction to the deferment of repayment Loan and interest up to Jan 2017. No Deferment has been given by the State Govt after that and the request for the same has been given by the company for further deferment and company has not paid the amount of installment of loan and interest after January 2017 till the finalisation of the report.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>ix.</td><td>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.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>x.</td><td>During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information/ explanation given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such cases by the management except in the year 2015 at Renukaji HEP and the same is pending with State Vigilance.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>xi.</td><td>This being a government company Section 197 of the Act is not applicable.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>xii.</td><td>Company is not a Nidhi Company.</td><td>Statement of facts, comments not required.</td></tr>
</table>

xiii.	As per information available to us all transactions with related parties are in compliance with Section 177 & 188 of the Companies act 2013, wherever applicable and the details have been disclosed in the Financial Statements etc. as required by the applicable Accounting Standards.	Statement of facts, comments not required.
xiv.	As informed by the management, the company has not made any preferential allotment to private placement of shares or fully convertible debentures during the year under review.	Statement of facts, comments not required.
xv.	As informed to us the company has not entered in to any non-cash transaction with directors or persons connected with him.	Statement of facts, comments not required.
xvi.	Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable to the company	Statement of facts, comments not required.

ANNEXURE 2 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of Himachal Pradesh Power Corporation Limited on the accounts for the year ended on 31st March 2019

S No.	Directions	Action Taken	Impact on Financial Statement
1.	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	According to the information and explanations given to us and based on our audit, the Company has a system in place to process the accounting transactions through M M Module, Project System, Human Capital Module and Financial and Controlling Module through IT system and for this purpose SAP-ERP has been implemented by the Company. Period end Financial Statements are compiled offline based on balances and transactions generated from such SAP-ERP system for the purpose of preparing The Accounting transactions for sale of power is not generated though Sales and distribution Module and being directly posted in FI Module.We have neither been informed nor have we come across during the course of our audit any accounting transactions which have been processed outside the IT system having impact on the integrity of the accounts. The company has maintained separate Data Centre but does not have Disaster Recovery Centre.	Nil
2.	Whether there is any restructuring of an existing loan or cases of waiver/write No such case come off of debts/loans/interest etc. made by a lender to the company due to the across during If yes, the financial impact may be stated. company's inability to repay the loan?	The State Government Loans has been restructured for repayment of loan and interest up to Jan 2017 till the year2018-19. The Company had requested the State Government for further deferment in the month of September 2020. The State Government has deferred only the dues for the year FY 2020-21 till FY2021-22.	Nil
3.	Whether funds received / receivable for specific schemes from Central/ State agencies were properly accounted for/utilized as per its term and conditions? across during List the cases of deviation.	The Funds received for Renukaji Project and Gyspa Project has been properly accounted for except the interest earned on the short term deposit from the surplus fund has been accounted for as the income of the corporation instead of the crediting the same to the amount payable to the central / State Government. Refer Para C 14(ii) of the main audit . No information in respect of interest earned on the short term investment has been provided to us.	The Amount payable to the Central/state is understated to the extentof interest earned on theshort term investment.
4.	Whether land acquisition is involved in setting up the new projects report whether settlement of dues done expeditiously and in transparent manner	The land has been acquired at Renukaji Dam. All the payments on account of settlement has been transferred to the LAO. However a sum of Rs 188.49 crores has not been paid till the close of the year and provision for the same has been made in the books of accounts.	Nil

5.	How much cost has been incurred on abandoned projects and of this how much cost has been written off	The Corporation has abandoned the Tidong HEP and Sunni Project. The Amount incurred on Tidong project is being shown as recoverable from the Directorate of energy and the amount has not being written off the by the Management. The Corporation has written off Rs 41.26 lacs as amount recoverable from SJVNL on account of cost of the Sunni Project.	Nil
6.	Indicate Whether the company has efficient system for monitoring and adjusting advances to contractors/ supplier. Highlight the Significant instances of failure of the System if any	The company has proper system of adjusting the advances to suppliers, except in following cases:- 1-Patel Engineering Due to non completion of the percentage of the work completed by the Contractor 2-HCC Limited Due court case involved 3 Costal Projects Company in Liquidation at NCLT	Nil

ANNEXURE 3 TO THE AUDITORS' REPORT

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

We have audited the internal financial controls over financial reporting of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

S. No.	Auditor's Report	Reply
1.	**Management's Responsibility for Internal Financial Controls** The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.	No comments.
2.	**Auditors' Responsibility** Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.	No comments.
	Meaning of Internal Financial Controls over Financial Reporting A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and	Statement of facts, comments not required.

	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.	Statement of facts, comments not required.
	Opinion In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2019, 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: - Implementation and Compliance of Ind. AS at unit level to ensure the compliance of the Indian AS on the company as a whole. - Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013 and requirements of the Ind AS - Harmonisation in creation of account heads at Corporate Level in relation to advances, liabilities and vendors according to the nature of expenditure so that no duplication of account code exits and only single account code is allotted to individual vendors in the company as a whole. - Payment to contractors strictly on the basis of authorisation of the BOD. - Option of marking of clearing entries in the SAP should be followed by all the accounting units in respect of current as well as old accounting entries. - Scrutiny of old Earnest Money Deposits, security deposits, Retention money and other payables to contractors. - Capitalisation of Capital Work in Progress in timely and efficient manner. - Reconciliation of retro entries in SAP for CPT Module. - Payment to Contractors of Additional Advance/ Advance against Retention Money and its accounting treatment. - Recovery of delay damages from the contractors and accounting thereof - Provision of Expenses should be made on realistic basis and the payment in subsequent financial year should be adjusted from the provision only. - Long Term Advances and Deposit Work should be regularly reviewed and accounted for where the significant work has been completed. - Accounting of Provision is respect of doubtful advances and other recoverable. - Review of Negative Balances in liabilities and assets heads. - Accounting of EMD in the nature of FDR in the books of accounts. - Recording of financial entries in foreign exchange also where the advances, retention	Suggestions related to strengthening of internal control system have been noted for future compliance.

	money and suppliers dues are payable in other currency also. - Investing of idle funds at HEP in SWEAP Bank accounts to earn bank interest. - Reversing the Cheques/ Neft Entries for which the Limitation period is over. - Accounting of Inventories in hand at project site at the close of the year. - Liability on account of GST should be as per the requirements of the Goods and Service Tax Act. - Accounting Staff/ Officers at Unit Level should be regularly trained in respect of the Indian Accounting Standards and other Accounting concepts and conventions while preparing the Financial Statements. 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, 2019 standalone financial statements of the Company. However, these areas of improvement do not affect our opinion on the standalone financial statements of the Company.	

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

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

क्रमांकः ए0एम0जी0–11(मुख्यालय–1) / हि0प्र0पा0कार्पो0लि0–लेखे–2018–19 / 2021–22 / 201 दिनांकः 03 / 09 / 2021

सेवा में,

प्रबन्ध निदेशक,
हिमाचल प्रदेश पावर कारपोरेशन लिमिटिड,
हिमफैड भवन पांजड़ी, शिमला–171005

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

महोदय,

मैं, 31 मार्च 2019 को समाप्त वर्ष के लिए हिमाचल प्रदेश पावर कारपोरेशन लिमिटिड, के लेखों के सम्बन्ध में कम्पनी अधिनियम, 2013 की धारा 143(6)(b) के अधीन टिप्पणियां भेज रही हूं।

कृपया पावती भेजें।

संलग्नः उपरोक्त

भवदीया,
हस्ता/-
प्रधान महालेखाकार

Comments of the Comptroller and Auditor General of India under Section 143(6) (b) of the Companies Act, 2013 on the standalone financial statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2019.

The preparation of financial statements of the Himachal Pradesh Power Corporation Limited for the year ended 31 March 2019 in accordance with financial reporting frame work prescribed under the Companies Act, 2013 is the responsibility of the Management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139 (5) of the Act are responsible for expressing opinion on the financial statements under Section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under Section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated 9 June 2021.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2019 under Section 143 (6) (a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under Section 143 (6) (b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the statements and the related audit report.

1. Balance Sheet

Liabilities

Current Liabilities

Other Financial Liabilities (Note no. 2.26): Rs.2620.70 crore.

The above does not include Rs. 24.82 lakh being payable to HP Forest Department on account of value of the trees and departmental charges on Compensatory Afforestation relating to Surgani Sundla Hydro Electric Project (48 MW) as on 31-03-2020. The payment was due before 14-07-2018 and was actually paid during 2019-20, as such provision for the same should have been made in the books of accounts. This resulted in understatement of 'Current Liabilities-Other Financial Liabilities' as well as 'Capital Work–in –Progress' by Rs. 24.82 lakh.

2. Independent Auditor Report

Basis for Qualified Opinion Report

(i) A reference is invited to Para I (viii) of observation on the financial statements of Independent auditor's report wherein it is stated that instead of booking of cost of training of Rs. 48.82 lakh to the revenue expenditure, the Kashang unit had booked and capitalized the same under the head 'E & M Works'. Thus, E and M works is overstated and expenditure is understated to the above extent. It was also observed that during 2018-19, the amount actually spent on training was Rs. 68.91 lakh. Thus, the Statutory Auditor's qualification is deficient to the extent of Rs. 20.09 lakh (Rs. 68.91 lakh - Rs. 48.82 lakh). This also resulted in understatement of 'Loss' and overstatement of 'Non Current Assets' by Rs. 20.09 lakh.

(ii) A Reference is invited to observation no. 2 (iii) of Auditor's report wherein it is stated that “total of three progressive payments to Andritz Hydro Power Limited amounting to Rs. 54.03 crore from 4/16 to 3/17 were in nature of advance and has to be adjusted with the invoices to be raised by the supplier in future. Thus advance to the supplier is understated and capital work in progress is overstated to that extent.” The observation of Statutory Auditors is deficient as the payments were made as per terms of contract after completion and certification of work.

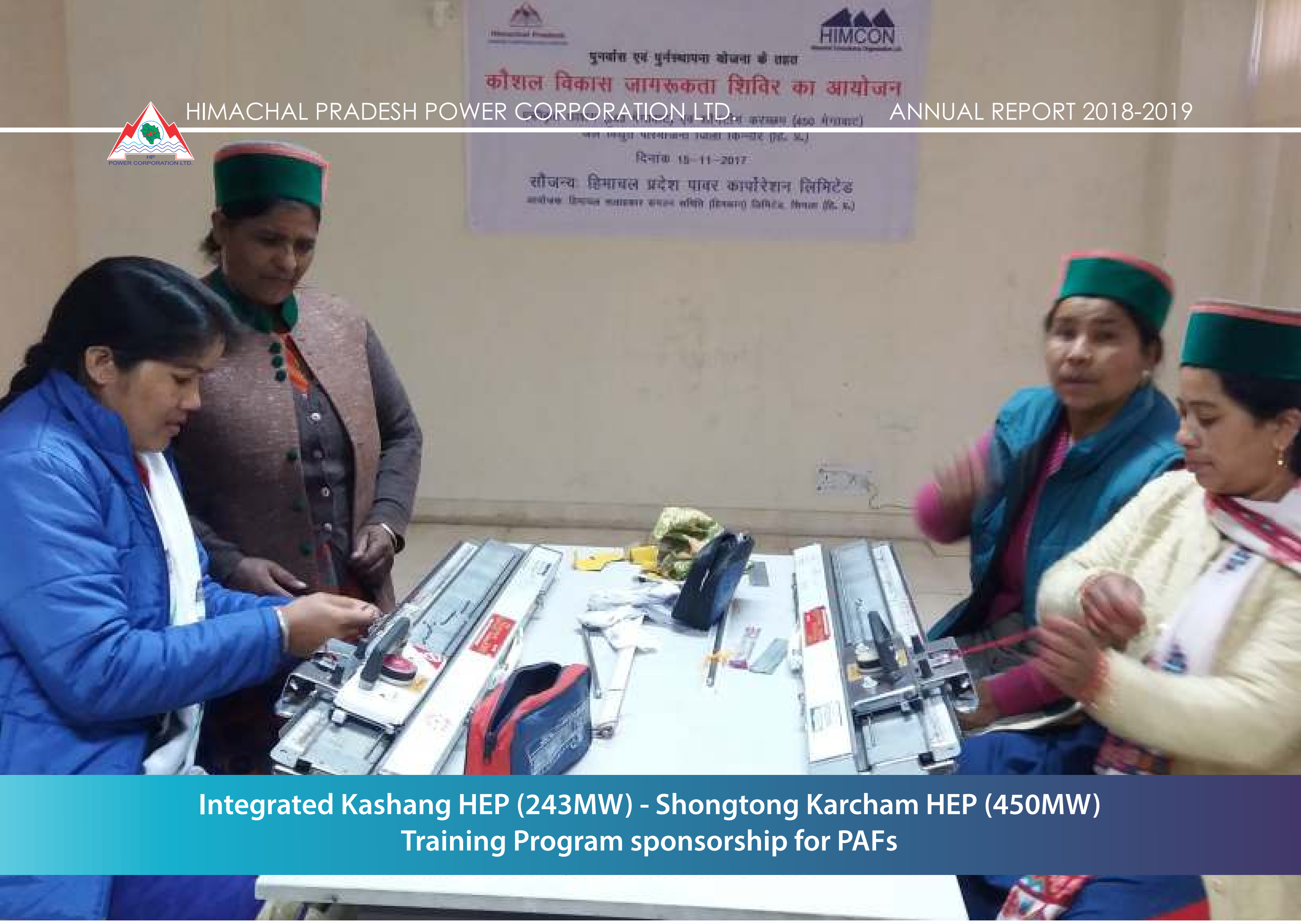
For and on the behalf of the
Comptroller & Auditor General of India

Sd/-

Place: Shimla **Principal Accountant General (Audit)**
Date: 03-09-2021 **Himachal Pradesh, Shimla**

Reply to the Comments of the Comptroller and Auditor General of India under Section 143(6)(b) read with Section 129(4) of the Companies Act 2013, on the Standalone Financial Statements of Himachal Pradesh Power Corporation limited, for the year ended 31 March 2019

	Comments of C&AG	Reply by HPPCL Management
1.	**Balance Sheet** **Liabilities** **Current Liabilities** **Other Financial Liabilities (Note no. 2.26): Rs. 2620.70 crore.** The above does not include Rs. 24.82 lakh being payable to HP Forest Department on account of value of the trees and departmental charges on Compensatory Afforestation relating to Surgani Sundla Hydro Electric Project (48 MW) as on 31-03-2020. The payment was due before 14-07-2018 and was actually paid during 2019-20, as such provision for the same should have been made in the books of accounts. This resulted in understatement of 'Current Liabilities-Other Financial Liabilities' as well as 'Capital Work-in-Progress' by Rs. 24.82 lakh.	The expenditure has been accounted for and payment released, in the F.Y. 2019-20.
2.	**Independent Auditor Report** **Basis for Qualified Opinion Report** i) A reference is invited to Para I (viii) of observation on the financial statements of Independent auditor's report wherein it is stated that instead of booking of cost of training of Rs. 48.82 lakh to the revenue expenditure, the Kashang unit had booked and capitalized the same under the head 'E & M Works'. Thus, E and M works is overstated and expenditure is understated to the above extent. It was also observed that during 2018-19, the amount actually spent on training was Rs. 68.91 lakh. Thus, the Statutory Auditor's qualification is deficient to the extent of Rs. 20.09 lakh (Rs. 68.91 lakh - Rs. 48.82 lakh). This also resulted in understatement of 'Loss' and overstatement of 'Non Current Assets' by Rs. 20.09 lakh.	Necessary rectification has been made in the F.Y. 2020-21.
	ii) A Reference is invited to observation No. 2 (iii) of Auditor's report wherein it is stated that "total of three progressive payments to Andritz Hydro Power Limited amounting to Rs. 54.03 crore from 4/16 to 3/17 were in nature of advance and has to be adjusted with the invoices to be raised by the supplier in future. Thus advance to the supplier is understated and capital work in progress is overstated to that extent." The observation of Statutory Auditors is deficient as the payments were made as per terms of contract after completion and certification of work.	Comments not required.



Integrated Kashang HEP (243MW) - Shongtong Karcham HEP (450MW)
Training Program sponsorship for PAFs

Raising Day Celebrations

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2019

(Rs. in Lacs)

Particulars	Note No.	as at March 31,2019		as at March 31,2018
ASSETS				
Non-Current Assets:				
Property, Plant and Equipment	2.1		3,03,086	2,94,419
Capital Work-in-Progress	2.2		3,08,204	2,71,679
Other Intangible Assets	2.3		8	1
Intangible assets under development	2.4		-	-
Financial Assets				
Investments	2.5	(2)		-
Loans	2.6	149.26		148
Others	2.7	-		-
			147	**148**
Deferred Tax Assets	2.8	-		
Regulatory Deferral Account Debit Balance	2.9	-		
Other Non Current Assets	2.10	36,705		
			36,705	34,444
Current Assets				
Inventories	2.11		74	34
Financial Assets				
Trade Receivables	2.12	1,757		1,617
Cash and Cash Equivalents	2.13	11,365		32,517
Bank Balance other than above	2.14	9,709		2,818
Loans	2.15	3		12
Others	2.16	1,349		3,489
			24,182	**40,453**
Current Tax Assets	2.17	-		-
Other Current Assets	2.18		6,241	278
Inter unit Transfer				
Total Assets			**6,78,648**	**6,41,455**
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	2.19		1,92,756	1,84,556
Other Equity	2.20		(22,201)	(11,601)
Liabilities				
Non-Current Liabilities:				
Financial Liabilities				
Borrowings	2.21	1,59,795		1,18,172
Other Financial Liabilities	2.22	10,993		1,42,869
			1,70,789	**2,61,041**
Provisions	2.23		5,690	5,008
Other Non Current Liabilities	2.24		69,543	69,542
Current Liabilities:				
Trade Payables	2.25	-		
Other Financial Liabilities	2.26	2,62,070		1,32,900
Other Current Liabilities			**2,62,070**	**1,32,900**
Provisions	2.27		-	9
Total Equity and Liability			**6,78,648**	**6,41,455**

Significant Accounting Policies 1.0

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

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K. Sharma)	(Manmohan Sharma)	(Rakesh Kanwar)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN No. 08480582	DIN No. 06532390

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

For Anil Karol and Company
Chartered Accountants, FRN No. 4816N
Sd/-
(CA Walia Umesh) Partner, Membership No. 098287

Place: Shimla
Date: 09/06/2021

CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDING MARCH 31, 2019

(Rs. in Lacs)

Particulars	Note No.	For the year ended March 31, 2019	For the year ended March 31, 2018
Income			
Revenue From Operations	2.28	18,855	8,336
Other Income	2.29	108	5,029
Total Income		**18,963**	**13,365**
Expenses			
Employee Benefit Expenses	2.30	1,565	1,385
Finance Cost	2.31	12,980	9,623
Depreciation And Amortization Expenses	2.32	10,670	8,095
Other Expenses	2.33	4,334	2,156
Total Expenses		**29,549**	**21,258**
Profit (Loss) before net movement in regulatory deferral account balance		**(10,586)**	**(7,893)**
Net movement in regulatory deferral Account Balance		-	-
		(10,586)	**(7,893)**
Share of Profit / Loss in Joint Venture		(2)	(1)
Profit Before Tax		**(10,588)**	**(7,894)**
Extraordinary Items: Loss on Sale of Fixed Assets		(12)	(20)
Profit (Loss) Before Tax		**(10,600)**	**(7,913)**
Income Tax			
Current Tax		-	-
Deferred Tax		-	-
Profit (Loss) for the period		**(10,600)**	**(7,913)**
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit or loss			
-Remeasurement of the net defined benefit liability/asset			
-Income tax on above item			
Total		-	-
Total Comprehensive Income for the period		**(10,600)**	**(7913)**
Earnings per Equity share			
(before net movement in regulatory deferral account Balance			
Basic and Diluted	2.34	(56)	(45)
Earnings per Equity share			
(after net movement in regulatory deferral account Balance			
Basic and Diluted	2.34	(56)	(45)

Significant Accounting Policies 1.0

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

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K. Sharma)	(Manmohan Sharma)	(Rakesh Kanwar)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN No. 08480582	DIN No. 06532390

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

For Anil Karol and Company
Chartered Accountants
FRN No. 4816N
Sd/-
(CA Walia Umesh)
Partner
Membership No. 098287

Place: Shimla
Date: 09/06/2021

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31,2019

(Rs. in Lacs)

Particulars	For the year ended 31.03.2019		For the year ended 31.03.2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/ Loss Before Tax	-	**(10,600)**	**(7,913)**
Adjustment for	-	-	
Loss of Fixed/CWIP Assets	11.76	0	20
Depreciation	10,669	0	8,095
Interest Income on Term Deposits	-	-	(37)
Share of Loss in joint venture	(2)	-	1
Finance/Interest Cost	-	-	9,623
	-	10,683	17,702
Adjustment for Assets and Liabilities	-	-	
Inventories	(40)	-	(3)
Trade Receivables and Unbilled Revenue	(141)	-	(74)
Loans, Other Financial Assets and Other Assets	(10,705)	-	11,412
Other Financial Liabilities and other Liabilities	1,29,170	-	(9,663)
Other Current Liabilities	(9)	-	
Provisions	682	-	750
	-	1,18,958	2,422
Cash Generated from Operating activities	-	1,19,041	12,211
Less: Income Tax Paid	-	-	
Net Cash generated from Operating activities	-	**1,19,041**	**12,211**
	-	-	
CASH FLOW FROM INVESTING ACTIVITIES	-	-	
Net Expenditure on Property Plant & equipment and CWIP and EDC	55,869	-	54,358
Other Non Current Assets	2,261	-	
Interest on Term Deposit / Sweep Deposits	(1)	-	(3,184)
Term Deposit with Banks (having maturity more than 3 months)	-	-	(2,877)
Depreciation on CWIP	-	-	-
CWIP from Deficit Account	-	-	-
Less: Loss of Fixed/CWIP assets from torrential rain & flood	12	-	20
Net Cash used in Investing activities	-	**58,141**	**(48,317)**
	-	-	
CASH FLOW FROM FINANCING ACTIVITIES	-	-	
Share Capital	8,200	-	17,466
Long Term Borrowings -Proceeds	(90,252)	-	14,639
Net Cash used for Financing activities	-	**(82,052)**	**32,105**
Net Increase in Cash and Cash Equivalents	-	**(21,152)**	**(4,001)**
Opening Balance Cash and Equivalents	-	**32,517**	**36,518**
Closing Balance Cash and Equivalents	-	**11,365**	**32,517**

Restricted Cash Balance			
Earmarked Balance (Unpaid Dividend)	-	-	
Margin Money for BG/ Letter of Credit and Pledged Deposits	-	4,437	2,326
	-	**4,437**	**2,326**

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-
(B.L. Verma)	(Sudershan K. Sharma)	(Manmohan Sharma)	(Rakesh Kanwar)
D.G.M. (Finance)	Company Secretary	Director (Finance)	Managing Director
		DIN No. 08480582	DIN No. 06532390

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

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

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

Place: Shimla
Date: 09/06/2021

STATEMENT OF CHANGE IN EQUITY

(Rs. in Lacs)

Particulars	Equity Share Capital	Other Equity		Total Other Equity	Total
		Reserve & Surplus	Other Comprehensive Income		
		Retained Earnings	Remeasurement of the Net Defined Benefit Assets/Liability (net of Tax)		
Changes in equity for the year ended on March, 2018					
Opening Balance as on 1st April 2018	1,84,556	-11,601	0	-11,601	1,72,955
Equity Shares issued during the year	8,200				8,200
Other Comprehensive Income for the period	0				0
Profit/ Loss for the Period		-10,600		-10,600	-10,600
Dividend					
Dividend Tax					
Opening Adjustment in Retained Earnings					
Closing Balance as at March 31, 2019	**1,92,756**	**-22,201**		**-22,201**	**1,70,555**

For and on behalf of the Board of Directors

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

Sd/-
(Sudershan K. Sharma)
Company Secretary

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

Sd/-
(Rakesh Kanwar)
Managing Director
DIN No. 06532390

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

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

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

Place: Shimla
Date: 09/06/2021

HIMACHAL PRADESH POWER CORPORATION LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019

1. COMPANY INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY

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

B. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

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

1.2 BASIS OF MEASUREMENT

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

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

1.4 CURRENT AND NON-CURRENT CLASSIFICATION

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or

Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when:

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

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

1.5 PROPERTY, PLANT AND EQUIPMENT (PPE)

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

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

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

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

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

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

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

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

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

1.6 CAPITAL WORK-IN-PROGRESS

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

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

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

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

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

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

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

1.7 INVESTMENT PROPERTY

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

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

ii) Sale in the ordinary course of business.

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

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

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

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

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

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

1.8 INTANGIBLE ASSETS

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

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

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

ii) The cost of the asset can be measured reliably

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

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

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

1.9 REGULATORY DEFERRAL ACCOUNTS

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

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

1.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

1.11 INVENTORIES

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

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

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

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

1.12 FOREIGN CURRENCY TRANSACTIONS

a) Functional and Presentation Currency:

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

b) Transactions and Balances:

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

ii) Exchange differences arising on translation or settlement of monetary items are recognised in the statement of profit and loss in the year in which it arises with the exception that exchange differences on long term monetary items related to acquisition of fixed assets entered up to March 31, 2016 are adjusted to carrying cost of fixed assets.

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

1.13 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION, SUBSEQUENT MEASUREMENT AND IMPAIRMENT

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

A) Financial Assets

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

Initial Recognition and Measurement:

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

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

A) De-recognition:

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

B) Financial Liabilities:

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

Classification, Initial Recognition and Measurement:

a) Financial liabilities are recognised initially at fair value minus transaction costs that are directly attributable to the issue of financial liabilities. Any difference between the proceeds (net of transaction costs) and the fair value at initial recognition is recognised in the Statement of Profit and Loss or in the“Expenditure Attributable to Construction” if another standard permits inclusion of such cost in the carrying amount of an asset over the period of the borrowings using the effective rate of interest.

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

Subsequent measurement:

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

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

De-recognition:

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

1.14 INVESTMENT IN JOINT VENTURES AND ASSOCIATES

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

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

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

1.15 LEASES

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

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

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

Operating Lease:

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

1.16 GOVERNMENT GRANTS

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

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

1.17 BORROWING COSTS

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

1.18 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) A provision is recognised when:

I) the Group has present legal or constructive obligation asresult of past event;

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

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

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

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

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

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

f) Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are disclosed in the financial statements when inflow of economic benefits is probable on the basis of judgement of management.

These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

1.19 REVENUE RECOGNITION AND OTHER INCOME

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

1.20 EMPLOYEE BENEFITS

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

a) Short-term Benefits

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

b) Terminal Benefits

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

1.21 DEPRECIATION AND AMORTIZATION

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

  a) Depreciation is charged on Straight Line method following the rate & methodology notified by the H.P State Electricity Regulatory Commission (HPERC) for the purpose of fixation of tariff as amended from time to time, **except in case of:**

  b) Mobile Phones are depreciated fully @ 25% P.A. in 4 years.

  c) Kitchen items and small office items are depreciated over the period of 3 years, keeping10% residual value.

  d) Assets costing Rs. 5000/- or less are depreciated fully in the year of procurement.

  e) Expenditure on software is recognised as "Intangible Asset" and amortised fully over three years on SLM or over a period of its legal rights to use, whichever is less.

  f) Infrastructural development construction power depreciated @5.28% SLM under the head any other assets not covered in the HPERC Schedule.

  g) Depreciation is provided on pro-rata basis from the month in which the asset becomes obsolete is provided till the end of the month in which such declaration is made.

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

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

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

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

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

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

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

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

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

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

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

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

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

1.22 INCOME TAXES

Income tax expense comprises current tax and deferred tax.

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

a) Current Income Tax

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

b) Deferred Tax

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

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

1.23 EARNINGS PER SHARE

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

1.24 STATEMENT OF CASH FLOWS

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

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

1.25 MATERIAL PRIOR PERIOD ERRORS

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

2 NOTES TO ACCOUNTS

The amounts in financial statements are presented in India Rupees and all figures has been rounded off to the nearest Rs. lacs except when otherwise stated. The previous year figures have also been reclassified/ regrouped/ rearranged wherever necessary to confirm to this year's classification.

(Rs. in Lacs)

Particulars	Sub Note	Amount as at March 31,2019	Amount as at March 31,2018
2.1 Property Plant and Equipment	2.1.1	3,03,086	2,94,419
2.2 Capital Work In progress	2.2.1	3,08,204	2,71,679
2.3 Intangible Assets	2.3.1	8	1
TOTAL		**6,11,299**	**5,66,099**
2.4 Intangible assets under development		0	0
TOTAL		**0**	**0**

NON - CURRENT ASSETS

FINANCIAL ASSETS

2.5 INVESTMENTS

Note 2.5.1

Investment accounted for Using Equity Method

Non-Trade - unquoted (At Cost)

a) Interest in Joint Venture Companies

The entity listed below has share capital consisting solely of Equity Shares, which are held directly by the group. The country of incorporation or registration is also the principal place of business and the proportion of ownership, interest is the same as the proportion of voting rights held.

(Rs. in Lacs)

	Place of Business	Accounting Method	Amount as at March 31, 2018	Amount as at March 31, 2017
			Ownership Interest	
Himachal EMTA Power Limited	India	Equity Method	50%	50%
			Carrying Amount	
Himachal EMTA Power Limited			57.00	57.00
			57.00	**57.00**
Less Provision for doubtful investments			338.00	338.00
Reclassification of Carrying amount adjusted in retained earnings			(281.00)	(281.00)
TOTAL			**0.00**	**0.00**

The company has made an investment of Rs. 337.5 Lacs in the equity of Himachal Emta Power Limited (HEPL) which has been established as Companies joint Venture with Emta for setting up (2*250MW) thermal Power Plant at Raniganj, West Bengal. The company has 50% equity participation in HEPL. The objective of joint venture is coal block for ensuring the uninterrupted fuel supplies thereto. However, Hon'ble supreme Court of India has cancelled all allotment of coal block and termed all captive coal block allocation since 1993 as illegal. The joint venture company of Himachal EMTA has filed a claim to the ministry of Coal for expenditure incurred on the project & has not received the claim for the Ministry of Coal as yet. Provision for Doubtful Investment has been made in books as final shares from the Himachal Emta is received by the company.

Note 2.5.2 Share of Profit of Joint ventures accounted for Using Equity Method

(Rs. in Lacs)

Particulars	As at March 31, 2019	As at March 31, 2018
Himachal EMTA Power Limited	(2.00)	(1.00)
TOTAL	**(2.00)**	**(1.00)**

Explanatory Note

SUMMARISED FINANCIAL INFORMATION FOR JOINT VENTURES

The table below provide summarised financial information for Joint venture of the group.The information disclosed reflect the amount presented in the financial statements of the joint venture. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments made at the time of acquisitions and modifications for differences in accounting policy.

Summarised Balance Sheet

(Rs. in Lacs)

Particulars	As at March 31, 2019	As at March 31, 2018
ASSETS		
Non Current Assets	252	252
Current Assets	2	2
Total Assets	**255**	**254**
LIABILITIES		
Non Current Liabilities	151	144
Current Liabilities	3	1
Total Liabilities	**154**	**145**
Net Assets	**101**	**109**

Note 2.5.3 Reconciliation of Carrying Amount

(Rs. in Lacs)

Particulars	Amount as at March 31, 2019	As at March 31, 2018
Opening Net Assets	109	114
Profit / Loss during the year	(3.35)	(1)
Other Comprehensive Income	-	-
Reclassification Adjustment	-	-
	105.65	**113**
Group Share in Percentage	50%	50%
Group Share in Rupees	**53**	**57**

Summarised Statement of Profit and Loss Account

(Rs. in Lacs)

Particulars	Amount as at March 31, 2019	As at March 31, 2018
Other Income	1	1
Other Expenses	(1.66)	(1)
Depriciation and Amortisation	0	(1)
Income Tax	(2.52)	0
Net Loss	(3.35)	(1)
Group Share in Rupees	(2)	(1)

2.6 FINANCIAL ASSETS - LOANS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Security Deposits		
- Secured Considered Good	1	-
- Unsecured Considered Good	148	148
- Doubtful	-	-
	149	148
Loans to employess		
- Secured Considered Good	-	-
- Unsecured Considered Good	-	-
- Doubtful	-	-
TOTAL FINANCIAL ASSETS - NON CURRENT	**149**	**148**

2.7 FINANCIAL ASSETS - OTHERS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Fixed Deposits with Banks having Maturity for more than 12 months	0	0
TOTAL	**-**	**-**

2.8 DEFERRED TAX ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Deferred Tax Assets	0	0
TOTAL	**-**	**-**

2.9 REULATORY DEFERRAL ACCOUNTS- DEBIT BALANCE

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Regulatory Deferral Accounts- Debit Balance	0	0
TOTAL	**-**	**-**

2.10 NON - CURRENT ASSETS

OTHER NON CURRENT ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Capital Advances:		
Secured by Hypothecation of Equipment / Material	-	-
Unsecured Considered Good	7,911	-
Covered by Bank Guarantee	453	5,682
Others	496	4,499
Loans and advances to Related Parties		

Loans and Advances to Joint Ventures		
Secured Considered Good	-	-
Unsecured Considered Good	61	61
Less: Provision for doubtful advance	(61)	(61)
Advances to Others		
Others - Secured Considered Good	-	5
Others - Unsecured Considered Good	686	1,272
Deposit with Judicial Authorities	-	-
Capital Stores At Cost (as certified by the management)		
Other items	2	2
Recoverable Contractors	-	13,620
Others-Secured Considered Good	4,325	-
Others -Unsecured Considered Good	13,119	-
Others Recoverable	314	231
Less: Provision for doubtful recoverable	(63)	(63)
Recoverable from Staff	2	1
Deposits With Income Tax Authorities	8,874	8,673
Grant Receivable - Non Current	566	522
Prepaid Expenses	18	-
Deferred Employee Benefits Expense	-	-
TOTAL OTHER NON- CURRENT ASSETS	**36,705**	**34,444**

CURRENT ASSETS

2.11 INVENTORIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Loose Tools	-	-
Stores and Spares	74	34
Less: Provision for Shortage of store and Obsolescence	-	-
TOTAL	**74**	**34**

FINANCIAL ASSETS

2.12 TRADE RECEIVABLES

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Secured considered good		
Unsecured considered good		
- Power	1,734	1,593
- Lab Charges	24	24
Doubtful	-	-
Related Party	-	-
TOTAL	**1,757**	**1,617**

2.13 CASH AND CASH EQUIVALENTS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Term Deposits (having original maturity of upto 3 months)	-	-
Cash and Bank Balances	-	-
Cash in Hand	-	1
Stamps in Hand	-	-
Remittances in Transit	-	-
Balances with Banks	-	-
Current Deposits	9,403	24,125
Term Deposits with maturity period up o 3 months	1,961	8,391
TOTAL	**11,365**	**32,517**

2.14 BANK BALANCE - OTHER THAN ABOVE

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Earmarked Balance (Unpaid Dividend)		
Margin Money for Pledged Deposits	3,312	1,201
Other Term Deposits having maturity period for more than 3 months	5,272	492
Margin Money for BG/ Letter of Credit	1,125	1,125
TOTAL	**9,709**	**2,818**

2.15 LOANS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Recoverable from Staff	-	1
Security Deposit	-	-
Secured Considered Good	-	-
Unsecured Considered Good	2	-
Doubtful	-	-
Loans and Advances to Related Parties	-	-
Loans and Advances to Directors	-	-
Secured Considered Good	-	-
Unsecured Considered Good	-	-
Advances to Employees	-	-
Secured considered good	-	-
Unsecured Considered Good	-	11
Doubtful	-	-
TOTAL	**3**	**12**

2.16 OTHER ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Interest Accrued but not due on Deposits with Banks	326.75	177
Interest Recoverable	139.04	227
Recoverable from Staff	-	-
Income Tax Refund	-	-
Amount Recoverable from Others	46.09	-
Accrued Interest on Advances to Others	-	-
Amount Recoverable from Contractor & Suppliers		3,085
- Secured considered good	7.10	
- Unsecured Considered Good	829.69	
Other Current Assets	-	-
TOTAL	**1,348.67**	**3,489**

2.17 CURRENT TAX ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Current Tax Assets	0	0
TOTAL	**0**	**0**

2.18 OTHER CURRENT ASSETS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Advances to Contractors & Suppliers		
Secured Considered Good	125	-
Unsecured Considered Good	35	187
Doubtful	-	-
Less: Provision for Doubtful Advances	-	-
Advances to Govt Department		
Secured Considered Good	-	-
Unsecured Considered Good	189	-
Doubtful	-	-
Advances Others		
Secured Considered Good	-	-
Unsecured Considered Good	485	41
Prepaid Expenses	24	50
Other Recoverable	-	0.09
Deposit with Courts	5,383	-
Grant Receivable	-	-
TOTAL	**6,241**	**278**

2.19 EQUITY SHARE CAPITAL

Particulars	as at March 31,2019		as at March 31,2018	
	No. of Shares	Amount (Rs. in Lacs)	No. of Shares	Amount (Rs. in Lacs)
AUTHORISED Equity Shares of par Value of Rs 1,000/- each	2,50,00,000	2,50,000	2,00,00,000	2,00,000
ISSUED, SUBSCRIBED AND FULLY PAID UP Equity Shares of par Value of Rs 1,000/- each fully paid up	1,92,75,633	1,92,756.33	1,84,55,633	1,84,556.33
TOTAL		**1,92,756.33**		**1,84,556.33**

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

Particulars	as at March 31,2019		as at March 31,2018	
	No. of Shares	%	No. of Shares	%
Government of Himachal Pradesh	60,96,345	31.63	52,76,345	28.59
Himachal Pradesh Infrastructure Development Board	1,18,71,507	61.59	1,18,71,507	64.32
Himachal Pradesh Electricity Board Limited	13,07,731	6.78	13,07,731	7.09
TOTAL	**1,92,75,583**	**100.00**	**1,84,55,583**	**100.00**

2.19.2 THE RECONCILIATION OF SHARES OUTSTANDING IS SET OUT BELOW:

Particulars	as at March 31,2019		as at March 31,2018	
	No. of Shares	Amount (Rs. in Lacs)	No. of Shares	Amount (Rs. in Lacs)
No. of shares at the beginning	1,84,55,633	1,84,556.33	1,67,09,008	1,67,090.08
No. of shares issued during the year	8,20,000	8,200.00	17,46,625	17,466.25
No. of shares Bought Back during the year	-	-	-	-
No. of shares at the end	1,92,75,633	1,92,756.33	1,84,55,633	1,84,556.33

2.20 OTHER EQUITY

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Retained Earnings		
Opening Balance	(11,601)	(3,687)
Less: Previous years adjustment	-	-
Adjustment of Carrying amount of Investment in Himachal Emta Power Limited	-	-
Add: Profit for the Year as per Statement of Profit and Loss	(10,598)	(7,913)
Closing Balance	(22,199)	(11,601)
Total Other Equity (A+ B+C)	**(22,199)**	**(11,601)**

2.21 BORROWINGS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Bonds or Debentures	-	-
TOTAL	**-**	**-**

Long Term Loans		
From Other Parties		
Secured		
Power Finance Corporation for Sawra Kuddu HEP *(Repayable in quarterly instalments upto April 2013, carrying interest@ 11.75% p.a. payable quarterly)*	-	1,471
Loan from Indian Overseas Bank, S.E. New Delhi (Secured)	-	-
Loan from Andhra Bank (Secured)	-	-
Total (A)	**-**	**1,471**
Unsecured		
Government of Himachal Pradesh Loan for Shongtong HEP *(Rate of Interest 3.83% p.a. payable in half yealrly instalments from July 2018 to January 2028)*	8,792	7,215
Government of Himachal Pradesh Loan for Shongtong HEP *(Rate of Interest 0.75% p.a. payable in half yealrly instalments from July 2023 to January 2053)*	4,874	4,838
Government of Himachal Pradesh Loan		
Government of Himachal Pradesh Loan (Trench 1) *(Rate of Interest 10% pa payable in yearly instalments of principal and interest from April 18 to January 2023)*	29,150	3,890
Government of Himachal Pradesh Loan (Trench 2) *(Rate of Interest 10% pa payable in yearly instalments of principal and interest from April 18 to January 2025)*	15,939	41,073
Government of Himachal Pradesh Loan (Trench 3) *(Rate of Interest 10% pa payable in yearly instalments of principal and interest from April 18 to January 2026)*	71,056	32,316
Government of Himachal Pradesh Loan (Trench 4) *(Rate of Interest 10% pa payable in yearly instalments of principal and interest from April 18 to January 2027)*	29,985	27,370
Total (B)	**1,59,795**	**1,16,701**
TOTAL (A+B)	**1,59,795**	**1,18,172**

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

2.22 OTHER FINANCIAL LIABILITIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Deferred Repayment of Interest of Govt. of Himachal Pradesh Loan	-	98,952
Deferred Repayment of Principal of Govt. of Himachal Pradesh Loan	-	41,135
Other Expense Payable	-	-
Govt. Dues Payable	-	-
Deposits, Retention Money from Contractors and Others	5,914	2,793
Less: Investment held as security	-	(11)
Provision for Expenses	5,023	-
Liability for contractor and supplier	57	-
TOTAL	**10,993**	**1,42,869**

2.23 PROVISIONS - NON CURRENT

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Provisions		
Gratuity Payable	1,861	1,630
Leave Encashment	1,030	801
Pension Payable	2,799	2,577
TOTAL	**5,690**	**5,008**

Changes During the year

(Rs. in Lacs)

	As at March 31,2018	For The Year			As at March 31,2019
		Additions	Write Back/Transfer	Utilization	
Unfunded Employees Benefit					
Pension Contribution	1,630	232	0	1	1,861
Gratuity	801	923	683	11	1,030
Leave Encashment	2,577	943	717	4	2,799
TOTAL	**5,008**	**2,098**	**1,400**	**16**	**5,690**

2.24 OTHER NON CURRENT LIABILITIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Capital Grant government of India		
(A) Utilised Grant		
Renuka		
Opening Balance	68,680	68,680
Addition during the year	-	-
Less: Accumulated Depreciation on Fixed Assets	174	(153)
Closing Balance	68,506	68,527
Gyspa		
Opening Balance	1,022	988
Addition during the year	44	35
Less: Accumulated Depreciation on Fixed Assets	(30)	(7)
Closing Balance	1,037	1,015
Total Utilised Grants	**69,543**	**69,542**

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 Govrnment of beneficiary states. The contributions received for Renukaji Dam Project from the Central Government, Delhi, Jal Board and the Haryana Government aggregating Rs. 68,680 lacs and for Gyspa Dam Project from PWC Rs 500 lacs has been treated as capital Reserve, (net of depreciation) in compliance with AS 12.

2.25 TRADE PAYABLES

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Trade Payables	0	0
TOTAL	**0**	**0**

2.26 OTHER CURRENT LIABILITIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Liabilities for Employee's Remuneration and Benefits	152	116
Share Application Money pending Allotment	8,800	1,000
Current Portion of Power Finance Corporation Loan payable	0	-
Interest Accrued and Due on Loan	1,23,146	36
Current Portion of Government of HP loan	93,347	93,026
Advance for Deposit Work	1,500	14
Deposits, Retention Money from Contractors and Others	706	1,971
Liabilities for Government Departments	2,374	847
Liabilities For Contractors & Suppliers	5,239	4,141
Provision for Expenses	26,490	31,625
Taxes and Duties Payable	316	122
Bank Overdrawn due to Bank Reconciliation	0	-
TOTAL	**2,62,070**	**1,32,899**

2.27 OTHER CURRENT LIABILITIES

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Provisions		
Unfunded Employee Benefit		
Gratuity Payable	0	9
Leave Encashment	-	-
Pension Payable	-	-
Others	-	-
TOTAL	**0**	**9**

Changes During the year

(Rs. in Lacs)

	As at 01.04.2018	For The Year			As At 01.04.2019
		Additions	Write Back/Transfer	Utilization	
Unfunded Employees Benefit					
Pension Contribution	-	-	-	-	-
Gratuity Provision	4	-	-	4	-
Leave Encashment	5	-	-	5	-
TOTAL	**9**	**-**	**-**	**9**	**-**

2.28 REVENUE FROM OPERATIONS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Sales		
Energy Sales	18,833	8,315
Sale of Services		
Rent from Property	22	21
Rent of Land	-	-
TOTAL	**18,855**	**8,336**

2.25 MISCELLANEOUS INCOME

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Interest on Bank Deposits - FDR's	-	37
Income for providing Design works/Lab Receipt	5	3
Interest from Banks	3	2
Adjustment of Depreciation on Capital Grants	-	-
Late Payment Surcharge	0	30
Others	118	4,455
Sale of Scrap	1	-
Prior Period Income	(19)	502
TOTAL	**108**	**5,029**

2.30 EMPLOYEE BENEFITS EXPENSES

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Salaries, Wages, Allowances and Benefits	1,221	1,231
Contribution to Provident and Other Funds	58	52
Leave Salary and Pension Contribution	101	85
Welfare Expenses	186	16
TOTAL	**1,565**	**1,385**

2.31 FINANCE COSTS

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Bank Charges/LC Charges	0	0
Interest on Term Loans	12,980	9,623
TOTAL	**12,980**	**9,623**

2.32 DEPRECIATION AND AMORTIZATION EXPENSE

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Depreciation for the year	10,670	8,095
Depeciation Charged to Statement of Profit & Loss	**10,670**	**8,095**

2.33 OTHER EXPENSES

OFFICE AND ADMINISTRATIVE EXPENDITURE

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2018
Repair and Maintenance		
Buildings	72	144
Roads	1	-
Plant & Machinery	820	128
Office Equipments & Furniture	1	1
Civil Works	102	-
Electro Mechanical Works	-	-
Vehicles	0	1
Others	7	15
Less: Claims Received from Insurance Companies *	-	-
Rent, rates and Taxes	22	25
Insurance:		
Vehicles	-	-
Other Assets	40	29
Security Expenses	-	-
Electricity & Water Charges	138	98
Less: Recovered from Employees & Contractors	-	-
Research and Development	-	-
Travelling & Conveyance	3	5
Training Expenses	1	1
Less: Cost of Application Forms Received	-	-
Legal and Professional Charges	130	119
Communication Expenses	5	10
Printing & Stationery	6	8
Statutory Audit Fees	8	9
Tax Audit Fee	-	-
GST Audit Fee	-	-
Cost Audit Fee	-	-
Internal Audit Fee	-	-
Consultancy Fee	-	1
Publicity and Advertisement Expenses	2	3
Advertisement & Publicity	-	-
Expenses in relation to sale of power	1,725	173
Free Power	34	28
EMP Expenses	-	-
Hiring of Vehicles	140	97
Vehicle Running Charges and Insurance Charges	3	1
Annual Technical Support- SAP	34	491
Fees and Subscription	8	6

Expenses on Transit Camps	0	0
Books & Periodicals	1	2
Hospitality and Entertainment Expense	2	2
Freight and Labour Charges	0	0
Postage and Telegram Expenses	0	0
Raising Day Expense	13	10
Rebate to Customers	35	-
Provision for Doubtful advances	-	49
Disaster Management Plan Exps.	-	-
Directors Sitting Fees	-	-
Deferred Revenue Expenditure Written Off	-	-
Meeting Expenses	1	1
Environment & Ecology Expenses	54	-
Office Expenses	71	1
Prior Period Expenses	763	348
Expenditure Write Off	41	-
Interest & Penalties under I.Tax	-	-
Miscellaneous Expenses	50	-
Exchange Rate Variation	-	-
4000800 R&R Schemes / Plan	-	-
Expenditure on Catchment Area Treatment	-	-
Project Inauguration Expenses	-	-
Expenses on Regulated Power	-	-
Less: Regulated Power Adjustment - Sales	-	-
Rehabilitation Expenses	-	-
Local Area Development Expenses	-	-
TOTAL	**4,334**	**2,156**

2.34 EARNING PER SHARE BASIC AND DILUTED

(Rs. in Lacs)

Particulars	Amount as at March 31,2019	Amount as at March 31,2019
Net Profit after Tax	(10,600)	(7,913)
Weighted Average Number of Shares	1,88,65,633	1,75,82,271
Face Value of Share	1,000	1,000
EPS	(56)	(45)

Sub Note No. 2.1 SCHEDULE OF PROPERTY PLANT AND EQUIPMENT

(Rs. in Lacs)

Particulars	GROSS BLOCK						DEPRECIATION						NET BLOCK	
	As at 01.04.2018	Addition during the year	Deductions/ Adjustments	Previous Year		As at 31.03.2019	As at 01.04.2019	Addition during the year	Deductions/ Adjustments	Previous Year		As at 31.03.2019	As at 31.03.2019	As at 31.03.2018
				Deletion	Addition					Deletion	Addition			
Land - Lease Hold	28	0	-	(3)	-	26	4	1	-	(3)	-	2	24	24
Land - Free Hold	76,873	15,321	(719)	-	-	91,476	1	-	-	-	-	1	91,475	76,873
Residential Buildings	2,457	0	-	(29)	205	2,633	162	91	-	(29)	205	430	2,203	2,294
Non-Residential Buildings	1,528	108	-	-	92	1,729	100	71	-	-	92	264	1,465	1,428
Temporary Sheds / Erections	2	10	-	(3)	-	10	3	3	-	(3)	-	3	7	0
Project Civil Works	1,54,456	597	(96)	-	-	1,54,957	7,249	7,370	(7)	-	-	14,612	1,40,344	1,47,206
Roads, Bridges & Traffic Tunnels	0	0	-	-	-	(0)	0	-	-	-	-	0	0	0
Project Electro Mechanical Works	61,889	3,668	(44)	-	0	65,513	2,655	3,016	(3)	-	0	5,668	59,846	59,235
Plant (currently for Water Treatment)	1	0	-	-	2	3	(1)	0	-	-	2	1	2	2
Office Machinery (like lab, fire, safety)	68	0	-	-	68	136	(33)	8	-	-	68	42	93	101
Electronics & Electrical Items	206	43	-	-	181	430	(97)	26	-	-	181	111	319	303
Furnitures & Fixtures	172	7	-	-	159	338	(75)	26	-	-	159	111	227	247
Computers & Data Processing Machines	84	32	-	-	73	189	(12)	20	-	-	73	81	108	96
Vehicles	81	52	-	-	23	156	(1)	16	-	-	23	38	118	82
Kitchen Items	3	0	-	-	0	3	2	1	-	-	0	2	1	1
Fire Fight Equipment	0	0	-	-	-	0	0	0	-	-	-	0	0	0
Small Office Items	0	0	-	-	0	0	0	0	-	-	0	0	0	0
Helipad	11	0	-	-	12	23	(8)	1	-	-	12	5	18	19
Bridges & Culverts	508	0	-	-	72	580	16.	19	-	-	72	107	473	492
Server and Networks	402	0	-	-	497	899	49	202	-	-	497	748	151	353
Roads	1,974	55	-	-	2925	4,954	(2,179)	164	-	-	2,925	910	4,044	4,153
Assets not owned by Company (Roads)	0	-	-	-	-	-	0	-	-	-	-	0	0	0
Assets not owned by Company (Others)	0	-	-	-	-	-	0	-	-	-	-	0	0	0
Infrastructure Dev. Construction Power	1,815	790	(1)	-	1	2,605	303	134	-	-	1	438	2,167	1,512
Total (A)	**3,02,558**	**20,683**	**(859)**	**(34)**	**4,312**	**3,26,660**	**8,138**	**11,168**	**(10)**	**(34)**	**4,312**	**23,574**	**3,03,086**	**2,94,420**

Note No. 2.2.1

CAPITAL WORK-IN-PROGRESS

(Rs. in Lacs)

Particulars	Note No.	Amount As at 31.03.2018	Addition during FY 2018-19	Deletion during FY 2018-198	Net Adj. during FY 2018-19	Amount As at 31.03.2019
Residential Buildings	2.2.1.1	23	9	8	1	24
Non Residential Buildings	2.2.1.1	102	86	99	(13)	89
Roads, Bridges & Culverts	2.2.1.1	88	140	37	103	191
Civil Works	2.2.1.1	97,115	24,413	9,555	14,858	1,11,973
Electro-Mechanical Works	2.2.1.1	38,176	8,666	3,453	5,212	43,388
Construction Power	2.2.1.1	209	40	205	(165)	44
Land Submerged Area	2.2.1.1	19,564	282	996	(714)	18,850
Investigation & Survey	2.2.1.1	12	-	12	(12)	-
Environment and R&R Expenses	2.2.1.1	184	20	204	(184)	-
G.Total		**1,55,473**	**33,654**	**14,571**	**19,084**	**1,74,557**
Expenditure During Construction	2.2.2	1,16,208	20,511	3,073	17,438	1,33,647
Total Carried forward to Balance Sheet		**2,71,681**	**54,165**	**17,644**	**36,522**	**3,08,204**

Note No. 2.2.1.1

CAPITAL WORK IN PROGRESS (PROJECT WISE)

(Rs. in Lacs)

Particulars	Residential Buildings as at 31.03.2019	Non Residential Buildings as at 31.03.2019	Roads, Bridges & Culverts as at 31.03.2019	Civil Works as at 31.03.2019	Electro-Mechanical Works as at 31.03.2019	Construction Power as at 31.03.2019	Land Submerged Area as at 31.03.2019	Investigation & Survey as at 31.03.2019	Environment Expenses as at 31.03.2019	G.Total
Sundernagar	1	-	-	-	-	-	-	-	-	1
Sawra Kuddu HEP	14	-	0	68,158	24,000	5	-	-	-	92,178
Kashang HEP Stage-I	-	-	-	182	-	-	-	-	-	182
Sainj HEP	9	89	190	90	-	-	-	-	-	378
Renuka Dam Project	-	-	-	-	-	-	18,850	-	-	18,850
Shongtong HEP	-	-	-	31,108	19,388	39	-	-	-	50,536
Triveni HEP	-	-	-	-	-	-	-	-	-	-
Thana Plaun HEP	-	-	-	-	-	-	-	-	-	-
Gyspa HEP	-	-	-	-	-	-	-	-	-	-
Surgani Sundla HEP	-	-	-	-	-	-	-	-	-	-
Deothal Chanju	-	-	-	-	-	-	-	-	-	-
Chanju-III	-	-	-	-	-	-	-	-	-	-
Berra-Dol Solar Power Project	-	-	-	193	-	-	-	-	-	193
Kashang HEP Stage-II	-	-	-	12,240	-	-	-	-	-	12,240
G.Total	**24**	**89**	**191**	**1,11,972**	**43,388**	**44**	**18,850**	**-**	**-**	**1,74,557**

Note No. 2.2.2 EXPENDITURE DURING CONSTRUCTION

(Rs. in Lacs)

Particulars	Note No.	Amount As at 31.03.2018	Addition During FY 2018-19	Deletion During FY 2018-19	Net Adj. During FY 2018-19	Amount As at 31.03.2019
EXPENSES (A):						
Employees' Benefits Expenses	2.2.2.1	43,538	5,373	(53)	5,320	48,858
Finance/Interest Cost	2.2.2.2	44,619	10,737	-	10,737	55,356
Depreciation Expenses	2.2.2.3	2,424	502	-	502	2,926
Office and Administrative Expenses	2.2.2.4	34,036	6,328	(3,020)	3,308	37,344
TOTAL (A)		1,24,617	22,940	(3,073)	19,867	1,44,484
Less: Miscellaneous Income	2.2.2.5	(8,409)	(2,429)	-	(2,429)	(10,838)
Less: Renukaji & Gyspa Project Depreciation adjusted against Capital Reserve		-	-	-	-	-
NET EXPENDITURE (B) (Carried forward to CWIP)		**1,16,208**	**20,511**	**(3,073)**	**17,438**	**1,33,647**

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

(Rs. in Lacs)

Particulars	Amount As at 31.03.2019	Addition During FY 2018-19	Deletion During FY 2018-19	Net During FY 2018-19	Amount As at 31.03.2018
Salaries, Wages, Allowances and Benefits	43,287	4,678	(45)	4,633	38,654
Contribution to Provident and Other Funds	878	84	(7)	77	801
Leave Salary and Pension Contribution	3,405	488	-	488	2,917
Travelling Exp.	386	38	(0)	38	349
Medical Exp.	471	45	(0)	45	425
Welfare Expenses	431	40	(0)	40	392
TOTAL	**48,858**	**5,373**	(53)	**5,320**	**43,538**

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

(Rs. in Lacs)

Particulars	Amount As at 31.03.2019	Addition During FY 2018-19	Deletion During FY 2018-19	Net During FY 2018-19	Amount As at 31.03.20187
Interest on Term Loans	55,300	10,736	-	10,736	44,564
Bank Charges/LC Charges	37	1	-	1	35
Others-FBT/Service Tax Interest	19	-	-	-	19
TOTAL	**55,356**	**10,737**	**-**	**10,737**	**44,619**

Note No. 2.2.2.3 DEPRECIATION EXPENSES

(Rs. in Lacs)

Particulars	Addition During FY 2018-19	Deletion During FY 2018-19	Net Adj. During FY 2018-19	Amount During FY 2017-18
Depreciation for the year (Transferred to Profit & Loss Account)	-	-	-	-
Depreciation for the year (Transferred to Expenditure During Construction)	502	-	502	(15)
TOTAL	**502**	**-**	**502**	**(15)**
Depreciation written off from Capital Reserve	-	-	-	-

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

(Rs. in Lacs)

Particulars	Amount As at 31.03.2019	Addition During FY 2018-19	Deletion During FY 2018-19	Net During FY 2018-19	Amount As at 31.03.2018
Repairs and Maintenance Vehicle	93	15	-	15	78
Repairs and Maintenance Office Furniture & Equipment's	77	13	(2)	11	66
Repairs and Maintenance Plant and Machinery	98	7	-	7	91
Repairs and Maintenance Buildings	575	41	-	41	534
Repairs and Maintenance Others	47	6	-	6	41
Office & Administration Expenses	39	-	(498)	(498)	537
Hospitality and Entertainment Expenses	143	11	(0)	11	132
Meeting Expenses	61	8	-	8	53
Misc. Expenses	139	(1)	-	(1)	140
Communication Expenses	595	73	-	73	521
Rent, Rates and Taxes	1,533	259	(3)	256	1,277
Consultancy Fees	903	52	(1)	51	851
Annual Technical Support-SAP/ AMC	1,601	577	-	577	1,023
Vehicle Running Charges & Insurance Charges	255	50	(0)	50	205
Hired Vehicle Expenses	1,828	220	(0)	219	1,608
Training & Seminar	286	21	-	21	265
Fees & Subscription	30	0	-	0	29
Electricity & Water Expenses	428	89	(0)	89	339
Printing & Stationery	258	20	(0)	20	239
Books, Periodicals & Newspapers	65	5	(0)	5	60
Freight & Labour Charges	36	3	-	3	33
Insurance	28	7	-	7	21
Raising Day Expense	34	-	-	-	34
Legal & Professional Charges	441	112	(0)	112	329
Postage & Telegram Expenses	27	2	-	2	25
Publicity & Advertisement Expenditure	238	23	-	23	215
Expenditure on Transit Camps/Guest House	40	1	(0)	1	39
Business Promotion Expenses	165	0	-	0	165
Power/ Water Park	0	-	-	-	0
Foreign Exchange Variation Cost	57	1	-	1	56
Land Acquisition Expenses	9	2	(0)	2	7
LADA	5,786	767	-	767	5,019
Relief and Rehabilitation Costs	5,730	315	-	315	5,415
Environmental and Ecology exp.	2,495	(2,229)	(3)	(2,232)	4,727
Expenditure on Enabling Assets	461	-	-	-	461
CAT Plan	7,282	2,598	-	2,598	4,684
Study and Research	73	30	-	30	43
Survey & Investigation	9,348	433	-	433	8,914
Construction Power HPSEBL 1-8-1	46	-	-	-	46
Environment Management Plan	1,274	41	-	41	1,232

Fuel expenses Data Centre	6	-	-	1	5
Gift & Presentation A/c (Pending Allocation)	4	1	-	-	4
Honorarium & Stipend	250	250	-	250	-
Incidental expenses-Power Water & parks	0	(45)	-	(45)	45
Outsource Manpower Expenses (Pending Allocation)	3,077	537	-	537	2,540
Retain earning Adjustment unto FY 2014	2,410	-	-	-	2,410
Safety Related Expenses	0	0	-	0	-
Winter Heating Exp. (Pending Allocation)	64	5	-	5	59
Wages (Daily paid staff) (PROJECT)	8	1	-	1	7
Remuneration to Auditors	18	4	(0)	4	14
Consumables Stores	87	4	(0)	4	83
Transmission Lines	12	-	-	-	12
Common Cost (HO & SNR)	(2,854)	1,950	(2,259)	(309)	(2,544)
Incidental exp after COD(proportio)Stage-1 2017-18	(1)	-	-	-	(1)
Incidental exp Before COD Stage-1	(8,153)	-	-	-	(8,153)
Expenditure related to previous year	47	47	-	47	-
AUC-Amount Settlement	(253)	-	(253)	(253)	-
TOTAL	**37,344**	**6,328**	**(3,020)**	**3,308**	**34,036**

Note No. 2.2.2.5 MISCELLANEOUS INCOME TRANSFERRED TO EXPENDITURE DURING CONSTRUCTION

(Rs. in Lacs)

Particulars	Amount As at 31.03.2019	Addition During FY 2018-19	Deletion During FY 2018-19	Net Adj. During FY 2018-19	Amount As at 31.03.2018
Interest from Banks Deposits/FDR's	(4,645)	(0)	-	(0)	(4,644)
Income from Providing design work/Lab Receipts	(4)	-	-	-	(4)
Interest from Employees	-	-	-	-	-
House Rent Collection from employees/Other recovery	(21)	-	-	-	(21)
Infirm Sale or Power	(17)	(17)	-	(17)	-
Interest on Tax Refunds	(320)	-	-	-	(320)
Income from Sale of Tender Forms	2	(1)	-	(1)	3
Income from Contractors	(56)	-	-	-	(56)
Income from Transit Camp/Guest House	(1)	-	-	-	(1)
Gain on sale of Assets	(1)	-	-	-	(1)
Miscellaneous Receipts	(5,775)	(2,411)	-	(2,411)	(3,365)
TOTAL	**(10,838)**	**(2,429)**	**-**	**(2,429)**	**(8,409)**

Note No. 2.3 OTHER INTANGIBLE ASSETS

(Rs. in Lacs)

Particulars	GROSS BLOCK						DEPRECIATION						NET BLOCK	
	As at 01.04.2018	Addition during the year	Deductions/ Adjustments	Previous Year		As at 31.03.2019	As at 01.04.2019	Addition during the year	Deductions/ Adjustments	Previous Year		As at 31.03.2019	As at 31.03.2019	As at 31.03.2018
				Deletion	Addition					Deletion	Addition			
SOFTWARE	93	8	0	(46)	0	55	92	0	0	(46)	0	47	8	1
Total	**93**	**8**	**0**	**(46)**	**0**	**55**	**92**	**0**	**0**	**(46)**	**0**	**47**	**8**	**1**

Note No. 2.4 INTANGIBLE ASSETS UNDER DEVELOPMENT

(Rs. in Lacs)

Particulars	As at 01.04.2018	Addition during the year	Deductions/ Adjustments	Previous Year		As at 31.03.2019
				Deletion	Addition	
SOFTWARE	-	-	-	-	-	-
Total	-	-	-	-	-	-

2.35 DISCLOSURE ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

i) Fair Value Measurement

a) Financial Instruments by Category

(Rs. in Lacs)

Particulars	Note No.	As at March 31, 2019	As at March 31, 2018
		Amortised Cost	Amortised Cost
Financial Assets			
Non Current Financial Assets			
(i) Investments	2.5	(2)	-
(ii) Loans	2.6	149	148
(iii) Others	2.7	-	-
Bank Deposits with more than 12 Months Maturity			
Current Financial Assets			
(i) Trade Receivables	2.12	1,757	1,617
(ii) Cash and Cash Equivalents	2.13	11,365	32,517
(iii) Bank Balance other than above	2.14	9,709	2,818
(iv) Loans	2.15	3	12
(v) Other Assets			
Interest Accrued	2.16	327	177
Other Recoverable	2.16	1,022	3,312
Total Financial Assets		**24,330**	**40,601**
Financial Liabilities			
(i) Long Term Borrowings			
a) Term Loans Financial Institutions	2.21	-	1,471
b) Term Loans from Others	2.21 & 2.22	1,63,098	2,27,496
(ii) Deposits / retention non current	2.22	10,993	2,793
Current Financial Liabilities			
(iii) Other Financial Liabilities			
a) Current Maturity of Term Loans Financial Institutions	2.26	-	36
b) Current Maturity of Term Loans other	2.26	2,13,191	1,22,319
c) Deposit/Retention Money	2.26	706	1,971
d) Liability against Capital Works	2.26	5,239	4,141

e) Other Payables	2.26	39,632	33,724
Total Financial Liabilities		**4,32,859**	**3,93,951**

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

B) FAIR VALUATION MEASUREMENT

(i) Fair Value Hierarchy

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

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

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

(Rs. in Lacs)

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

(a) Financial Assets/ Liabilities Measured at Fair Value- recurring Fair Value Measurement

(Rs. in Lacs)

Particulars	Note No.	As at March 31, 2019			As at March 31, 2018		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets at FVTOCI							
(i) Investments							
- In equity Instrument quoted		-	-	-	-	-	-
- In government Securities		-	-	-	-	-	-
- In public sector undertakings/ Public Financial Institution and Corporate Bonds		-	-	-	-	-	-
TOTAL		-	-	-	-	-	-

(b) Financial Assets/ Liabilities measured at amortised cost for which fair value are not disclosed

(Rs. in Lacs)

Particulars	Note No.	As at March 31, 2018			As at March 31, 2017		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets							
(I) Loans to employees & Others	2.6 & 2.15		152			160	
(ii) Other		-	-	-	-	-	-
Bank deposits with more than 12 months maturity	2.7	-	-	-	-	-	-
Total Assets		**-**	**152**	**-**	**-**	**160**	**-**

Financial Liabilities							
(I) Long term Borrowings (incl. current Maturity & Interest)	2.21 & 2.26		3,76,289			3,51,321	
(ii) Deposit / Retention Money (Including Current)	2.21 & 2.26	-	6,620	-	-	4,764	-
Total Liabilities		**-**	**3,82,909**	**-**	**-**	**3,56,086**	**-**
Total		**-**		**-**	**-**		**-**

Valuation techniques and process used to determine fair values

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

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

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

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

(Rs. in Lacs)

Particulars	Note No.	As at March 31, 2019		As at March 31, 2018	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
(I) Loans to employees & Others	2.6 & 2.15	152	152	160	160
(ii) Other		-	-	-	-
Bank deposits with more than 12 months maturity	2.7	-	-	-	-
Total Assets		**152**	**152**	**160**	**160**
Financial Liabilities					
(I) Long term Borrowings (incl. current Maturity & Interest)	2.21 & 2.26	3,76,289	3,76,289	3,51,321	3,51,321
(ii) Deposit / Retention Money (Including Current)	2.21 & 2.26	6,620	6,620	4,764	4,764
Total Liabilities		**3,82,909**	**3,82,909**	**3,56,085**	**3,56,085**

Significant Estimates:

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

(ii) Financial Risk Management

Financial risk factors:

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

a) Credit risk:

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

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

b) Liquidity risk:

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

c) Market risk:

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

(A) Credit Risk:

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

a) Trade Receivables:

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

b) Financial assets at carrying cost:

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

c) Financial instruments and cash deposits:

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

(B) Liquidity Risk:

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

Maturities of Financial Liabilities:

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

(Rs. in Lacs)

As at 31st March, 2019						
Contractual maturities of financial liabilities	Note No.	Outstanding Debt on 31.3.2019	Within one Year	More than 1 year & less than 3 Years	More than 3 year & less than 5 Years	More than 5 Years
1. Borrowings (including interest accrued but not due)	2.21, 2.22 & 2.26	3,81,312	2,22,395	49,445	49,445	60,027
2. Other financial liabilities	2.22 & 2.26	51,547	45,633	3,392	2,522	0

(Rs. in Lacs)

As at 31st March, 2018						
Contractual maturities of financial liabilities	Note No.	Outstanding Debt on 31.3.2018	Within one Year	More than 1 year & less than 3 Years	More than 3 year & less than 5 Years	More than 5 Years
1. Borrowings (including interest accrued but not due)	2.21, 2.22 & 2.26	3,82,911	-	2,94,012	40,754	48,146
2. Other financial liabilities	2.22 & 2.26	11,029	-	10,056	973	-

(c) Market Risk:

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

(i) Interest rate risk and sensitivity:

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

(Rs. in Lacs)

Particulars	As At 31st March 2019	As At 31st March 2018
Fixed Rate Borrowings	2,53,143	2,52,369

ii) Price Risk:

Exposure:

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

iii) Foreign Currency Risk

Foreign Currency Risk Exposure:

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

Particulars	As At 31st March 2019			As At 31st March 2018		
Foreign Currency	**USD**	**Euro**	**CHF**	**USD**	**Euro**	**CHF**
Financial Assets						
Net Exposure to foreign currency risk (asset)	0.7			0.7		
Financial Liabilities						
Retention Money		1.32				
Other Payables	7.22	0.84			1.38	0.41
Net Exposure to foreign currency risk (Liabilities)	-6.52	-2.16		0.7	-1.38	-0.41

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

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

(iii) Capital Management

(a) Capital Risk Management:

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The primary objective of the Company's capital management is to maximize the shareholder value. The Company's primary objective when managing capital is to ensure that it maintains an efficient capital structure and healthy capital ratios and safeguard the Company's ability to continue as a going concern, in order to support its business and provide maximum returns for shareholders. The Company also proposes to maintain an optimal capital structure to reduce the cost of capital. No changes were made in the objectives, policies or processes during the year ended 31st March, 2019.

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

(Rs. in Lacs)

Particulars	As At 31st March 2019	As At 31st March 2018
a) Loans and Borrowings	2,53,143.00	2,52,333.00
b) Trade and Other Payables	2,54,949.00	2,16,166.00
b) Less: Cash and Cash Equivalents	11,365.00	32,517.00
c) Net Debt	4,96,727.00	4,35,982.00
d) Total Capital	1,70,588.00	1,72,956.00
e) Capital and Net Debt	6,67,315.00	6,08,938.00
f) Gearing Ratio	74.44	71.60

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

(b) Loan Covenants:

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

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

(c) Dividends:

The Company started commercial operation during the year 2016-17 and total cumulative loss as on 31.03.2019 is Rs.22,199 Lakhs, thus no dividend has been declared by the company.

Other Explanatory Notes to Accounts:

2.36 CONTINGENT LIABILITIES

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

(Rs. in Lacs)

Particulars	As At 31st March 2019	As At 31st March 2018
Capital Works	89,119.64	67,052.24
Land Compensation	30,585.66	16,123.89
Entry Tax	0	0
Others	400.26	335.25
TOTAL	**1,20,105.56**	**83,511.38**

(i) Capital works:

Contractors have lodged claims aggregating to Approx. Rs. 89,119.64 Lacs, against the Company on account of rate & quantity deviation, cost relating to extension of time and idling charges due to stoppage of work/delays in handing over the site etc. These claims are being contested by the company as being not admissible in terms of provisions of the respective contracts or are lying at arbitration tribunal/other forums/other Courts. As the amounts recommended by the Dispute Boards (DBs) are much less than the amounts claimed by the contractors, the claims on account of further interest and escalation, if any, have not been considered.

(ii) Land Compensation cases:

In respect of land acquired for the projects, some of the land losers have filed claims for higher compensation amounting to Rs. 30,585.66 Lacs before various authorities/courts. Company has shown the same as contingent liability as the matter is subjudice.

(iii) Others:

Claims on account of other matters amounting to Rs. 400.26 lacs mainly on account of claims for damage to property, EPF & others.

The above is summarized as at 31.03.2019 below:

(Rs. in Lacs)

Particulars	Claims as on 31.3.2019	Provision Against the Claims	Contingent Liability as on 31.3.2019	Contingent Liability as on 31.3.2018	Addition of Contigent Liability for the period
Capital Works	89,119.64	0	89,119.64	67,052.24	22,067.40
Land Compensation	30,585.66	0	30,585.66	16,123.89	14,461.77
Others	400.26	0	400.26	317.92	82.34

The above is summarized as at 31.03.2018 below

(Rs. in Lacs)

Particulars	Claims as on 31.3.2018	Provision Against the Claims	Contingent Liability as on 31.3.2018	Contingent Liability as on 31.3.2017	Addition of Contigent Liability for the period
Capital Works	67,052.24	0	67,052.24	33,526.00	28,297.70
Land Compensation	16,123.89	0	16,123.89	33,132.00	33,312.00
Entry Tax	-	0	-	1,088.98	-
Others	-	0	-	317.92	317.62

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

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

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

2.37 DETAIL OF CONTINGENT ASSETS

(Rs. in Lacs)

Particulars	As At 31st March 2019	As At 31st March 2018
Civil Work	38,948.00	38,948.00

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

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

(In Lacs)

Particulars		As At 31st March 2019	As At 31st March 2018
Estimated amount of contracts remaining to be executed on capital account and not provided for	INR	106770.36	1,21,674.16
	Euro	19.5	12.56
	US$	54.15	54.15
	CHF	0.00	0.00
	SWF	0.00	0.00

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

(Rs. in Lacs)

S.No.	Particulars	Year ended 31.3.2019	Year ended 31.3.2018
(i)	Amount Charged to Statement of Profit and Loss Account excluding depreciation	29.89 (Net)	6.56 (Net)
(ii)	Amount Charged to Expenditure attributable to construction	18.07	20.85
(iii)	Amount adjusted by addition to the carrying amount of fixed Assets	Nil	Nil

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

General description of various defined employee benefits are as under:

a) Defined Contribution plans:

Pension:

The Company employees are not covered under any Government pension scheme. However, the employees of the

HPSEBL who are on secondment basis with the company the pension contribution is payable to the HPSEBL as per the formula devised by them.

b) Defined benefit plans:

(I) Employers contribution to Provident Fund:

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

(ii) Gratuity:

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

(iii) Leave encashment:

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

2.42 SEGMENT INFORMATION:

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

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

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

d) Information about major customers:

(Rs. in Lacs)

S.No.	Name of Customer	Revenue from Customers		Revenue from Customers as percentage of revenue	
		2018-19	2017-18	2018-19	2017-18
1.	HPSEB Limited	334.716	3,720.42	1.96%	44.74%
2.	TPTCL	16,736.13	4,594.70	98.04%	55.26%

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

(a) List of Related Parties

(i) Directors & Key Management Personnel:

Name	Designation
Sh. Rakesh Kanwar, IAS	Managing Director (w. e. f. 03/06/2020 to till date)
Sh. Devesh Kumar, IAS	Managing Director (w. e. f. 21/04/2017 to 18/02/2019 and 02/07/2019 to 01/06/2020)
Sh. Ajay Sharma, IAS	Managing Director (w.e.f. 23/02/2019 to 02/07/2019)
Sh. Neeraj Kumar, HAS	Director (Personnel & Finance), (w.e.f. 26/10/2015 to 10/06/2019)
Er. Mahesh Sirkek	Director (Electrical) (w. e. f. 19/04/2017 to 27/01/2020)
Er. Dharam Singh Thakur	Director (Civil) (w.e.f. 09/03/2018 to till date) & Director (Elect.) (w.e.f. 27.01.2020 to till date)
Sh. Manmohan Sharma, HAS	Director (Personnel & Finance) w.e.f. 10.06.2019 till date
Er. Shashi Kant Joshi	Director(Electrical) (w.e.f.20/05/2020 to till date
Sh. Sudarshan Sharma	Company Secretary

(ii) Joint Ventures:

Name of Entity	Principal Place of operation	Principal Activities	Percentage of Shareholding/ voting Power	
			As At 31st March 2019	As At 31st March 2018
Himachal EMTA Power Limited	Kolkata	Thermal Power Generation	50%	50%

Transactions with the related parties are as follows:

(Rs. in Lacs)

Particulars	Joint Venture Companies	
Transactions During the Year	2018-19	2017-18
Investment in Share Capital	-	-
Share Application Money	-	-
Amount Recoverable	-	-

2.44 REMUNERATION TO DIRECTORS & KEY MANAGERIAL PERSONNEL

(Rs. in Lacs)

Particulars	Year ended on 2018-19	Year ended on 2017-18
i) Short Term Employee Benefits	114.13	156.30
ii) Post Employment Benefits	Nil	Nil
iii) Other Long Term Benefits	Nil	Nil
iv) Termination Benefits	Nil	Nil
TOTAL	**114.13**	**156.30**

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

2.45 INTEREST IN OTHER ENTITIES

(i) Interest in joint ventures:

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

(Rs. in Lacs)

Name of Entity & place of Business	% of ownership Interest	Relation ship	Accounting Method	Quoted Fair value		Carrying Amount	
				31st March 2019	31st March 2018	31st March 2019	31st March 2018
Himachal EMTA Power Limited	50	Joint Venture	Equity Method	*	*	*	**338

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

Summarised balance sheet as at 31 March 2019 using the Equity Method:
Himachal EMTA Power Limited

(Rs. in Lacs)

Particulars	As At 31st March 2019	As At 31st March 2018
Current Assets		
Cash and Cash Equivalents	1.34	1.34
Other Assets	1.07	0.45
Total Current Assets	**2.41**	**1.79**
Total Non Current Assets	**252.43**	**252.00**
Current Liabilities		
Financial Liabilities	0.51	
Current Liabilities	2.02	1.28
Total Current Liabilities	**2.53**	**1.28**
Non Current Liabilities		
Financial Liabilities	121.00	121.00
Other Liabilities	29.9	22.83
Total Non Current Liabilities	**150.9**	**143.83**
Net Assets	**101.41**	**108.68**

Summarised statement of Profit and Loss using Equity Method:

(Rs. in Lacs)

Particulars	As At 31st March 2019	As At 31st March 2018
Revenue	0.00	0.00
Interest Income	0.83	0.72
Other Expenses	1.66	1.16
Depreciation and Amortisation	0.00	1.00
Profit Before Tax	-0.83	-1.34
Tax Expense	2.53	0.00
Total Comprehensive Income for the Year	**-3.36**	**-1.34**

2.46 IMPAIRMENT OF ASSETS

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

2.47 FAIR VALUATION OF ASSETS AND LIABILITIES

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

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

(Rs. in Lacs)

	Particulars	Year ended on 2018-19	Year ended on 2017-18
A	Expenditure in Foreign Currency	Nil	9.60
B	Earnings in Foreign Currency	Nil	Nil
C	Value of Import Calculated on CIF basis	Nil	Nil
i)	Capital Goods	Nil	Nil

ii)	Spare Parts	Nil	Nil
D	Value of Component, Stores and Spare Parts Consumed	Nil	Nil
i)	Imported	Nil	Nil
ii)	Indigenous	Nil	Nil

2.49 QUANTITATIVE DETAILS IN RESPECT OF ENERGY GENERATED & SOLD

Hydro Power :

S.No.	Particulars	Year ended on 2018-19	Year ended on 2017-18
1)	Licensed Capacity	170 MW	165 MW
2)	Installed Capacity	170 MW	165 MW
3)	Actual Generation (million Units)	547.44 MUs	327.18 MUs

2.50 PAYMENT TO AUDITORS INCLUDES:

(Rs. in Lacs)

Particulars	Year ended on 2018-19	Year ended on 2017-18
As Auditors		
Statutory Auditors **(includes revision of fee from the F.Y. 2015-16)**	0.00	5.62
Tax Audit	1.00	1.00
Other services (Certification fee)	0.00	0.70
Reimbursement of Expenses	0.00	1.51
Reimbursement of Service Tax/GST	0.18	1.46
TOTAL	**1.18**	**10.29**

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

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

2.52 INFORMATION IN RESPECT OF MICRO AND SMALL ENTERPRISES AS AT 31ST MARCH 2018 AS REQUIRED BY MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006:

(Rs. in Lacs)

Particulars	Year ended on 2018-19	Year ended on 2017-18
a) Amount remaining unpaid to any supplier:	Nil	Nil
Principal amount	Nil	Nil
Interest due thereon	Nil	Nil
b) Amount of interest paid in terms of section 16 of the MSMED Act along with the amount paid to the suppliers beyond the appointed day	Nil	Nil
c) Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act	Nil	Nil
d) Amount of interest accrued and remaining unpaid	Nil	Nil
e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises, for the purpose of disallowances as a deductible expenditure under section 23 of MSMED Act.	Nil	Nil

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

2.54 STATUS OF PENDING INCOME TAX CASES AS ON DATE

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

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

iii) FY 2014-15, the case is pending before Hon'ble High Court of H.P., partial relief allowed by the Ld. ITAT Chandigarh. Corporation has filed an appeal before Hon'ble High Court for full Tax exemption u/s 260A of Income Tax Act, 1961.

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

v) For the FY 2016-17, an amount of Rs. 6,55,52,279/- (Rs. 6,06,67,400/- + Rs. 48,84,879/-), has been deposited as Advance tax (including TDS & TCS). The assessment proceeding is pending with the Assessing Officer of Income Tax authorities.

vi) For the FY 2017-18, an amount of Rs. 7,62,66,645/- (Rs. 6,46,89,324/- + Rs. 1,15,77,321/-), has been deposited as Advance tax (including TDS and TCS) with Income Tax authorities. The assessment proceedings under process with the Assessing Officer of Income Tax authorities.

vii) For the FY 2018-19, an amount of Rs. 1,71,74,529/-, (Rs. 62,96,381+ Rs. 1,08,74,148) has been deposited as Advance tax, TDS & TCS. Assessment proceedings by AO are under process.

2.55 ENTRY TAX

The H.P. Excise and taxation department imposed penalty and interest for default in payment of Entry Tax on material supplied by various contractors. The matter is sub-judice under Appellate Authority-cum-Additional Excise and Taxation Commissioner, Shimla. The status of which is as given below. However provision for recovery of same from respective contractors has been created in Books of Accounts :

(Rs. in Lacs)

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

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

2.57 CHANGE IN ACCOUNTING POLICY

a) In order to have uniformity across the Company's sub-units/Projects and to follow a realistic method of apportionment of common expenses, where a common GM Office is superintending the activities of more than one projects, Company has changed the method of apportionment of such common expenses, from charging the expenses on the basis of power generation capacity to charging the expenses on actual expenditure of the each project as on close of financial year basis. Effect of same has been taken in the books of Accounts.

b) **Apportionment of expenditure of Corporate Office and DW Sunder Nagar:**

Pre COD

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

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

Post COD

(i) Expenditure :

The Company has apportioned the expenditure of corporate office and Sunder Nagar (Design Wing) from 01 September 2016 to 31st March 2019 in the following proportions :-

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

(ii) Income Portion:

The Company has apportioned the income of corporate office and Design Wing Sunder Nagar from 01 September 2016 to 31st March 2019 in the following proportions:-

- 15% of the total income to Renuka ji project.
- In case of Commissioned projects the apportionment has been done in the ratio of Sales (Gross Sales-13% free power) to Capital outlay.
- Rest is apportioned to the projects which are under construction stage/ Investigation Stage on the basis of ratio of the capital expenditure incurred by these projects.
- During the year expenditure of Head Office and DW Sundernagar, has been apportioned in the ratio of days of the financial year 278:87 i.e. from 01st April 2018 to 3rd January 2019 and 4th January 2019 to 31st March 2019, due to commissioning of the Solar Power Plant, Berradol (5MW), on 4th January 2019.

2.58 The HPSEB has retained Rs. 13.69 crores from the amount due on account of sale proceeds of power to the company against the amount payable on account of Leave salary and pension contribution of their employees deployed on secondment basis with Company. Company has made required provision for liability on account of Leave salary and pension contribution of their employees in its books of accounts as on 31.03.2019, However, settlement of payable & receiveable amounts claimed by both the parties is being reconciled and shall be settled accordingly.

2.59 STATE GOVERNMENT LOAN FOR SHONGTONG KARCHAM HEP (450 MW):

The Shongtong Karcham HEP (450MW) being financed by State Government of Himachal Pradesh, through funds received from ADB and KFW. ADB funding to the project has expired in October 2018. KFW which was funding the E & M Package, initially temporarily stopped the funding to the State Government, on the basis of the report of their consultant regarding safety of the barrage structure and now has not renewed the agreement, which expired in December 2019. Corporation has explored funding of remaining works of the project from the Commercial Banks.

2.60 DEMAND BY THE PF AUTHORITIES:

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

2.61 INCREASE IN AUTHORIZED CAPITAL

The Company has increased the Limit of Borrowing from Rs. 3,500/- crores to Rs. 5,000/- crores in its 70th Meeting held on 03rd December 2019. However, the State Government has asked to maintain the Status quo.

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

2.63 SURVEY AND INVESTIGATION OF KHAB HYDRO ELECTRIC PROJECT

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

2.64 GRANT RECEIVABLE

The company has shown Rs 5.22 crore as grant receivable from Central Water Commission, Government of India. The Central Water Commission has sanctioned Rs 12.50 crore to the company for field survey and investigation and preparation of Detailed Project report of the Gyspa HEP(300MW). The Central Water Commission has released Rs 5.00 crore to the company for the above work on 31 March 2012, with the condition that next installment will be paid on the submission of the DPR of the project. The work for conducting the investigation preparation of DPR was allotted and the same was started by the consultant. but could not be completed due to sustained opposition and hindrance by local people. The Company has incurred expenditure in excess of the amount released by the authorities and the same has been shown as grant receivable from the Central Water Commission. The Gyspa HEP has been declared strategically important project and has been declared as "National Project" by Ministry of Water Resources, Government of India in the year 2009 and the same is covered under Indus Water Treaty 1960. The Central Water Commission vide their letter dated 12th October 2018, has urged the Principal Secretary (MPP& Power), Government of Himachal Pradesh, to direct the concerned officials to take appropriate action for resolving the concern of project affected families so that the survey and investigation work HEP may be completed and the DPR could be prepared at the earliest. Further in a renewed effort, a Meeting, through Video Conference was held on 17.10.2019, under the Chairmanship of Chief Secretary to the GoHP It was decided that the investigation work must be resumed immediately. HPPCL is in the process of fresh award of work to new contractor. Towards this end Dy. Commissioner, Lahaul Spiti, will talk directly to the affected people and address their concerns. Concerned HPPCL officers shall also meet DC & SP; Lahaul & Spiti who shall extend due help in starting the work. In view of above developments the excess expenditure over the amount received is being treated as grant receivable from the concerned authorities.

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

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

2.66 LOCAL AREA DEVELOPMENT FUND

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

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

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

2.69 Amount recoverable from contractors includes a sum of Rs. 112.14 crores recoverable from Coastal Projects on account of works being executed on their risk and cost awarded to M/s HCC Limited. The Lender Banks of the Contractor have filed liquidation proceedings with NCLT and the company has filed claim of Rs. 334.99 crores against the contractor. No provision for amount doubtful for recovery has been made, as the matter is pending with NCLT.

2.70 STATUS OF THE NAKTHAN HEP

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

2.71 POWER SALE ARRANGEMENTS

In case of Kashang HEP Stage-I, the PPA agreement was in force with HPSEB and expired on 06th May 2018. After that the Company has made arrangement to sell the power in Energy Exchange through Power Trader, M/s PTC India Limited.

In case of Sainj HEP the arrangement has been made to sell the power in Energy Exchange through Tata Power Trading Corporation with effect from 04th September 2017 (i.e. the date of Commissioning of the Project).

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

2.72 An amount of Rs. 5 Crores has been received as seed money against Kishau Corporation Ltd., from Govt. of HP, as promoters share during the F.Y. 2017-18. The amount shall be disbursed to the Kishau Corporation Ltd. after receiving proper instructions from Govt. of H.P.

2.73 The Govt. of H.P. had earlier allowed deferment of repayment of Loan and Interest till F.Y 2018-19 vide letter No. MPP-C(7)-1/2017 dated 09.01.2018. However, request has been submitted to GoHP, to further defer the repayment of loan and interest, due as on date and also of the principal amount of loan and interest, which shall become subsequently due till C.Y. 2024, till the construction of Shongtong Karchham HEP, vide letter No. HPPCL/F&A/deferment/2019-9668-70 dated 31.08.2019 and even reference No.19901 dated 29.02.2020. In response to the same the Finance Dept. of Govt. of H.P. vide their letter No. MPP-C(12)-1/2017 dated 27.04.2020, has sought some clarifications from the Corporation, before they concur such deferment. The same are being submitted.

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

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

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

2.77 The Enforcement Directorate vide Provisional Attachment Order 03/2017 dated 29/12/2017 (F No ECIR/02/ 54520/2 014/07/7537) dated 29/12/2017, has attached the assets of the Himachal Emta Private Limited (a Joint Venture Company), amounting to Rs. 2.59 crores. At present the case is pending in the Hon'ble Supreme Court of India.

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

2.79 Shares to GoHP, against the share application money of Rs. 78.00 Crore and 10.00 Crore, received on 06.03.2019 and 28.03.2019, respectively, could not be issued immediately i.e. till 31.03.2019, but the same were issued in the next financial year when the BoD Meeting was held on 24th April 2019. Further shares were also issued to GoHP for Rs.74.25 Crores and Rs.49.50 Crores on dated 20.08.2019 and 03.12.2019, respectively. However return with respect to same could not be filed with RoC, due to tagging of Company as "ACTIVE Non-compliant", pursuant to the Companies (Incorporation) Amendment Rules 2019. Shares to GoHP, against Share Application Money, received on 15.02.2020, were issued on 20.03.2020.

2.80 To finance the working capital requirements, Corporation is availing the cash credit limit of Rs. 200.00 Crore, from KCC Bank Ltd, which was sanctioned by the Bank on 21st November, 2019. As on 20th May 2020, total limit exhausted/utilized by the corporation stood at Rs. 106.52 Crores. Further UCO Bank has sanctioned term loan of Rs. 40.00 Crore, to finance the remaining works of HRT of Sawra Kuddu HEP. Out of which Rs. 20.83 Crore has been availed till 31.03.2020. Repayment of this loan has started w.e.f. 31.03.2020. Interest is being paid monthly basis and Principal repayment on quarterly basis. This Corporation has also raised a Cash Credit Limit of Rs.200.00 Crore from H.P. State Co-operative Bank Ltd. on 05th March 2021. However as on date no withdrawals have been made by the Corporation.

2.81 **Shut Down of Sainj HEP:** The Sainj HEP was shut down from 19th March 2019 to 19th June 2019 due to seepage in the Adit Plug. The HCC was informed for the leakage in the Adit and the same was to be done by the HCC during the Defect Liability period in the list of the outstanding work. The HCC has not carried out the work and the same was done by Abhay Sahani Projects at risk and reward cost of the HCC Ltd at a cost of Rs. 2.78 crores.

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

2.83 **Term Loan PFC:** The Company has decided to avail Term Loan Facility from the Power Finance Corporation Limited for Rs. 2207.63 crores for the Shongtong-Karchham HEP and the Approval of the same was given in the 74th BoD Meeting held on 8th March 2021.

2.84 **Surrender of Unviable Projects:** The Board of Directors in there meeting subsequent to the adoption of the accounts has approved surrender of Unviable and Idle projects due to non feasibility. The following are the details of the same:

(Rs. in Lacs)

Sr. No.	Name of the project	Capacity	Cost incurred as on 31st March 2019
1	Chirgaon Majhgaon	52 MW	1,043.72
2	Dhamwari Sundla	70 MW	-
3	Lujai HEP	45 MW	-
4	Chairoti Sachu	26 MW	-
5	Saichu HEP	58 MW	-
6	Saichu Sach Khaj	117 MW	-
	TOTAL		**1,043.72**

2.85 The Company has requested the Government of India for additional amount of Rs. 31,602 lacs to be deposited with the courts on urgent basis. The GOI has denied the request and with the condition that funds can only be granted after settling of all the clearances. UYRB has also directed all the participating states to deposit their respective share money with HPPCL.

2.86 Commissioning of Sawra Kuddu HEP: The Sawra Kuddu HEP (111MW) of the Corporation was commissioned on 21st January 2021.

2.87 Land Court cases Renuka Ji Project : The Board of Directors in its 75th meeting on meeting 18th March 2021 has decided not to file the Regular First Appeal in the Honable High Court against the awards passed by the Lower Courts and against the decision of the Honable High Court. Liabilities in this respect have not been booked yet, as the same was decided after the approval of Annual Accounts for the F.Y. 2018-19 on 10th June 2020. However, contingent provision for the amount involved has been made under Note 2.36 above.

For and on behalf of the Board of Directors

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

Sd/-
(Sudershan K. Sharma)
Company Secretary

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

Sd/-
(Rakesh Kanwar)
Managing Director
DIN No. 06532390

For Anil Karol and Company
Chartered Accountants
FRN No. 4816N
Sd/-
(CA Walia Umesh)
Partner
Membership No. 098287

Anil Karol and Group
Chartered Accountants

Statutory Auditor's Report on the Consolidated Ind AS Financial Statements (Annual Accounts) for the F.Y. ended on 31st March 2019.

Qualified Opinion

We have audited the acGrouping Consolidated Ind AS financial statements of **HIMACHAL PRADESH POWER CORPORATION LIMITED** (hereinafter referred to as the "Holding Group"), and its subsidiaries (the Holding Group and its subsidiaries together referred to as “the Group”) its associates and Jointly controlled Entities, comprising of the Consolidated Ind AS Balance Sheet as at 31st March, 2019, the Consolidated Ind AS Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Ind AS Statement of Cash Flows, the Consolidated Ind AS Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information. (hereinafter referred to as "the Consolidated Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report the afore said Consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the Consolidated state of affairs (financial position) of the Group as at 31st March, 2019, and its Consolidated profit/loss (financial performance including other comprehensive income), its Consolidated cash flows and the Consolidated changes in equity for the year ended on that date.

Basis for Qualified Opinion

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

A Preparation of the Financial Statements

(I) During the course of audit it was found that supplementary information submitted by the units does tally with the approved financial statements submitted to us for audit . The Current and Non current classification details submitted by the units does tally with current and non current assets and liabilities depicted in the Financial statements

Balance Sheet

(Rs. in Lacs)

Particulars	Details Provided	Approved Financial Statements	Difference
Property, Plant and Equipment	3,03,004.48	3,03,086.00	-81.52
Financial Assets			
Loans	151.62	147.7	3.91
Other Non Current Assets	43,481.80	36,705.00	6,776.80
Inventories	68.71	74.00	-5.29
- Cash and Cash Equivalents	9,403.53	11,365.00	-1,961.47
- Bank Balance other than above	11,670.06	9,709.00	1,961.06

- Loans	0.19	3.00	-2.81
- Other Assets	550.89	1,349.00	-798.11
Other Current Assets	347.42	6,241.00	-5,893.58
Financial Liabilities			
- Borrowings	1,40,368.35	1,59,795.00	-19,426.65
- Other Financial Liabilities	6,143.56	10,993.00	-4,849.44
Current Liabilities			
-Other Financial Liabilities	2,86,346.99	2,62,070.00	24,276.99

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

(Rs. in Lacs)

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

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

(Rs. in Lacs)

	As per our Calculations	Approved Financial	Difference
Cash Flow Statement			
Cash Flow from Operating Activities			
Depreciation	10,653.93	10,669.00	-15.07
Inventories	-34.96	-40.00	5.04
Finance/Interest Cost	12,980.04	-	12,980.04
Adjustment for Assets and Liabilities			
Inventories	-34.96	-40.00	5.04
Loans Other Financial Assets and Other Assets	-6,286.52	-10,705.00	4,418.48
Other Financial Liabilities and other Liabilities	14,798.83	1,29,170.00	-1,14,371.17
Cash Flow from Investing Activities			
Net Expenditure on Property Plant and Equip.	-47,355.72	-55,869.00	8,513.28
Term Deposit with Banks (having maturity mor	-8,727.08	-2,261.00	-6,466.08
Interest on Term Deposit/Sweep Deposits	1,916.00	2.00	1,914.00
Cash Flow from Financing activities			
Long Term Borrowings - Proceeds	2,280.61	-90,252.00	92,532.61
Long Term Borrowings - Repayment	-1,471.16	-	-1,471.16

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

B Non-Compliance of Indian Accounting Standard (Ind As)

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

(i) Indian Accounting Standard (Ind As 1) Preparation of Financial Statements

The Para 15 of Ind AS 1 Presentation of Financial Statements states that where Financial Statements comply with IND As the Group shall make an explicit and unreserved statement of such compliance in the notes. No Disclosure for the same has been made in the note.

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

The Group has been granted the deferment of repayment of principal payment and payment of interest till FY 2018-19 refer Note 2.21. The Group must account for the interest payable on such deferment till the close of the year at market rate as grant from the government and has to be accounted for as the addition to cost and the same has also to be shown as addition of grant. No such interest has been accounted for by the Group till the close of the year as per para 10 A of the IND AS. In the absence of the information we are unable to comment on same.

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

The para 55 to 62 of the Indian accounting standard is applicable to the Group in respect of the Post Employment Benefit: Defined Benefit Plans which requires that actuarial valuation of the liability of employees defined benefit plan has to be made at the end of the year and same has to be accounted for on in the books of accounts.

The Group has not accounted for the liability on the basis of the actuarial valuation and only actual liability has been provided. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.

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

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

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

The financial Statements for the year under review are provided to us on 19thJune 2020 which was approved by the BOD on 10th June 2020. The financial statements are not adjusted for the events occurred between the Balance sheet date both favorable and unfavorable till date of the finalization of this report.

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

The Group has not made Fair Value of the assets and Liabilities as on 31st March 2018, on 31st March 2017 (Refer Note No 2.47). The same is not in line with the IND as 113 Fair Value Measurement which is mandatory applicable to the Group.

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

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

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

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

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

The Group has not applied the Ind AS 8 in relation to accounting of the Prior Period Adjustments of errors while preparing the Financial Statements as stated in the para 1.25 of the Significant Accounting Policies of the Group.

C Observations on the Financial Statements

1 Property Plant and Equipment Note 2.1

I) We invite attention to Note No 2.56 wherein its stated that the Group is in possession of forest land at, Sainj HEP, Shongtong HEP, and Sawra Kuddu and no provision has been made as the amount of lease has not been ascertained. In the absence of information, we are unable to comment on the same. This observation was also reported in previous year report.

ii) We Invite attention to Note no 2.65 where in the Group has not accounted for the cost of the Land and Buildings of HPSEB Limited amounting to Rs Rs. 4,599 lakhs. In our Opinion the Property Plant and Equipment are understated to the extent of above and correspondingly the other Current Financial Liabilities are also understated to the extent of above. The Sainj HEP has entered into agreement to lease out the land from the above land in possession to AFCONS Infrastructure Limited Lease agreement in the month of September 2019 for four years

(iii) The Shongtong Unit has not bifurcated the cost of free hold land the details of the which is as under:-

		Amount
1.	Land	2,20,28,726.00
2.	Trees	51,82,644.00
3.	Structure	1,06,23,413.00
	Total	**3,78,34,783.00**

The Group should show the costs other then land separately so that they can be depreciated separately on the commissioning of the project on the basis of the useful life of the main assets.

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

The Group has shown Rs. 18,849 Lacs (previous year Rs. 19,564 Lacs) under the Capital work in progress which has to be shown under Free hold Land. In our opinion the Free hold land is understated and CWIP Submerged land is overstated to that extant.

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

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

The Qualification of the CAG for the year 2016-17 has been considered in this report.

vi) **Deposit with Court Sawara Kuddhu HEP**

The Hon'ble High Court of Himachal Pradesh on 12th October 2018, 25th October 2018 and 2nd January 2019 has reduced the rate of compensation of land from Rs. 3,038 per centier to Rs. 2,700 per centier . This has resulted in reduction of the land compensations and refund of the amount from the Deposit with Hon'ble High Court. The Group has received Rs. 690 Lacs as refund from the Hon'ble High Court on account of the reduction in the award amount. The Deposit with court which is treated as part of land cost is overstated to the extent of above and other current assets are understated to that extent as the reduction in the award amount was known to the management before the adoption of the Balance Sheet.

vii) The Kashang Unit has three turbines installed at the power House. Due to damage to the Silt Flushing tunnels at the project sites the runners of the turbines got damaged. The Damage of the Runners was over the accepted norms and the damage was not of normal day to day and of routine nature and the running of the runners with the extent of damage was not viable for the operation of the projects.

It has been observed that turbine no 3 was kept idle for the year under review and was not in operation during the whole of the year. Similarly Unit 1 was not in operation from August 2018 to February 2019 and it has been informed by the HEP that the unit 3 was not in operation during the year under review due to the fact that runners of the Unit 3 was sent for repairs and as such the same was not operation. During the year under review HEP has charged the following depreciation on the three turbines

S.No.		Depreciation Charged	Depreciation for non operational period	
1.	Turbine 1	5,08,00,542.00	3,38,67,028.00	was not in operation for eight months
2.	Turbine 2	5,08,00,542.00	-	in operation for full year
3.	Turbine 3	5,08,00,542.00	5,08,00,542.00	was not in operation for the full year
		15,24,01,626.00	**8,46,67,570.00**	

In our opinion the depreciation of current year for non operating Turbines has to be adjusted with the remaining life of the assets and assets expected usage. By charging the Depreciation on the idle machinery against the revenue of the Operational Turbines is not justified and will be contravention of the Matching Concept of the Accounting . The Management should consider the maintenance period while determining its useful life and the depreciation may be adjusted accordingly. Thus Excess depreciation of Rs. 846.67 lacs has been charged during the year under review.

(viii) The Kashang unit has booked the cost of the training expenses to the cost of the E and M works amounting to Rs. 48.82 lacs. The training expenses paid after the start of the commercial operations has to be charged to the Revenue Expenditure as the expenditure has not been incurred to bringing the assets to the working condition. Thus the E and M Works are overstated by Rs. 48.82 lacs during the year under review and expenditure are understated to that .

2. Capital Work in Progress 2.2

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

(Amount in Lacs)

Project Unit	Residential Building	Construction Power	Total
Sundernagar	1	-	**1**
Sawra Kuddu HEP	14	5	**19**
Shongtong HEP	-	39	**39**
Total	**15**	**44**	**59**

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

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

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

		INR	Euro	US $	Total
1st Progressive payment	07-04-2016	15,06,05,000.00	56,58,000.00	2,39,53,000.00	**18,02,16,000.00**
2nd Progressive payment	13-05-2016	15,06,05,000.00	57,04,000.00	2,40,87,000.00	**18,03,96,000.00**
3rd Progressive payment	31-03-2017	15,06,05,000.00	46,74,000.00	2,43,64,000.00	**17,96,43,000.00**
Total		**45,18,15,000.00**	**1,60,36,000.00**	**7,24,04,000.00**	**54,02,55,000.00**

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

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

(iv) The Sainj Unit has paid Entry Tax amounting to Rs. 544 lakhs from September 2010 to December 2016 to HCC Limited. As per the Himachal Pradesh Entry Act 2010 the dealer paying the entry tax is entitled to take the credit of the entry tax and adjust the same with the Vat Liability of the Dealer which the dealer has claimed in the Vat return filed by the contractor to the concerned Assessing Authorities. Thus, the dealer was not entitled to claim the entry tax which was adjusted by dealer towards its Vat Liability. Thus CWIP Project Electro Mechanical works is overstated to the extent of Rs. 544 lakhs and other current assets are understated to that extent. The HCC has gone into court case and the amount is of non recoverable nature as the amount is not recovered till date.. Thus provision for the same is required and provisions are understated to the extent of above.

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

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

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

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

(Amount in Lacs)

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

In our opinion the apportionment of expenditure to Renukaji @ 15 % is not justifiable and thus Rs. 2142 Lakhs (Previous Year Rs. 1,948 lacs) has been excess allocated during the year 2016- 2017 to the Renukaji and same has been less allocated to other units. .

This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP

The Group during the year under review has also adopted the same method of apportionment and the following are the details of appropriations made during the year:-

Appropriations made up to 03rd January 2019

(Amount in Lacs)

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

Appropriations made after 03rd January 2019

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,45,844.26	56.90	268.69	238.51	30.18
Renukaji	13,966.20	5.45	25.73	75.88	-50.15
Shongtong	69,372.26	27.07	127.80	113.45	14.35

Chirgaon Majhgaon	1,057.13	0.41	1.95	1.73	0.22
Triveni Mahadev	640.69	0.25	1.18	1.05	0.13
Thana Plaun	2,172.13	0.85	4.00	3.55	0.45
Nakhtan	2,070.71	0.81	3.81	3.39	0.43
Gyspa Dam	1,022.15	0.40	1.88	1.67	0.21
Surgani Sundla	1,090.39	0.43	2.01	1.78	0.23
Deothal Chanju	435.72	0.17	0.80	0.71	0.09
Chanju III	896.63	0.35	1.65	1.47	0.19
Kashang II	17,734.16	6.92	32.67	29.00	3.67
Bara-Khmba	2.94	0.00	0.01	0.00	0.00
Bara-Khmba	1.09	0.00	0.00	0.00	0.00
Total	**2,56,306.44**	**100.00**	**472.19**	**472.19**	**-0.00**

In our opinion the apportionment of expenditure to Renukaji @ 15 % is not justifiable and thus Rs. 219 Lakhs has been excess allocated during the year 2018-2019 to the Renukaji and same has been less allocated to other units. .

This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP.

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

3 Non-Current Investment Note 2.5

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

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

(ii) The Group has made provision for doubtful investments amounting to Rs. 337.50 lakhs in the books of accounts.

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

(iv) We invite attention to note 2.77 where in the Enforcement Directorate has attached the assets of the Himachal Emta Private Limited amounting to Rs. 259 Lacs. The Directors report of the Himachal Emta Limited for the year 2018-19 stated that the CBI has filed charge Sheet accusing the two Directors of the Group Sh. Ujjal Kumar Upadhaya and Sh. Bikas Mukherji in the matter pertaining to the allocation of Gourangdih ABC coal Block by misrepresentation of facts. The ED on the basis of the Charge sheet filed has attached the assets of the Gourangdh Coal Limited considering them to be proceeds of crime under Prevention of Money Laundering Act 2002.At present the case is pending with the Supreme court of India against the attachment order. No Disclosure of the same has been made in the notes to accounts.

4 Other Non-Current Financial Assets Note 2.10

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

(ii) The Shongtong HEP, has paid Rs. 44.07 Lakhs (previous year Rs. 45.31 Lakhs) to land owners for acquisition of land measuring 0.1702 hectare, for the project, at the time of mutation it is found that the same land was already acquired by HPPWD. The amount is doubtful for recovery as the amount has not been recovered from the land owners and a provision for the same is required. In our opinion Other Non-Current Financial Assets is overstated to the extent of above and consequently the expenditure is understated to the extent of above

(iii) (a) We invite attention to Note No 2.69 where in it is stated that the amount recoverable from contractors includes a sum of Rs. 11,233.54 lakhs (previous year Rs. 7,943 lakhs) recoverable from Coastal Projects on account of risk and cost. The contract with the contractor was terminated in the year 2013 and the same was awarded to M/s HCC Limited The amount paid to HCC Limited on account extra cost has been shown as recoverable from Coastal Projects. The amount is doubtful of recovery from the Coastal Projects as there is no agreement with the party to recover the money as the contract with the party has already been terminated since 2013. The Group has gone into liquidation as the lender banks of the contractor has filed liquidation petition with NCLT and the amount is doubtful of recovery.

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

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

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

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

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

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

d) Further the Group has filed a claim of Rs. 40,567.17 Lakhs inclusive of interest with the NCLT against the Coastal Projects Limited as the contractor Group has gone into liquidation which is in the nature of Contingent Assets and same has been disclosed as Contingent Assets as per Note 2.37. The Official Liquidator has not accepted the claim of the Group stating the reason that the matter is pending with the High Court with Hon'ble High Court of Himachal Pradesh.

(iv) We invite attention to Note No 2.62 where in it is stated that the Group has not made a provision for Rs. 103 lakhs (Previous Year Rs.103 Lakhs) recoverable from Gammon India since 2013 through Directorate of Energy. The amount has to be recovered along with interest of 10 % per annum. The amount has not been recovered till the date of audit and the same is doubtful of recovery hence provision for doubtful advance is required. In our opinion the Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.

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

(vi) **Grant Receivable**

We invite attention to Note No 2.64 where in it is stated that Group is showing Rs. 522 lakhs (previous year Rs. 448 lakhs) as recoverable grant from the Central Government on account DPR and Investigation Expenses. The Government of India has approved Rs. 1,250 Lakhs for survey and investigation of the project and paid Rs. 500 Lakhs as advance and the rest of the amount is to be paid on the submission of the DPR. The work of the DPR is not completed since 2012 due to sustained opposition to the project by local people. The Central Government has stayed the further payment of the grant until the submission of the DPR. The grant recoverable shown is not as per para 7 and 8 of the Indian Accounting Standard (Ind as) 20 Accounting for Government Grants and Disclosures thereof which states that:-

"7 Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:

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

(b) the grants will be received.

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

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

(vii) The Shongtong unit is showing following advances to the contractors the recoverability of the same is dependent on the completion of the project and the same has not been discounted and shown as per the fair value as required by IND AS 113. In the absence of information, we are unable to comment on the same (Please also refer Note 2.47). The following are details of the advances

(Amount in Lacs)

	Contractor	Current Year Amount	Previous Year Amount
1.	Patel Engineering	5,146.00	5,143.00
2.	Andtriz Hydro	2,605.00	3,155.00
	Total	**7,751.00**	**8,298.00**

(viii) The Shongtong unit has given advance of Rs. 70 lacs (Previous Year Rs. 100 lakhs) to IPH Khwangi for irrigation scheme and the same has not been charged to expenditure during construction. In our opinion the Non-Current Financial Assets are overstated to the extent of above and CWIP are understated to the extent of above.

(ix) The Shongtong unit is showing advance of Rs. 154 lacs (Previous Year Rs. 154 lakhs) to HPSEB as on 31st March 2019 and as the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 154 lakhs and CWIP are understated to the extent of above.

(x) The Sawra Kuddu HEP is showing a sum of Rs. 485 lakhs (Rs. 714 lakhs) as Deposit Work Paid which has not been capitalised for want of utilisation certificates from the executing agencies. As the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 485 lakhs and CWIP are understated to the extent of above.

(xi) The Chanju III has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 17 lakhs. Thus the Other Non Current Assests are overstated to the extant of above.

(xii) The Deonthal Chanju has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 13.00 lakhs. Thus the Other Non Current Assests are overstated to the extant of above.

(xiii) The Sainj unit has given advance against the retention money to HCC limited amounting to Rs. 450 Lacs. The Contractor has not paid the Advance and the interest due on the same. Thus advance to Contractor and Retention money is overstated to the extant of above.

(xiv) The Sainj unit has paid Rs. 50 Lacs to HP Fisheries Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalised. Thus the Other Non Current Assets are overstated to the extant of above.

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

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

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

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

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

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

(xxi) The Sawara Kuddu Unit has shown a Sum of Rs. 665.00 Lacs as amount recoverable on account interest and penalty on entry Tax and provision for the same has been shown as provision for expenses by the unit . The Group has settled the same in the H P (Legacy Case Resolution) scheme 2019 for Rs. 67.92 lacs as final settlement fees. Thus Other non current Assets are overstated to that extant of Rs. 597.08 lacs and similarly the provision for expenses are overstated to that extant.

(xxii) The Chanju III has not capitalised the amount of Rs. 187 lacs paid to HPSEBL which is of non recoverable nature. Thus Other non current Assets are overstated to that extant.

(xxiii) The Deonthal Chanju has not capitalised the amount of Rs. 187 paid to HPSEBL lacs which is of non recoverable nature. Thus Other non current Assets are overstated to that extant.

5 Inventory Note 2.11

The Kashang stage 1 Unit is showing the following inventories at the close of the year

S.No.	Item No.	Description	Amount	Remarks
1.	2000000751	G.I. Pipe 80 mmΦ 248.3 Rmt	1,06,140.80	Transferred from HPSEB
2.	2000000744	Portable Magzine 4 Nos.	1,55,567.00	Transferred from HPSEB
3.	2000000765	Steel Tubler Pole 10 mtr. 42 Nos	4,51,035.90	Transferred from HPSEB
4.	2000000727	Angle Iron 100x100x6mm 17.787 M	6,06,688.42	Transferred from HPSEB
5.	2000000766	ACSR Conductor 14,078 M	6,22,205.05	Transferred from HPSEB
6.	2000005637	Needle Tips & Seat Ring 1 Set	16,60,593.94	Spares for E and M work
	Total		**36,02,231.11**	

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

The item at Sr. No. 6 is spare of the Turbine and has be shown under Property Plant and Equipment's.

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

6 Trade Receivables Note 2.12

(i) The Kashang Unit is showing Rs. 103 lakhs (previous year Rs. 73 lakhs) as amount recoverable from HPSEB Limited on account of Late payment surcharge which has not been accepted by the party and the same amount has not been paid by the customer till date and only sale of power is being paid by the party. The amount has been adjusted with the amount payable to HPSEB Limited on account of dues of leave salary and pension contribution payable to the HPSEB limited.in the year 2019-20 The confirmation from the HPSEB is pending in this regard.

(ii) We invite attention to Note No 2.58 wherein it is stated that HPSEB Limited has retained Rs. 1369 Lakhs (Previous Year Rs. 1,369 lakhs) as amount due on account of Leave salary and pension contribution of employees appointed on secondment basis with the Group. In our opinion the trade receivables are overstated to the extent of above and also the liabilities are overstated to that extant.

7 Other Current Assets Note 2.18

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

(ii) The Beradol HEP has shown the amount recoverable from HPSEBL amounting to Rs. 93.03 lacs on account of sale of power under the Head Receivable from HPSEB which has to be shown under the Head Trade Receivable . Thus Trade Receivables are understated to the extent of above.

8 Non-Current Other Financial Liabilities Note 2.21

(i) Long Term Borrowings

The Group has taken loan from the State Government for construction of Hydro projects. The Group has not paid the Instalment and interest on the State Government loans. The State Government has provided deferment of loan and interest for the amount accrued up to January 2017 till FY 2018-19. The instalment interest due after January 2017 till the close of the year has not been paid by the Group to the state Government. We Invite attention to Note 2.73 where in the Group has made the request for the deferment of Instalment and loan to State Government . The

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

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

The CAG has also raised concern over the same in there report and suggested that the matter be taken up with the state government to get the benefit of the Govt of India Policies.

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

9 Non-Current Liabilities Provisions Note 2.23

(i) **For Group Employees**

We invite attention to note 1.20 and 2.41 where in the policy adopted for employees benefit and accounting in respect of the same has been disclosed. The Above policy is not in compliance with the Ind AS 19 Employees Cost in relation to Post Employment defined Benefits plan in the matter of its recognition and measurement. In the absence of Information, we are unable to comment on the same of its impact in the balance sheet and profit and Loss Account.

(ii) **For HPSEB Employees**

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

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

(iii) The Group has shown Gratuity Liability at the close of the year in excess by Rs. 86.17 lacs. Thus Provisions non current is overstated to the extant of above.

(iv) The Group has shown Leave Contribution Liability at the close of the year short by Rs. 50.32 lacs. Thus Provisions non current is understated to the extant of above.

10 Other Non-Current Liabilities Note 2.24

a) Utilised Grant Renuka ji

The Group has incurred following expenditure on the Renukaji project till 31st March 2019.

(Amount in Lacs)

Particulars	as on 31st March 2019	as on 31st March 2018
Tangible Assets	51,689.00	42,095.00
Capital Work in progress	32,148.00	32,014.00
Advances	269.00	199.00

	84,106.00	**74,308.00**
Grant Received	68,548.82	68,548.82
	68,548.82	**68,548.82**
Shortfall	**15,557.18**	**5,759.18**

There is a shortfall of expenditure to the tune of Rs. 15,557 Lakhs (Previous year Rs. 5,759 Lakhs) which has to be borne by the participating states. No information about the share of the expenditure of the participating states and confirmation from them has been provided to us for verification. In absence of information we are not able to comment on the same. The Renukaji unit has not made any provision for the amount recoverable from the participating states and the central government. In our opinion the other current assets are under stated to the extent of above similarly the other non-current liabilities are understated to the extent of above.

(ii) We invite attention to Note No 2.85 where in the Group has requested the Government of India for additional amount of Rs. 31,602 lacs to be deposited with the courts on urgent basis.

(iii) We invite attention to para 2 (viii) of our audit report regarding allocation of expenses to Renukaji HEP wherein its stated that the allocation of expenditure of Corporate office and Sundarnagar Design office to the unit has not been confirmed / approved by the participating states and the central government. In the absence of confirmation and approvals we are unable to comment on the apportionment of expenditure charged to the Renukaji HEP. The Group has allocated Rs. 2,329 (previous year Rs. 2111 lakhs) as share of corporate office and design wing expenses to the Renukaji HEP till 31st March 2017. In our opinion the amount recoverable from participating states will be reduced by Rs. 2,329 (previous year Rs. 2,111 lakhs) given in above para.

(iv) The Group is earning interest on the surplus funds of Renukaji at Corporate Office by investing the same in short term Fixed Deposits. The Interest earned on the same has not been shown as addition to the Grant nor the same has been reduced from the incidental expenditure during construction period of the unit. The above practice is not in line with the significant accounting policy adopted by the Group (refer Note 1.16). In the absence of information, we are unable to comment of the effect of the same on the Financial Statements.

11 Current Liabilities Other Financial Liabilities Note 2.26

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

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

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

(iv) The Other Financial Current Liabilities includes Rs. 74.22 lakhs (Previous Year Rs. 72 lakhs) as unclaimed money on account of payables, retention, security and other payables to the contractors. The amount has been shown under this head because the persons to whom amount is payable is not traceable. In our opinion the other current financial liabilities are overstated to the extent of above and necessary provision for amount written back should be provided.

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

(vi) The Corporate Office has not made the provision for demand raised by the PF Commissioner for the period 09/2008 to 06/2011 on account of PF contributions of Unregistered Contractors amounting to Rs.189 Lakhs on 02nd August 2018 (refer Note 2.60).. Thus, current liabilities are understated to the extent of above.

(vii) **Local Area Development Fund:**

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

HEP	Expenditure Incurred in Crore	Lada Fund @1.5%	Expenses Booked	Deficit
Kashang II and III	219.00	3.29	0.77	2.52
Sainj	1,298.70	19.48	17.97	1.51
Sawra Kuddu	1,876.17	28.14	27.16	0.98
Total	**3,393.87**	**50.91**	**45.90**	**5.01**

In our opinion the Capital work in progress is understated to the extent of Rs. 501 lakhs and correspondingly Current Liabilities are also understated to that extant.

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

(ix) We invite attention to note 2.72 where the Corporate Office has shown Rs. 500 lacs as amount payable to the Kisahau Corporation Limited on account Equity Contribution of the State Government for the seed Money. No Confirmation from the Kisahu Corporation Limited and directions from the State Government to keep the money with Group has been provided to us for verification. In the absence of information we are unable to comment on the same.

(x) The Renukaji HEP has shown provision for Land Expenses of Rs. 18,849 Lacs against which the demand has been deposited with the High Court which has been shown as part of Land expenses under Property Plant and Machinery. The Group has deposited Rs. 10,600 lacs with High Court against the above provisions. Thus Provisions are overstated to the extant of above and consequentially the Capital Work in progress is overstated to that extant.

(xi) The Renukaji HEP has shown the amount recovered from LAO amounting to Rs. 1600 Lacs as amount payable to Government Agencies . The HEP at the time of advancement to LAO has shown the same as part of land expenses. The amount recovered back has to be reduced from the Land Expenses. Thus Current Liabilities are overstated to the extent of above and similarly the land expenses are overstated to that extent.

(xii) The Shongtong HEP has excess Provision of expenses on account of Escalation costs amounting to Rs. 364 lacs payable to M/s Patel Engineering Limited. The excess provisions has been reversed in the next Financial Year. Thus Current Liabilities are overstated to the extant of above.

(xiii) The Sainj HEP has overstated the Bills Expenses payable on account of Vulnerable Grant payable to affected Families amounting to Rs. 4.80 lacs. Thus current Liabilities are overstated to that extent of above.

(xiv) The Sainj Unit has shown excess provisions on account of expenditure under the Head O and M Tools and tackles amounting to Rs. 212 lacs and the same has been reversed in the next financial year. Thus current liabilities are overstated to the extant of above and correspondingly expenditure are overstated to that extant.

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

(xvi) The Sainj Unit has made provision of Rs. 62.00 lacs on the basis of the supply order issued to the Voith Hydro in the month of November 2018. The Party has supplied the spare parts in the month July 2019 and raised the Invoice. Thus provisions are overstated to the extant of above.

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

12 Other Income Note 2.25

(i) **Foreign Exchange Fluctuations**

The Shongtong HEP has not accounted for the Foreign Exchange gain on the amount payable to Lehmeyar International during the year under review

Lehymehar International

Invoice	Euro	Net Payable in Rs after TDS	in Euro	Euro on 31.3.2019		FE Gain
918001155	63,101.08	47,66,182.33	56,790.97	77.87	44,22,312.99	3,43,869.34
918001499	21,033.69	15,39,792.31	18,930.32	77.87	14,74,104.10	65,688.21
		63,05,974.64	75,721.29		58,96,417.09	4,09,557.55

Thus Income is understated to the extent of above.

(ii) The Group has shown prior period income at negative Balance of Rs. 19.00 lacs during the year under review which has to be shown under the head prior period expenses. Thus Other income is understated to the extent of above and other expenses are also understated to that extent.

13 Sale of Power

(i) The Kashang and Sainj HEP has booked the Sale of Power in the books of accounts on net realisation value of the Group Share. No Accounting entry for the Free Power to State Government , LADA Share and auxiliary power has been made in the books which is not in lines with the accounting policy adopted by the Group in the year 2016-17. We Invite attention to note 2.57 (b)(Post COD ii) where in the change in accounting policy has been indicated by the Group. The following are the details in respect of the same and comparative figures of the previous year.

(Amount in Lacs)

	Particulars	Current Year	Previous Year
3000002	Sale of Energy	2,221.40	1,366.00
		2,221.40	1,366.00
4000750	Free Power to State Govt (Royalty)	1,951.51	1,129.00
4000751	Free Power to State Govt (LADF)	195.15	94.00
4000752	Generation/Auxiliary Energy Expenses	74.74	143.00
	Total	2,221.40	1,366.00

The Group has not disclosed the impact of the same and as result the figures of current and previous year are not comparable. The non accounting of the same will have impact on the apportionment of expenditure of corporate office and sundernagar to various units during the year under review. The impact of the same cannot be quantified hence we are unable to comment on the same.

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

lacs.

14 Apportionment of expenditure and Income of Corporate Office and Sundarnagar

(i) **Expenditure of Corporate Office and Sundarnagar**

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

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

(ii) **Income of Corporate Office and Sundarnagar**

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

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

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

The Group has allocated income to various projects on the basis of allocation of expenditure to different units as per accounting policy of the Group during the year under review. The following are the details of the allocation: -

S.No.	Particulars	Current Year Amount	Previous Year Amount	To be apportioned to
1.	Equity Funds	6,43,02,254.00	5,26,73,054.00	All the Units
2.	Renuka Funds	8,00,32,226.00	16,88,61,940.00	To Renuka Funds
		14,43,34,480.00	**22,15,34,994.00**	
	Interest on Funds with LAO	4,73,27,611.00	1,55,69,369.00	Renuka ji
		19,16,62,091.00	**23,71,04,363.00**	

(iii) The expenditure of the Sundernagar Design Wing has been transferred to Different units during the year review. The following are the details of the same.

Name of Power Project	01/04/2018 to 03/09/2019	04/09/2019 to 31/3/2018	Total
Sawra Kuddu	4,19,73,078.54	1,35,32,124.57	5,55,05,203
Sainj	43,80,493.30	4,29,653.00	48,10,146
Renukaji	1,37,46,140.38	43,01,849.69	1,80,47,990
Kashang I	13,36,984.69	1,43,217.67	14,80,202
Shongtong	2,08,42,680.59	64,36,688.42	2,72,79,369
Chirgaon Majhgaon	2,97,512.69	98,085.60	3,95,598
Triveni Mahadev	1,80,335.56	59,446.55	2,39,782

Thana Plaun	6,89,940.25	2,01,540.22	8,91,480
Nakhtan	6,04,884.89	1,92,129.92	7,97,015
Gyspa Dam	2,91,265.88	94,840.30	3,86,106
Surgani Sundla	4,09,508.78	1,01,171.17	5,10,680
Deothal Chanju	1,36,707.48	40,427.86	1,77,135
Chanju III	2,86,088.37	83,193.76	3,69,282
Berra Dol	8,82,369.99	13,18,796.03	22,01,166
Kashang II	55,82,944.46	16,45,460.04	72,28,404
Bara-Khmba	-	272.43	272
Algore Project	-	100.69	101

The Design wing has not provided to us details regarding expenditure incurred on various projects and no job cards has been kept by the design wing to substantiate the expenditure incurred on various projects. In the absence of information we are unable to comment on the same.

(iv) **Apportionment of Expenses of Corporate Office and Sundernagar Design Office**

While calculating the Sale to outlay ratio of the commissioned projects from 03rd January 2019 to 31st March 2019 the Group has taken the sale for the full year instead of sales of above mentioned period. The following are the details of the same.

		As per Group	As per our calculations	Excess
Sale	04/01/2019 to 31/03/2019	1,70,53,34,763.00	14,66,54,577.00	1,55,86,80,186.00
Outlay	as on 31/03/2019	21,98,68,09,627.00	21,98,68,09,627.00	-
Ratio %		7.76	0.67	7.09
Eligible Expenditure		33,34,160.00	2,86,588.00	30,47,572.00

Thus Expenditure is overstated to the extent of Rs. 30.47 lacs in respect of the commissioned Projects during the year under review.

The Corporate Office while calculating the sales during the period for the purpose of appropriation of expenditure of corporate office and Sundernagar has not taken the figures form the books of accounts as a result there is variation the sales figure during the year under review . The following are details of the same

Month	Sales Considered	As per Books	Difference
Apr-2018	7,09,44,622.00	5,58,09,668.00	-1,51,34,954.00
May-18	19,22,24,689.91	22,26,64,384.93	3,04,39,695.02
Jun-18	18,36,61,664.42	22,57,35,398.50	4,20,73,734.08
Jul-18	26,85,56,571.53	28,50,73,099.88	1,65,16,528.35
Aug-18	21,29,16,486.13	25,11,18,892.22	3,82,02,406.09
Sep-18	28,27,55,310.39	30,51,85,540.35	2,24,30,229.96
Oct-18	22,67,18,883.91	26,39,09,750.26	3,71,90,866.35
Nov-18	8,51,58,029.19	9,65,66,967.04	1,14,08,937.85

Dec-18	5,95,19,356.18	3,77,12,832.41	-2,18,06,523.77
Jan-19	5,29,54,306.74	5,61,30,014.06	31,75,707.32
Feb-19	4,11,98,447.36	4,03,85,159.04	-8,13,288.32
Mar-19	2,89,14,630.46	4,13,06,027.48	1,23,91,397.02
Total Block	**1,70,55,22,998.23**	**1,88,15,97,734.17**	**17,60,74,735.94**

(vi) The effect of above variations has a impact on the Expenditure to be capitalised on commissioned projects during the year under review the following are the details of the same.

	01/04/2018 to 03/01/2019	04/01/2019 to31/03/2019	Total
HPPCL	1,00,77,350.49	33,34,160.34	1,34,11,510.83
As per our Calculations	1,10,62,680.98	2,86,588.11	1,13,49,269.09
	9,85,330.50	**-30,47,572.23**	**-20,62,241.73**

The Impact of the above will be that expenditure are overstated by Rs 20.62 lacs and CWIP is overstated to that extent during the year under review.

15 Provision for Income Tax

We invite attention to Note No 2.68 where in no provision has been made by the Group for income tax during the year under review.

We also invite attention to note 2.54 where in the cases for earlier years are pending with different authorities and the outcome of which are uncertain and may affect the amount shown as Deposits with Income Tax authorities Rs. 8,874.50 lakhs (Previous Year Rs. 9,195 lakhs (refer note 2.10).In view of the uncertainly involved and the matter is subjudice we are unable to comment on the recoverability of the above amount and its effect on the Financial Statements.

16 Goods and Service Tax

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

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

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

The Group has appointed GST auditor to conduct the GST audit under the GST Act. However the GST Audit report for the year under review has not been submitted till the date of the finalisation of this report as the due date for filling of the report was 31st December 2020. In the absence of the report we are unable to comment on the final liability of GST along with interest and penalty.

(ii) The GSTR 9 Annual Return for the year 2018-19 submitted by the Group shows the following liability

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

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

(iv) The Group has claimed input of GST while filling the monthly 3 B during the year under review. However while filling the GSTR 9 for the year no details for the Input claimed has been filled and claimed and nor liability on account excess claim of ITC has been made. The Following are the details of the same.

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

Thus liabilities are understated to the extent of above.

(v) The GSTR 9C Audit report filed by the GST Auditor for the year 2017-18 on 21/05/2020 shows the following amounts as payable by the Group.

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

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

17 Quantitative Details in respect of energy generated and sold

We invite attention to Note 2.49 where in the Group has stated that it has installed capacity of 165 MW as on 31st March 2019. The Group has capacity 65 MW *3 i.e. 195 MW and two turbines was in operation and was used alternatively, the third turbine was not used by the Kashang HEP during the year under review and the installed capacity of the Sainj HEP is 100 MW and one solar unit with the capacity of 5MW was installed during the year under review Thus total Installed capacity is 300 MW instead of 165 MV In our opinion the installed capacity is understated to the extent of 135 MW.

18 Allocation of expenses of Kashang 1, 2 and 3

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

	2018-19	2017-18	2016-17
Stage 1	82.50%	84%	70%
Stage 2 and 3	17.50%	16%	30%
Total	**100%**	**100%**	**100%**

19 Profit and Loss Account

(i) **O and M R & R**

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

(ii) **O and M Disaster Management**

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

(iii) **O and M Plant and Machinery**

The Turbines of the Kashang HEP was shut down since 30th July 2018 due to erosion in Machines runners and under water parts caused by high silt content in the water. The repair work of coating and repair of the eroded component of the Unit 1 and 3 was awarded to AHPL on 19th May 2018 for amount of Rs. 315 lacs.

The Kahsang unit has booked repair and maintenance of runners and its coating to cost of the turbines 1 and 3 to the O and M Expenses plant and Machinery. The high silt in the water has damaged the under water components up to 27%-28%. The IND As 16 states that subsequent costs relating to day to day servicing of the PPE will be covered under ' Repairs and Maintenance. Abnormal and major overhaul of the runners damaged by the slit is not normal repair and Maintenance and will not form of the Repair and Maintenance. In our opinion the benefit of the expenditure is available for more then one year to the Group and the expenditure should have been capitalised and to be amortised over the years for which the benefit will be available. Thus Expenditure is overstated to the extent of above and Property Plant and Machinery is understated to that extent.

(iv) **Prior period Expenses**

The Group has charged the prior period expenses during the year under review to the profit and loss Account. The Following are the year wise Bifurcation of the same.

S.No.	Particulars	Amount
1.	for the year 2017-18	1,42,32,088.00
2.	Period erlier then 2017-18	6,21,06,074.00
	Total	**7,63,38,162.00**

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

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

The Kashang Unit has not provided to us the salary cost of the employees posted to the Stage 1, 2 and 3. The Unit does not have the salary cost of employees posted on different stages. In the absence of information we are unable to comment on the apportionment of salary expenses to different stages. The following is the details of salary booked under different stages

(Rs. in Lacs)

Particulars	Current Year	Previous Year
Kashang Stage 1	520.95	634.00
Kashang Stage 2 and 3	110.50	120.00
Total	**631.45**	**754.00**

(vi) The Kashang unit has charged DA @ 144 % instead of 148% while calculating the liability of the Leave Encashment and gratuity of the Group employees. The Following is the details of the of the shortfall

	Amount
Gratuity	1,16,656.00
Leave Encashment	1,30,014.00
Total	**2,46,670.00**

Thus expenditure is understated to the extant of above.

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

The Board of Directors has approved the accounts for the year 2018-19 in the Board meeting of 10th June 2020 before the approval of the audited accounts for the year 2017-18 of the corporation in the Annual general meeting on 19th November 2020.

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

The Group has filed an Appeal with the High Court of Himachal Pradesh that the interest on the short-term investment of the funds in Fixed Deposits with bank from the Equity received from the Government is an addition to the equity and not an income of the Group and on same the income tax is not payable. Similarly, the Income earned on Renuka Funds is also an additional grant from the Agencies and the same is also not an income of the Group and the same will be utilised on the project expenses and is part of the Grant.

The Group has not shown the interest earned on equity fund till the close of the year as an addition to the Equity and similarly the interest earned on Renuka HEP funds till the close of the year has not been shown as additional grant from the Agencies.

The income tax authorities are considering such income as taxable income and is being charged as taxable Income of the Group.

No information in respect of the same has been provided to us by the Group till the close of the year. In the absence of the information we are unable to comment on the effect of the same on the Balance Sheet.

22 Investment Property

(I) The Group is not showing the assets given on rent/ lease as investment property and the same has been shown under the Head Property Plant and machinery.

(ii) Chirgaon Majgoan has given Building on rent to HPPTCL amounting to Rs. 1.34 lacs. The Cost of property should be shown as Investment property and depreciation for the corresponding rent has to be charged to the profit and loss Account. Thus Income is understated to the extent of above.

23 Design Wing Sundernagar

(i) The Design wing has booked Rs. 11.66 lacs as lab income and Consultancy Income. However it has been observed that the design wing has not booked any expenditure in relation to providing such services. All the expenses of the GM Office has been apportioned to the all units of the Group and no expenditure has been allocated to the income of the Design Wing. Thus the Matching concept accounting has not been followed by the Group.

(ii) The Design Wing is providing Technical services to the Kishaua Power Corporation on behalf of the State Government. However no details in respect of the services provided Design wing has been provided to us.

24 Disaster Recovery Center

The Group has installed SAP ERP software for all its projects including corporate office. The Group has its DRC at Chennai and the same was closed and shifted to Shimla by M/s Siffy Technology . M/s Siffy Technology was awarded the contract for the AMC of the DRC for Rs. 1.25 crores and the reallocating cost of DRC for Rs. 9.67 lacs. The Group has proposed to shift the DRC from Chennai to Himachal Pradesh at Data Center Site of HPSEBL at Pointa Sahib or at any other place at Pointa Sahib. The Group does not find any suitable site at Pointa Sahib thus no Disaster Recovery Center of the Group is in place till date.

25 Land Court Cases Renuka Ji Project

The Board of Directors in its 75th meeting on meeting 18th March 2021 has decided not to the file Regular First Appeal in the Hon'ble High Court against the awards passed by the Lower Courts and against the decision of the Hon'ble High Court. Refer Note 2.36 Notes where in its stated that the Group has made contingent provision in respect of the awarded amount amounting to Rs. 11,471.33 lacs. The Decision of the Group not to file the appeal will make the contingent provisions as regular provisions and thus the provisions on account of land compensation of Renuka Ji Project is understated to the extent of above

The effect of the said qualifications where ascertainable the loss of current year will be Rs. 11,736 lakhs against reported loss of Rs. 10,586 lakhs. The Other Equity will be Rs. 24,117 lakhs instead of Rs. 22,198 lakhs. The Borrowings will be Rs. 1,40,368 lakhs instead of Rs. 1,59,765 Lakhs. The Other Financial Liabilities will be of Rs. 6,144 lakhs instead of Rs. 10,993 lakhs. The Provisions non current will be of Rs. 4,285 lakhs instead of Rs. 5,690 lakhs. The other non Current Liabilities will be Rs. 82,840 lakhs instead of Rs. 69,543 lakhs .The Other Current Financial Liabilities will be Rs. 2,92,600 lakhs instead of Rs. 2,62,070 lakhs. The Property Plant and Equipment will be Rs. 3,33,156 lakhs instead of Rs. 3,03,086 lakhs. The Capital Work in Progress will be Rs. 2,95,703 lakhs instead of Rs. 3,08,204 lakhs. The Loans will be Rs. 153 lakhs instead of Rs. 149 lakhs .The Other Noncurrent Assets will be Rs. 29,431 lakhs instead of Rs. 36,705 lakhs. The inventories will be Rs. 53 lakhs instead of Rs. 74 lacs. The Trade Receivable will be Rs. 481 lakhs instead of Rs. 1,757 lakhs. The cash and cash equivalents will be Rs. 9,404 instead of Rs. 11,365 lakhs. The Bank Balance will be Rs.11,670 instead of Rs. 9,709 lakhs. The Loans Financial Assets will be Rs. Nil lakhs instead of Rs. 3 lakhs. The Financial Assets others will be Rs. 551 lakhs instead of Rs. 1349 lakhs. The Other current Assets others will be Rs. 14,267 lakhs instead of Rs. 6,241 lakhs.

The Expenditure during the year are overstated on account of Prior period items by Rs. 7,919 lacs for which adjustments has to be made in previous years.

Emphasis of Matter

1. No reasonable effort has been made to remove the qualification raised in earlier year audit reports and the same has been considered in this year report also.
2. We further draw attention to the following matters in the Notes to the stand alone Ind As Financial statements: -

(i) Note No. 2.39 to the standalone Ind AS financial statements regarding the various balances which are subject to reconciliation/ confirmation and respective consequential adjustments.

(ii) Note No 2.59 to the standalone Ind AS financial statements regarding statement on State Government loan for Shontong Karcham HEP (450MW) where the ADB funding to state government has expired and stopping of funding by the KFW to the project.

(iii) Note No 2.67 to the standalone Ind AS financial statements regarding stay of Forest land to Kashang Stage II and III project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case.

(iv) Note No 2.70 to the standalone Ind AS financial statements regarding statement on Nakhtan project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case .

Our Opinion is not modified in respect of these matters

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, description of how our audit addressed the matter is provided in that context. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

S. No.	Key Audit Matter	How our audit addressed the key audit matter
1	**Contingent Liabilities and Provisions** There are a number of litigations pending before various forums against the Group and the management's judgement is required for estimating the amount to be disclosed as contingent liability and for creating the adequate amount of provision, wherever required. We identified this as a key audit matter because the estimates on which these amounts are based involve a significant degree of management judgment in interpreting the cases and it may be subject to management bias. (Refer Note No. 2.36 to the Standalone Financial Statements, read with the Accounting Policy No.1.18)	We have obtained an understanding of the Group's internal instructions and procedures in respect of estimation and disclosure of contingent liabilities and adopted the following audit procedures: - understood and tested the design and operating effectiveness of controls as established by the management for obtaining all relevant information for pending litigation cases; - discussed with the management any material developments and latest status of legal matters; - examined management's judgements and assessments whether provisions are required; - considered the management assessments of those matters that are not disclosed as the probability of material outflow is considered to be remote; - reviewed the adequacy and completeness of disclosures; Based on the above procedures performed, the estimation and disclosures of contingent liabilities and creation of provisions are considered to be adequate and reasonable.
2	**Property, Plant & Equipment** There are areas where management judgement impacts the carrying value of property plant and equipment and the irrespective depreciation rates. These include the decision to capitalise or expense costs; the annual asset life review; the timeliness of the capitalisation of assets and the use of management assumptions and estimates for the determination or the measurement and recognition criteria for assets retired from active use. Due to the materiality in the context of the balance sheet of the Group and the level of judgement and estimates required, we consider this to be as area of significance. (Refer Note No. 2.1 to the Standalone Financial Statements, read with the Significant Accounting Policy No. 1.5)	We assessed the controls in place over the fixed asset cycle, valuated the appropriateness of capitalisation process Performed tests of details on costs capitalised ,the timeliness and accuracy of the capitalisation of the assets and the de- recognition criteria for assets retired from active use. In performing these procedures, were viewed the judgements made by management including the nature of underlying costs capitalised; determination of realizable value of the assets retired from active use ;the appropriateness of asset lives applied in the calculation of depreciation; the useful lives of assets prescribed in schedule II of the Companies Act, 2013 and the useful lives of certain assets as per the technical assessment of the management. We have observed that the management has regularly reviewed the aforesaid judgements and there are no material deficiencies in measurement and recognition of property, plant and equipment.
3	**Capital work-in-progress(CWIP)** The Group is involved in various capital works like construction of new power projects, installation of new plant and	We performed an understanding and evaluation of the system of internal control over the capital work-in-progress, with reference to identification and testing of key controls.

	machinery, civil works etc. These projects/works take a substantial period of time to get ready for intended use and due to their materiality in the context of the balance sheet of the Group, this is considered to be an area which had the significant effect on the overall audit strategy and allocation of resources in planning and completing our audit. (Refer Note No.2.2 to the Standalone Financial Statements, read with the Significant Accounting Policy No. 1.6)	We assessed the progress of the project and the intention and ability of the management to carry forward and bring the asset to its state of intended use. We assessed the timeliness and accuracy of capitalisation of assets when it is ready for the intended use.

Information Other than the Standalone Financial Statements and Auditor's Report Thereon

The Group's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Standalone Ind AS Financial Statements

The Group's Board of Directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and statement of changes in equity of the Group in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with relevant rules issued there under.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism through out the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Group has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the Group as we considered appropriate and according to the information and explanations given to us, in the Annexure-2 on the directions issued by Comptroller and Auditor General of India.
3. As required by section143(3) of the Act, we report that:

a) We have sought and except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) Except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Group so far as appears from our examination of those books;

c) The Balance Sheet, Statement of Profit and Loss and statement of Cash Flows and Statement of changes in equity dealt with by this report are in agreement with the books of account;

d) Except for the effects of the matter described in the Basis of Qualified Opinion paragraph above ,in our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act,

e) The Matter described in the Basis for Qualified Opinion paragraph above , in our opinion may have adverse effect on the functioning of the Group.

f) In view of the exemptions given vide Notification No. G.S.R. 463 (E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, the provisions of Section 164 (2) of the Companies Act, 2013 regarding disqualification of directors, are not applicable to the Group.

g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.

h) With respect to adequacy of Internal Financial Controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure-3" in our opinion the internal financial controls system is adequate but the operating effectiveness of such controls need be improved.

i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Group has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 2.33 to the standalone Ind AS financial statements.

   ii. The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

   iii. There were no amounts as at 31.03.2019 which were required to be transferred to the Investor Education and Protection Fund by the Group.

For Anil Karol and Group
Chartered Accountants
Firm Regn. No. 004816N

Sd/-
(CA Walia Umesh)
Partner
M No. 098287

Place: Shimla
Date: 09 /06/2021
UDIN 21098287AAAABZ3116

Anil Karol and Group
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 2019.

(I) (a) The Group 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 Group except in cases of Renukaji HEP, Sainj HEP Shongtong HEP and Chirgaon HEP where the land has not been transferred in the name of the Group.

(ii) The inventory of the Group 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 Group 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 Group has not given any loan, made investments and issued guarantees under section 185 and 186 of the Companies Act,2013.

(v) The Group 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 Group has made and maintained cost accounts and records as specified by the Central Government under section 148 (1) of the Companies Act 2013. However, we have not made a detailed examination of these accounts and records with a view to determine whether they are accurate and complete. The companies cost accounting records has been audited by the Cost Auditors M/s Balwinder and Associates and they have submitted the report on 19/11/2020.

(vii) (a) The Group is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2019 for a period of more than six months from the date they became payable. However the Liability on account of Goods and Service Tax can not be quantified as GST audit is under progress till the finalisation of this report. We are informed that the provisions of Employees' State Insurance Act are not applicable to the Group.

(b) According to the information and explanations given to us, dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other material statutory dues that have not been deposited on account of any dispute are given below:

S.No.	Statue / Act	Nature Due	Amount in lacs	Period	Forum Which Pending
1.	Entry Tax	Interest	337.70	2010-15	Addl. Excise & Taxation Commissioner -cum- Applellate Authority
2.	Entry Tax	Penalty	751.28	2010-15	Addl. Excise & Taxation Commissioner -cum- Applellate Authority
3.	Provident Fund	PF Dues	189.26	2008-11	Central Government Industrial Tribunal Chandigarh
4.	GST	GST	868.78	2017-18	Amount payable as per GSTR 9 C
5.	GST	Interest	333.64	2017-18	Amount payable as per GSTR 9 C
6.	GST	GST	5.72	2018-19	Amount payable as per GSTR 9

7.	Income Tax	Demand	146.28	2015-16	Appeal with CIT Solan
8.	Service Tax		65.00		Sawra Kuddu
	TOTAL		**2697.67**		

The Amount of interest and penalty on the Entry Tax thereon due to Excise and taxation department has been settled under Legacy Cases Resolution Scheme by paying the Requisite Settlement Fees by the Group.

(viii) The Group has not defaulted any repayment of loans or borrowing to any financial institution or bank or dues to debenture holders. However, the Government of Himachal Pradesh has given the sanction to the deferment of repayment Loan and interest up to Jan 2017. No Deferment has been given by the State Govt after that and the request for the same has been given by the Group for further deferment. and Group has not paid the amount of instalment of loan and interest after January 2017 till the finalisation of the report.

(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) During the course of our examination of the books and records of the Group, carried out in accordance with the generally accepted auditing practices in India, and according to the information/explanation given to us, we have neither come across any instance of material fraud by the Group or on the Group by its officers or employees, noticed or reported during the year, nor have we have been informed of any such cases by the management except in the year 2015 at Renukaji HEP and the same is pending with State Vigilance.

(xi) This being a government Group Section 197 of the Act is not applicable.

(xii) Group is not a Nidhi Group.

(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 Group 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 Group has not entered in to any non-cash transaction with directors or persons connected with him.

(xvi) Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable to the Group.

For Anil Karol and Group
Chartered Accountants
Firm Regn. No. 004816N

Sd/-
(CA Walia Umesh)
Partner
M No. 098287

Place: Shimla
Date: 09/06/2021

Anil Karol and Group
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 2019.

S.No.	Directions	Action Taken
1.	Whether the Group has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	According to the information and explanations given to us and based on our audit, the Group has a system in place to process the accounting transactions through M M Module, Project System, Human Capital Module and Financial and Controlling Module through IT system and for this purpose SAP-ERP has been implemented by the Group. Periodend Financial Statements are compiled offline based on balances and transactions generated from such SAP-ERP system for the purpose of preparing The Accounting transactions for sale of power is not generated though Sales and distribution Module and being directly posted in FI Module. We have neither been informed nor have we come across during the course of our audit any accounting transactions which have been processed outside the IT system having impact on the integrity of the accounts. The Group has maintained separate Data Centre but does not have Disaster Recovery Centre
2.	Whether there is any restructuring of an existing loan or cases of waiver/write No such case come off of debts / loans / interest etc. made by a lender to the Group due to the across during If yes, the financial impact may be stated. Group's inability to repay the loan?	The State Government Loans has been restructured for repayment of loan and interest up to Jan 2017 till the year2018- 19. The Group had requested the State Government for further deferment in the month of September 2020. The State Government has deferred only the dues for the year FY 2020-21 till FY2021-22.
3.	Whether funds received / receivable for specific schemes from Central / State agencies were properly accounted for / utilized as per its term and conditions? across during List the cases of deviation.	The Funds received for Renukaji Project and Gyspa Project has been properly accounted for except the interest earned on the short term deposit from the surplus fund has been accounted for as the income of the corporation instead of the crediting the same to the amount payable to the central / State Government. Refer Para C 14(ii) of the main audit . No information in respect of interest earned on the short term investment has been provided to us
4.	Whether land acquisition is involved in setting up the new projects report whether settlement of dues done expeditiously and in transparent manner	The land has been acquired at Renukaji Dam. All the payments on account of settlement has been transferred to the LAO However a sum of Rs 188.49 crores has not been paid till the close of the year and provision for the same has been made in the books of accounts.

5.	How much cost has been incurred on abandoned projects and of this how much cost has been written off	The Corporation has abandoned the Tidong HEP and Sunni Project . The Amount incurred on Tidong project is being shown as recoverable from the Directorate of energy and the amount has not being written off the by the Management. The Corporation has written off Rs 41.26 lacs as amount recoverable from SJVNL on account of cost of the Sunni Project.
6.	Indicate Whether the Group has efficient system for monitoring and adjusting advances to contractors/ supplier. Highlight the Significant instances of failure of the System if any	The Group has proper system of adjusting the advances to suppliers, except in following cases:- **1. Patel Engineering** Due to non completion of the percentage of the work completed by the Contractor **2. HCC Limited** Due court case involved **3. Coastal Projects** Group in Liquidation at NCLT

Anil Karol and Group
Chartered Accountants

ANNEXURE 3

Report on the Internal Financial Controls under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Group") as of 31 March 2019 in conjunction with our audit of the Consolidated financial statements of the Group for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Group's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Group 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 Group'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 Group'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 Group's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Group'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 Group'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 Group; (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 Group are being made only in accordance with authorizations of management and directors of the Group; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Group'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 Group 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 2019, except in the areas given below based on the internal control over financial reporting criteria established by the Group 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, Group needs to further strengthen the in the control system in the following areas:

- Implementation and Compliance of Indian AS at unit level to ensure the compliance of the Indian AS on the Group as a whole.
- Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013 and requirements of the Ind AS
- Harmonisation in creation of account heads at Corporate Level in relation to advances, liabilities and vendors according to the nature of expenditure so that no duplication of account code exits and only single account code is allotted to individual vendors in the Group as a whole.
- Payment to contractors strictly on the basis of authorisation of the BOD.
- Option of marking of clearing entries in the SAP should be followed by all the accounting units in respect of current as well as old accounting entries.
- Scrutiny of old Earnest Money Deposits, security deposits, Retention money and other payables to contractors.
- Capitalisation of Capital Work in Progress in timely and efficient manner.
- Reconciliation of retro entries in SAP for CPT Module.
- Payment to Contractors of Additional Advance/ Advance against Retention Money and its accounting treatment.
- Recovery of delay damages from the contractors and accounting thereof
- Provision of Expenses should be made on realistic basis and the payment in subsequent financial year should be adjusted from the provision only.
- Long Term Advances and Deposit Work should be regularly reviewed and accounted for where the significant work has been completed.
- Accounting of Provision is respect of doubtful advances and other recoverable.
- Review of Negative Balances in liabilities and assets heads.
- Accounting of EMD in the nature of FDR in the books of accounts.
- Recording of financial entries in foreign exchange also where the advances, retention money and suppliers dues are payable in other currency also.
- Investing of idle funds at HEP in SWEAP Bank accounts to earn bank interest.
- Reversing the Cheques/ Neft Entries for which the Limitation period is over.
- Accounting of Inventories in hand at project site at the close of the year.
- Liability on account of GST should be as per the requirements of the Goods and Service Tax Act.
- Accounting Staff/ Officers at Unit Level should be regularly trained in respect of the Indian Accounting Standards and other Accounting concepts and conventions while preparing the Financial Statements.

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, 2019 Consolidated financial statements of the Group. However, these areas of improvement do not affect our opinion on the Consolidated financial statements of the Group.

Other Matters:

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to Joint Venture which are Companies incorporated in India, is based on the corresponding report of the auditor of such Company incorporated in India.

Replies to the Auditor's Report on the Consolidated Ind AS Financial Statements (Annual Accounts) for the F.Y. ended on 31st March 2019.

Qualified Opinion:

We have audited the accompanying Consolidated Ind AS financial statements of HIMACHAL PRADESH POWER CORPORATION LIMITED (hereinafter referred to as the "Holding Group"), and its subsidiaries (the Holding Group and its subsidiaries together referred to as “the Group”) its associates and Jointly controlled Entities, comprising of the Consolidated Ind AS Balance Sheet as at 31st March, 2019, the Consolidated Ind AS Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Ind AS Statement of Cash Flows, the Consolidated Ind AS Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information. (hereinafter referred to as "the Consolidated Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report the afore said Consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the Consolidated state of affairs (financial position) of the Group as at 31st March, 2019, and its Consolidated profit/loss (financial performance including other comprehensive income), its Consolidated cash flows and the Consolidated changes in equity for the year ended on that date.

Basis for Qualified Opinion

We conducted our audit of the Consolidated Ind AS financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the Consolidated Ind AS financial statements under the provisions of the Act and the Rules made there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Consolidated Ind AS financial statements.

<table>
<tr><th>S. No.</th><th>Audit Observation</th><th>Reply</th></tr>
<tr>
<td>A</td>
<td>
Preparation of the Financial Statements
I) During the course of Audit it was found that Supplementary information submitted by the units does tally with the approved financial statements submitted to us for Audit. The current and non-current classification details submitted by the units does tally with current and non-current assets and liabilities depicted in the financial statements.
Balance Sheet
(Rs. in Lacs)
<table>
<tr><th>Particulars</th><th>Details Provided</th><th>Approved Financial Statements</th><th>Difference</th></tr>
<tr><td>Property, Plant and Equipment</td><td>3,03,004.48</td><td>3,03,086.00</td><td>-81.52</td></tr>
<tr><td>Financial Assets</td><td></td><td></td><td></td></tr>
<tr><td>Loans</td><td>151.62</td><td>147.7</td><td>3.91</td></tr>
<tr><td>Other Non Current Assets</td><td>43,481.80</td><td>36,705.00</td><td>6,776.80</td></tr>
<tr><td>Inventories</td><td>68.71</td><td>74.00</td><td>-5.29</td></tr>
<tr><td>- Cash and Cash Equivalents</td><td>9,403.53</td><td>11,365.00</td><td>-1,961.47</td></tr>
<tr><td>- Bank Balance other than above</td><td>11,670.06</td><td>9,709.00</td><td>1,961.06</td></tr>
<tr><td>- Loans</td><td>0.19</td><td>3.00</td><td>-2.81</td></tr>
<tr><td>- Other Assets</td><td>550.89</td><td>1,349.00</td><td>-798.11</td></tr>
<tr><td>Other Current Assets</td><td>347.42</td><td>6,241.00</td><td>-5,893.58</td></tr>
<tr><td>Financial Liabilities</td><td></td><td></td><td></td></tr>
<tr><td>- Borrowings</td><td>1,40,368.35</td><td>1,59,795.00</td><td>-19,426.65</td></tr>
<tr><td>- Other Financial Liabilities</td><td>6,143.56</td><td>10,993.00</td><td>-4,849.44</td></tr>
<tr><td>Current Liabilities</td><td></td><td></td><td></td></tr>
<tr><td>-Other Financial Liabilities</td><td>2,86,346.99</td><td>2,62,070.00</td><td>24,276.99</td></tr>
</table>
</td>
<td>The difference is due to Current/ Non Current classification of closing Balances of Payables/ Receivables G/Ls as on 31.03.2019, required under Ind AS. Which was done on the basis of the position existing as on the date of finalisation of Balance Sheet (Annual Accounts) for submission in the ensuing BoD for approval i.e. on 10.06.2020. Whereas the auditor has taken the position of such payables /receivables as on the date of audit report submitted to management on 09.06.2021. Audit should have taken the position of payable and receivable as on 10.06.2020, as per Ind. AS 10, as no changes can be made in the Balance Sheet (Annual Accounts), once approved in the BoD Meeting, especially, in case of Govt. owned Companies. In overall total of Balance Sheet is not affected.</td>
</tr>
</table>

ii) During the course of audit it has been observed that the figures depicted in the Statement of Profit and loss are not in agreement with the books of accounts.

(Rs. in Lacs)

Statement of Profit and Loss	Trail Balance	Approved Financial Statements	Difference
Employee Benefit Expense	1,393.71	1,565.00	-171.29
Depreciation and Amortization Expense	10,653.93	10,670.00	-16.07
Other Expenses	4,521.86	4,334.00	187.86

Schedules / Notes to Accounts at Sr. No. 2.30, 2.32 & 2.33, at Pages 24 to 26, have been drawn, based on the Final Trial Balance General Ledgers as at 31.03.2019. As this G/L needs to be further bifurcated into these three Groups, hence the required bifurcation has been done in excel manually, to draw these figures. **Overall variation in the Profit & Loss Account is NIL.**

iii) During the Course of audit it was observed that the cash flow statements submitted does not tally with the supplementary information submitted to us for audit. The following are the details of the same.

(Rs. in Lacs)

	As per our Calculations	Approved Financial	Difference
Cash Flow Statement			
Cash Flow from Operating Activities			
Depreciation	10,653.93	10,669.00	-15.07
Inventories	-34.96	-40.00	5.04
Finance/Interest Cost	12,980.04	-	12,980.04
Adjustment for Assets and Liabilities			
Inventories	-34.96	-40.00	5.04
Loans Other Financial Assets and Other Assets	-6,286.52	-10,705.00	4,418.48
Other Financial Liabilities and other Liabilities	14,798.83	1,29,170.00	-1,14,371.17
Cash Flow from Investing Activities			
Net Expenditure on Property Plant and Equip.	-47,355.72	-55,869.00	8,513.28
Term Deposit with Banks (having maturity mor	-8,727.08	-2,261.00	-6,466.08
Interest on Term Deposit/Sweep Deposits	1,916.00	2.00	1,914.00
Cash Flow from Financing activities			
Long Term Borrowings - Proceeds	2,280.61	-90,252.00	92,532.61
Long Term Borrowings - Repayment	-1,471.16	-	-1,471.16

In overall there is no variation. The cash flow statement has been prepared by netting cash inflows and cash outflows under same head. Whereas the audit has taken the figures of cash inflows and outflows separately, under some of the heads. However in future, industry practice shall be followed.

iv) The Group has provided the unit wise Balance sheets for the purpose of audit however the previous years figure was not depicted in the unit wise balance sheets.

The Consolidated Balance Sheet has been drawn on the basis of final Trial Balances of the Projects/Accounting Units. The Unit wise Balance Sheet contains the Opening as well as Closing Balances under each head, otherwise, Corporation's Balance Sheet consolidation would not have been possible.

B Non-Compliance of Indian Accounting Standard (Ind As)

The Group has not complied with the following Indian Accounting Standards while preparing the financial statements:-

i) Indian Accounting Standard (Ind As 1) Preparation of Financial Statements

The Para 15 of Ind As 1 Presentation of Financial Statements states that where Financial Statements comply with IND As the Group shall make an explicit and unreserved statement of such compliance in the notes. No Disclosure for the same has been made in the note.

All out effort are being made to ensure compliance to all the applicable Ind. ASs. Disclosure to this effect has now been given in the Directors' Report for the F.Y. 2018-19.

ii) Indian Accounting Standard (Ind AS) 20 Accounting for Government Grants and Disclosure of Government Assistance.

The Group has been granted the deferment of repayment of principal payment and payment of interest till FY 2018-19 refer

As no such deferment of repayment of Loan & Interest was allowed by GoHP,

	Note 2.21. The Group must account for the interest payable on such deferment till the close of the year at market rate as grant from the government and has to be accounted for as the addition to cost and the same has also to be shown as addition of grant. No such interest has been accounted for by the Group till the close of the year as per para 10 A of the IND AS. In the absence of the information we are unable to comment on same.	as on the date of finalisation of annual accounts as on 10.06.2020, hence no such benefit accrued to the Corporation. Audit has also observed under Annexure-1 to the Auditors' Report at point No. (viii), that no deferment has been given by the State Govt. Therefore, the compliance to this Ind AS is not required.
	iii) Indian Accounting Standard (Ind AS) 19 Employees Benefits The para 55 to 62 of the Indian accounting standard is applicable to the Group in respect of the Post Employment Benefit: Defined Benefit Plans which requires that actuarial valuation of the liability of employees defined benefit plan has to be made at the end of the year and same has to be accounted for on in the books of accounts. The Group has not accounted for the liability on the basis of the actuarial valuation and only actual liability has been provided. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	Due to first time compliance to this Ind AS, involving large No. of calculations, compliance to this Ind AS could not be done due to paucity of time in hand to finalise the Balance Sheet, due to Covid-19 lockdown. However, the same has been done in the F.Y. 2019-20.
	iv) Indian Accounting Standard (Ind AS) 37 Provisions, Contingent Liabilities and Contingent Assets: The Group has disclosed the provisions contingent liabilities and contingent assets only up to the date when the accounts has been approved by the BOD. No Disclosures of Provisions , contingent liabilities and contingent Assets after the accounts approved by the BOD and till the date of finalisation of this report is considered in these financial statements.	The compliance to this Ind AS, where ever required, has been made.
	v) Indian Accounting Standard (Ind AS) 10 Events After the Reporting Period The financial Statements for the year under review are provided to us on 19thJune 2020 which was approved by the BOD on 10th June 2020. The financial statements are not adjusted for the events occurred between the Balance sheet date both favourable and unfavourable till date of the finalisation of this report.	The version of the audit in the para is that the events (both favourable and unfavourable), which occurred between the date of approval of Balance sheet by BoD and till the date of finalisation of audit report are to be adjusted in the Financial Statements. Whereas, as per Ind AS 10, the events occurring after the reporting period are those events, (favourable and unfavorable), that occur between the end of the reporting Period (means end of the F.Y. i.e. 31.03.2019) and the date when the financial statements are approved by the BoD on 10.06.2020, and not as on the date of Audit Report. The compliance to this Ind AS, wherever required have been ensured.
	vi) Indian Accounting Standard (Ind AS) 113 Fair Value Measurement The Group has not made Fair Value of the assets and Liabilities as on 31st March 2018, on 31st March 2017 (Refer Note No 2.47). The	The Group had adopted the carrying cost / value of all liabilities and assets as

	same is not in line with the IND as 113 Fair Value Measurement which is mandatory applicable to the Group.	on 1St April 2015 and also on 1St April 2019, as the fair value of the assets and liabilities cannot be measured accurately due to the uncertainty associated with the maturity dates of such assets and liabilities, being linked to completion of assets / commissioning of the projects. Further, the exact date of completion of assets / commissioning of the projects can't be predicted due to various internal/external factors. Hence Fair Value of the assets and Liabilities can't be done.
	vii) Indian Accounting Standard (Ind AS) 109 Financial Instruments The Group has not applied the Ind As 109 while disclosing the Government Loan in the financial statements below market rate interest and its impact on the profit and loss and Balance sheet has not been disclosed in the financial statements.	This has been complied with from the F.Y. 2019-20.
	viii) Indian Accounting Standard (Ind AS) 12 Income Tax The Group has not followed the IND as in respect of Income tax for calculating the deferred tax assets and Liabilities and its accounting in the books of accounts. The same is also not in line with note no 1.21 of the significant accounting policies adopted by the Group. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	This has been complied with from the F.Y. 2019-20.
	ix) Indian Accounting Standard (Ind AS) 8 Accounting Policies, Changes in Accounting in Accounting Estimates and Errors The Group has not applied the Ind AS 8 in relation to accounting of the Prior Period Adjustments of errors while preparing the Financial Statements as stated in the para 1.25 of the Significant Accounting Policies of the Group.	This has been complied with from the F.Y. 2019-20.
C **1.**	**Observations on the Financial Statements** **Property Plant and Equipment Note 2.1** I) We invite attention to Note No 2.56 wherein its stated that the Group is in possession of forest land at, Sainj HEP, Shongtong HEP, and Sawra Kuddu and no provision has been made as the amount of lease has not been ascertained. In the absence of information, we are unable to comment on the same. This observation was also reported in previous year report.	The process of signing the Lease Deeds is in progress.
	ii) We Invite attention to Note no 2.65 where in the Group has not accounted for the cost of the Land and Buildings of HPSEB Limited amounting to Rs. 4,599 lakhs. In our Opinion the Property Plant and Equipment are understated to the extent of above and correspondingly the other Current Financial Liabilities are also	The properties are in the possession of the Group by default. No final decision on purchasing of cited land has been taken yet at competent authority level and sale deeds are also not executed

<table>
<tr><td></td><td>understated to the extent of above. The Sainj HEP has entered into agreement to lease out the land from the above land in possession to AFCONS Infrastructure Limited Lease agreement in the month of September 2019 for four years.</td><td>between both the parties so far. Hence no provision for the liability in the Books of Accounts has been created.</td></tr>
<tr><td></td><td>iii) The Shongtong Unit has not bifurcated the cost of free hold land the details of the which is as under:-
<table>
<tr><th></th><th></th><th>Amount</th></tr>
<tr><td>1.</td><td>Land</td><td>2,20,28,726.00</td></tr>
<tr><td>2.</td><td>Trees</td><td>51,82,644.00</td></tr>
<tr><td>3.</td><td>Structure</td><td>1,06,23,413.00</td></tr>
<tr><td></td><td>Total</td><td>3,78,34,783.00</td></tr>
</table>
The Group should show the costs other then land separately so that they can be depreciated separately on the commissioning of the project on the basis of the useful life of the main assets.</td><td>As per HPREC Guidelines, no such bifurcation is required in case of free hold land. All such costs are associated to Cost of Land acquired, hence needs be booked under one Asset Head “Land” only.</td></tr>
<tr><td></td><td>iv) The Renukaji HEP has accounted for Rs. 31,911 Lacs on account of compensation paid for the land. The Himachal Pradesh Electricity Regulatory Commission Hydro Generation Tariff Regulation has provided that the Depreciation @ 3.34% is leviable on submerged Land. The HP CAG issued comment on the same in the Supplementary audit for the year 2016-17
The Group has shown Rs. 18,849 Lacs (previous year Rs. 19,564 Lacs) under the Capital work in progress which has to be shown under Free hold Land. In our opinion the Free hold land is understated and CWIP Submerged land is overstated to that extant.
The Group has not Charged the depreciation as per the comment issued by the CAG. Thus the Group has not charged depreciation for the 2016-17 and 2017-18 amounting to Rs. 3,300 lakhs (previous year Rs. 2,200 lakhs) during the year under review. In our opinion the Property Plant and Equipment is overstated and Capital work in Progress in understated to that extant.</td><td>As per HPERC Notification No. HPERC/SLDC/479 :- regulations Part V, Section 22, Clause 4 "Depreciation shall be calculated annually, based on the Straight Line Method and at the rates specified in Appendix-II to these regulations. The Value base for the purpose of depreciation shall be original cost of the asset. Land is not a depreciable asset and its cost shall be excluded while computing 90% of the original cost of the asset." and as per Appendix II, Regulation 22, Depreciation Schedule, Land owned under full ownership, the rate of depreciation is 0.00%. RDP, HPPCL has acquired/ purchased 947.57 Hectares private land and has full ownership. Hence, it is opined that said depreciation rate is not applicable on this land. As far as depreciation @ 3.34% is concerned, it is applicable in case of Land under lease for (a) Investment in land and (b) For cost of clearing site. The necessary entry w.r.t adjustment of of Rs. 18849 lacks under the CWIP has been made in the books of accounts as on 31.03.2020.</td></tr>
<tr><td></td><td>v) The Renukaji HEP has paid Rs.5,364 Lakhs on account of compensation paid for trees and Structures. The CAG in their supplementary audit report for the year 2016-17 has commented that Rs. 785 Lacs has been less charged on the above and the Property Plant and Equipment is overstated to the extent of above and Capital Work in progress is understated to that extent. The Group has not accounted for the same in the financial statements and no further details has been provided in respect of depreciation to be charged on the above.</td><td>In this regard it is submitted that the trees and structures are also part of land purchased/acquired by HPPCL and as per abovementioned HPERC Notification No. HPERC/SLDC/479 :- regulations Part V, Section 22, Clause 4 the depreciation is not applicable for the compensation paid.</td></tr>
</table>

<table>
<tr>
<td></td>
<td>The Qualification of the CAG for the year 2016-17 has been considered in this report.</td>
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<td></td>
<td><p>vi) Deposit with Court Sawara Kuddhu HEP</p>
<p>The Hon'ble High Court of Himachal Pradesh on 12th October 2018, 25th October 2018 and 2nd January 2019 has reduced the rate of compensation of land from Rs. 3,038 per centier to Rs. 2,700 per centier. This has resulted in reduction of the land compensations and refund of the amount from the Deposit with Honable High Court. The Group has received Rs. 690 Lacs as refund from the Hon'ble High Court on account of the reduction in the award amount. The Deposit with court which is treated as part of land cost is overstated to the extent of above and other current assets are understated to that extent as the reduction in the award amount was known to the management before the adoption of the Balance Sheet.</p></td>
<td>After according due opportunity for filing objection etc. by other parties, the application for releasing of excess amount was decided by Hon'ble High Court of Himachal Pradesh. Further Accounts Branch of Hon'ble High Court of Himachal Pradesh as well as concerned bank also take time to vet the calculations and interest liabilities on deposited amount. All this above process take considerable time and final figures were not ascertainable till the adoption of the Balance Sheet on 10.06.2020. Even the amount ascertained by Hon'ble High Court of Himachal Pradesh, is further challengeable by any of the parties, for which time period of three months have to be allowed. Therefore, action in books of accounts can't be taken immediately on decision of the Court.</td>
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<td></td>
<td><p>vii) The Kashang Unit has three turbines installed at the power House. Due to damage to the Silt Flushing tunnels at the project sites the runners of the turbines got damaged. The Damage of the Runners was over the accepted norms and the damage was not of normal day to day and of routine nature and the running of the runners with the extent of damage was not viable for the operation of the projects.</p>
<p>It has been observed that turbine no 3 was kept idle for the year under review and was not in operation during the whole of the year. Similarly Unit 1 was not in operation from August 2018 to February 2019 and it has been informed by the HEP that the unit 3 was not in operation during the year under review due to the fact that runners of the Unit 3 was sent for repairs and as such the same was not operation. During the year under review HEP has charged the following depreciation on the three turbines.</p>
<table>
<tr><th>S.No.</th><th></th><th>Depreciation Charged</th><th>Depreciation for non operational period</th><th></th></tr>
<tr><td>1.</td><td>Turbine 1</td><td>5,08,00,542.00</td><td>3,38,67,028.00</td><td>was not in operation for eight months</td></tr>
<tr><td>2.</td><td>Turbine 2</td><td>5,08,00,542.00</td><td>-</td><td>in operation for full year</td></tr>
<tr><td>3.</td><td>Turbine 3</td><td>5,08,00,542.00</td><td>5,08,00,542.00</td><td>was not in operation for the full year</td></tr>
<tr><td></td><td></td><td>15,24,01,626.00</td><td>8,46,67,570.00</td><td></td></tr>
</table>
<p>In our opinion the depreciation of current year for non operating Turbines has to be adjusted with the remaining life of the assets and assets expected usage. By Charging the Depreciation on the idle machinery against the revenue of the Operational Turbines is not justified and will be contravention of the Matching Concept of the Accounting. The Management should consider the maintenance period while determining its useful life and the depreciation may be adjusted accordingly. Thus Excess depreciation of Rs. 846.67 lacs has been charged during the year under review.</p></td>
<td>This Corporation is required and is following the HPERC Depreciation rates and methodology, notified by the HPERC for the purpose of fixation of Tariff. Deviation from the same may cause violation of rates and methodology, notified for depreciating the assets, by the HPERC for the purpose of fixation of Tariff.</td>
</tr>
</table>

viii) The Kashang unit has booked the cost of the training expenses to the cost of the E and M works amounting to Rs. 48.82 lacs. The training expenses paid after the start of the commercial operations has to be charged to the Revenue Expenditure as the expenditure has not been incurred to bringing the assets to the working condition. Thus the E and M Works are overstated by Rs. 48.82 lacs during the year under review and expenditure are understated to that.

The services for providing the training to the HPPCL engineers was in the scope of M/s Andritz Hydro Private Limited and the same was the part of the E&M contract of Kashang HEP. Therefore, these expenses has been capitalised in E&M Assets.

2.

Capital Work in Progress 2.2

i) The Group has started using the following assets at the project sites but the following asserts has not been put to use for want of completion certificate from the concerned departments of the Group.

(Amount in Lacs)

Project Unit	Residential Building	Construction Power	Total
Sundernagar	1	-	**1**
Sawra Kuddu HEP	14	5	**19**
Shongtong HEP	-	39	**39**
Total	**15**	**44**	**59**

In our opinion the Capital Work in Progress are overstated to the extent above and the Property Plant and Equipment are understated to the extent of above. The Impact of the depreciation on the above cannot be quantified in the absence of the information.

In case of Beradol SPP, required capitalisation for Rs.192 Lacs, has been done in the F.Y. 2018-19 only. In case of DW Sundernagar, required action has been taken as on 01.04.2019. In case of Sawra Kuddu & Shongtong HEPs assets capitalisation is under process.

ii) We Invite attention to Note No 2.70 where in it is stated that the Court case has been filed by the Toss Mini Hydal Project in the Hon'ble High Court of Himachal Pradesh against the Government of Himachal Pradesh. The matter is still under litigation and may have impact on the Development of the Project.

Statement of fact. No comments required.

iii) The Shongtong unit has charged the progressive payments made to AHIPL to the capital work in progress account whereas the supplier is raising the invoices afterwards by adjusting the progressive payments in there invoices proportionately. The following are the details of the progressive payments made to the party: -

		INR	Euro	US $	Total
1st Progressive payment	07-04-2016	15,06,05,000.00	56,58,000.00	2,39,53,000.00	**18,02,16,000.00**
2nd Progressive payment	13-05-2016	15,06,05,000.00	57,04,000.00	2,40,87,000.00	**18,03,96,000.00**
3rd Progressive payment	31-03-2017	15,06,05,000.00	46,74,000.00	2,43,64,000.00	**17,96,43,000.00**
Total		**45,18,15,000.00**	**1,60,36,000.00**	**7,24,04,000.00**	**54,02,55,000.00**

The progressive payments made are in nature of the advance paid to the party on the basis of the value of the contract and has to be adjusted with the invoices to be raised by the supplier in future. In our Opinion the Advance to the Supplier is understated and the Capital work in Progress is overstated to that extent.

We invite attention to the Note 1.11 regarding accounting policy in respect of treatment of foreign currency transactions which has not been followed by the Group. The Advance also includes foreign exchange components for which no adjustments has been made in the books as per the requirements of the Ind AS 21. The Effects on change in foreign exchange rates applicable to the Group. In the absence of the information we are unable to comment on the same.

This observation has been settled subsequently in the supplementary Audit by the C&AG.

	iv) The Sainj Unit has paid Entry Tax amounting to Rs. 544 lakhs from September 2010 to December 2016 to HCC Limited. As per the Himachal Pradesh Entry Act 2010 the dealer paying the entry tax is entitled to take the credit of the entry tax and adjust the same with the Vat Liability of the Dealer which the dealer has claimed in the Vat return filed by the contractor to the concerned Assessing Authorities. Thus, the dealer was not entitled to claim the entry tax which was adjusted by dealer towards its Vat Liability. Thus CWIP Project Electro Mechanical works is overstated to the extent of Rs. 544 lakhs and other current assets are understated to that extent. The HCC has gone into court case and the amount is of non recoverable nature as the amount is not recovered till date.. Thus provision for the same is required and provisions are understated to the extent of above.	It shall be shown as recoverable from the contractor and accordingly the asset value shall be reduced, hence it is a transaction of capital nature and does not affect Profit & Loss account. Further this amount shall be recovered from the dues payable to the contractor on final settlement of payables & receivables of the contractor, as the final settlement is still pending.
	v) The Kashang Unit has charged interest paid on PFC loan of Rs. 3,000 lakhs transferred from HPSEB at the time of transfer of assets and liabilities from the HPSEB of the Kashang Unit to the Expenditure Under Construction. It has been observed that at the time of transfer of assets from Kashang Unit from HPSEB a sum of Rs. 1,392 lakhs has been used for construction of Transmission Lines at Kashang HEP. During the year 2010-11 the Kashang unit has transferred all cost of the Transmission Lines amounting to Rs. 6,585 lakhs back to the HPSEB Limited. Further It has been observed that at the time of transfer of transmission lines the loan component of the PFC utilised on the construction of Transmission lines has not been transferred to the HPSEB Limited and further a sum of Rs. 871 lakhs has been paid as interest on the above loan by the Group till 31st March 2017 to the PFC. Thus, a sum of Rs. 871 Lakhs is recoverable from HPSEB Limited on account interest paid to PFC on transmission lines transferred back to HPSEB. In our opinion Property Plant and Equipment are overstated to the extent of Rs. 871 Lakhs and the other current assets are understated to the extent of above. The observation is continuing since 2016-17 and the amount is not recovered till date hence a provision for the same is required. Thus expenditure is understated to the extant of above.	During the investigation stage, the Kashang HEP Stage-I (65MW) was under the administrative control of the HPSEB Limited. The loan agreement worth Rs 200.00 Crores was executed between HPSEB Limited and Power Finance Corporation Limited (PFC) for the execution civil and transmission work of the Kashang HEP Stage-I (65 MW) and the PFC released Rs 30.00 Crores during the FY 2003-04 as advance/ revolving fund to HPSEB Limited. Later on the project was transferred to HPPCL and assets and liabilities were taken over by HPPCL from KKPCL/HPSEBL along with the loan from PFC as per figures reconciled with HPSEB on 08.11.2012. The summary of the same is as under:- Total Expenditure incurred by HPSEB on Kashang HEP Rs. 15094.36 Lakhs Less: Expenses on Transmission Line of IKHEP Rs. 6585.48 Lakhs **Net Assets Taken over by HPPCL Rs. 8508.88 Lakhs** Less Loan Taken over (2850+848.70) by HPPCL Rs. 3698.70 Lakhs **Net Amount Payable to HPSEBL Rs. 4810.18 Lakhs.** Hence, the Transmission Line 200KV DC from Kashang to Nathpa was not taken over by HPPCL, however the outstanding loan of PFC was taken over by HPPCL at the time of merger, which was further adjusted at the time of issue of equity shares to HPSEB Limited. Therefore, the liability of loan of PFC and interest accrued thereon after the merger was to be borne by the HPPCL.

vi) Apportionment of Corporate and Sundarnagar (Design Wing) Expenses to Renukaji Project

The Group has apportioned 15 % of the total expenditure of Corporate Office and Sundarnagar design office to Renukaji Project vide Managing Directors Office Order Note dated 10/11/2017 during the year under 2016-17. It has been observed that during previous year for Renukaji HEP where only expenditure of 5% of the total cost of the Fixed Assets and CWIP has been incurred by the Group till the close of the year on the project ,15 % of the total expenditure of Corporate Office and Sudarnagar and rest has been allocated to the other units in the proportion of capital expenditure incurred by the remaining units. The above apportionment ratio has not been approved by the Board of Directors of the Group. The allocation percentage and ratio adopted by the Group is also not in compliance to accounting policy of the Group mentioned at Note no 1.6 (g) The Group has provided no justification for approving the percentage of 15 % for allocation of corporate office and sundarnagar expenditure to Renukaji HEP.

The Group has charged the following expenditure to the Renukaji till 31st March 2018 and the same has already been reported by us in the statutory audit reports for the year 2016-17 and 2017-18. The following are the details of the same.

(Amount in Lacs)

Expenditure	Amount	Statutory Audit Report
up to 2016-17	1,948.00	2016-17
2017-18	194.00	2017-18
Total	**2,142.00**	

In our opinion the apportionment of expenditure to renukaji @ 15 % is not justifiable and thus Rs. 2142Lakhs(Previous Year Rs. 1,948 lacs) has been excess allocated during the year 2016-2017 to the renukaji and same has been less allocated to other units.

This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP.

The Group during the year under review has also adopted the same method of apportionment and the following are the details of appropriations made during the year:-

Appropriations made up to 03rd January 2019

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,49,140.59	55.32	837.84	739.80	98.04
Renukaji	13,117.81	4.87	73.69	242.28	-168.59
Shongtong	74,059.13	27.47	416.05	367.36	48.68
Chirgaon Majhgaon	1,057.14	0.39	5.94	5.24	0.69
Triveni Mahadev	640.78	0.24	3.60	3.18	0.42
Thana Plaun	2,451.53	0.91	13.77	12.16	1.61
Nakhtan	2,149.30	0.80	12.07	10.66	1.41
Gyspa Dam	1,034.94	0.38	5.81	5.13	0.68
Surgani Sundla	1,455.08	0.54	8.17	7.22	0.96
Deothal Chanju	485.76	0.18	2.73	2.41	0.32
Chanju III	1,016.54	0.38	5.71	5.04	0.67
Berra Dol	3,135.28	1.16	17.61	15.55	2.06
Kashang II	19,837.56	7.36	111.44	98.40	13.04
Total	**2,69,581.43**	**100.00**	**1,514.45**	**1,514.45**	**0.00**

This has been done as per the decision of the management which was based on the actual proportionate expenditure being incurred on RenukaJi DAM by Corporate Office & DW Sundernagar.

Appropriations made after 03rd January 2019

(Amount in Lacs)

Name of the Power Project	CWIP plus Fixed Assests less land cost	Percentage of total Cost	Cost to be Allocated	Cost Allocated	Variance
Sawra Kuddu	1,45,844.26	56.90	268.69	238.51	30.18
Renukaji	13,966.20	5.45	25.73	75.88	-50.15
Shongtong	69,372.26	27.07	127.80	113.45	14.35
Chirgaon Majhgaon	1,057.13	0.41	1.95	1.73	0.22
Triveni Mahadev	640.69	0.25	1.18	1.05	0.13
Thana Plaun	2,172.13	0.85	4.00	3.55	0.45
Nakhtan	2,070.71	0.81	3.81	3.39	0.43
Gyspa Dam	1,022.15	0.40	1.88	1.67	0.21
Surgani Sundla	1,090.39	0.43	2.01	1.78	0.23
Deothal Chanju	435.72	0.17	0.80	0.71	0.09
Chanju III	896.63	0.35	1.65	1.47	0.19
Kashang II	17,734.16	6.92	32.67	29.00	3.67
Bara-Khmba	2.94	0.00	0.01	0.00	0.00
Bara-Khmba	1.09	0.00	0.00	0.00	0.00
Total	**2,56,306.44**	**100.00**	**472.19**	**472.19**	**-0.00**

In our opinion the apportionment of expenditure to renukaji @ 15% is not justifiable and thus Rs. 219 Lakhs has been excess allocated during the year 2018-2019 to the renukaji and same has been less allocated to other units.

This has resulted in less apportionment of the expenditure to the generating unit i.e. Kashang Stage I and Sainj HEP and may affect the depreciation charged during the year by the Kashang Stage I and Sainj HEP. In the absence of the information we are not able to comment on the less amount of depreciation charged after COD period by the Kashang Stage I and Sainj HEP.

We Would further like to submit that no confirmations from the participating states and the central government has been provided to us for the inclusion of above expenditure towards the cost of the Project. In the absence of confirmations we are unable comment on the recoverability of the expenditure from the participating states and central government.

3. **Non-Current Investment Note 2.5**

i) We invite attention to Note No.2.45(i)., the Group has made an investment of Rs.337.50 Lac (previous year Rs.. 337.50 Lakhs) in the equity of Himachal EMTA Power Limited (HEPL) which has been established as Group's joint venture with EMTA for setting up a (2*250 MW) thermal power plant. The Group has 50% equity participation in HEPL. The Government of India has allotted coal block to Himachal EMTA Power Limited and JSW Steal Limited for which another Joint Venture has been made in the Name of Gourangdih Coal Limited.

"The Hon'ble Supreme Court of India (SC) on 25/08/2014 and 24/09/2014 ordered that the allotment of the coal block made by the screening committee of the Government of India through the government dispensation route are arbitrary and illegal thus the Gouragdih Coal Block allotted to Himachal EMTA Power Limited and JSW Steel Limited has been cancelled."

Statement of Facts requires no comments.

ii) The Group has made provision for doubtful investments amounting to Rs. 337.50 lakhs in the books of accounts.

Statement of Facts requires no comments.

	iii) The Group Independent auditors of Gourangdih Coal Limited raised concern in respect of preparing the Financial Statements on the basis of Going Concern Concept and under Historical Cost Convention due to deallocation of the Coal Blocks by the decision of the Supreme Court during the year under review.	Statement of Facts requires no comments.
	iv) We invite attention to note 2.77 where in the Enforcement Directorate has attached the assets of the Himachal Emta Private Limited amounting to Rs. 259 Lacs. The Directors report of the Himachal Emta Limited for the year 2018-19 stated that the CBI has filed charge Sheet accussing the two Directors of the Group Sh Ujjal Kumar Upadhaya and Sh Bikas Mukherji in the matter pertaining to the allocation of Gourangdih ABC coal Block by misrepresentation of facts. The ED on the basis of the Charge sheet filed has attached the assets of the Gourangdh Coal Limited considering them to be proceeds of crime under Prevention of money Laundering Act 2002.At present the case is pending with the Supreme court of India against the attachment order. No Disclosure of the same has been made in the notes to accounts.	Statement of Facts requires no comments.
4.	**Other Non-Current Financial Assets Note 2.10** I) The Chirgaon Unit is showing a sum of Rs. 5 Lakhs as amount paid to LAO for purchase of land. The accounting unit was transferred from erstwhile Board (HPSEB). The payment was made by the LAO of the HPSEB and the land is in the name of HPSEB. The unit was transferred from the erstwhile HPSEB and the advance account of the LAO is being carried forward by the unit as advance and the land is in the possession of the Corporation. The Unit has not changed the name of the ownership of the corporation in the revenue records nor has adjusted the advance account. In our opinion the Group is entitled for title of the land once the award has been ordered by the LAO and land legally vests with the Group. Thus, Other Non-Current Financial Assets are overstated to the extent of above and correspondingly the Property Plant and Equipment is understated to the extent of above.	Transfer of title of the land is under process.
	ii) The Shongtong HEP, has paid Rs. 44.07 Lakhs (previous year Rs. 45.31 Lakhs) to land owners for acquisition of land measuring 0.1702 hectare, for the project, at the time of mutation it is found that the same land was already acquired by HPPWD. The amount is doubtful for recovery as the amount has not been recovered from the land owners and a provision for the same is required. In our opinion Other Non-Current Financial Assets is overstated to the extent of above and consequently the expenditure is understated to the extent of above.	The amount paid is being recovered from the welfare grants and R&R benefits accruing to land holders against the Welfare and R&R Schemes. An amount of Rs. 2,97,565/- has been already recovered / adjusted against the welfare grants payable to the land owners. An amount of Rs. 9,32,700/- will be recovered/adjusted from the welfare grant already due to be released to these land holders. Further, an amount of Rs. 8,67,600/- shall be recovered from the R&R benefits i.e. free sand and aggregate as per requisition of land owners.
	iii) (a) We invite attention to Note No 2.69 where in it is stated that the amount recoverable from contractors includes a sum of Rs. 11,233.54 lakhs (previous year Rs. 7,943 lakhs) recoverable from	The recoverable amount is covered under the counter claim raised by HPPCL of Rs.311.77 Crores, before

	Coastal Projects on account of risk and cost. The contract with the contractor was terminated in the year 2013 and the same was awarded to M/s HCC Limited The amount paid to HCC Limited on account extra cost has been shown as recoverable from Coastal Projects. The amount is doubtful of recovery from the Coastal Projects as there is no agreement with the party to recover the money as the contract with the party has already been terminated since 2013. The Group has gone into liquidation as the lender banks of the contractor has filed liquidation petition with NCLT and the amount is doubtful of recovery. The Management has informed to us through a letter from the Director Finance dated 9th June 2021 that in case of non recovery of the amount from the contractor the same will be charged to the cost of the " Main Civil Works" after obtaining the necessary approval from the Board of Directors. We suggest that the Management should take approval from the BOD regarding charging of the amount recoverable from the contractor to the "Main Civil works" in case of the non recovery of the amount due from the contractor at subsequent Board Meeting. The same is required as per the requirement of IND As so that the above cost will become part of the **cost to bring the assets to location and condition necessary for it to be capable of operating in the manner intended by the Management.** The Group is not the secured creditors of the Coastal Projects and the Group has not shown to our verification any documents in support of their claim that the amount recoverable from the coastal projects are fully secured and there is full probability that the amount will be fully recovered in the near future. In our opinion as the amount is doubt full of recovery necessary provision should be made in the books of accounts. Thus, Other Non-Current Financial Assets are overstated to the extent of above and Capital work in progress are understated to the extent of above.	NCLT. Till the final decision of the NCLT is announced, the amount shown as recoverable can't be declared doubtful for recovery. Further if the amount becomes un-recoverable, it shall be capitalised to the Assets (HRT), as it is related to construction of HRT and hence do not affect Profit & Loss account.
	b) The unit has not charged the GST on the amount of the amount of Rs. 3,287 lacs charged to the Coastal Projects on account of Risk and Award Cost charged to the contractor. Thus GST amounting to Rs. 592 lacs has not been charged on the above on account of reimbursement of expenses and liability is understated to the extent of above.	As the amount recoverable is contingent no GST has been levied on it. Further the GST, if leviable, shall be recovered from M/s Coastal Projects, hence is not Corporations expense. Further being part of the capital expenditure, if the amount charged to M/s Coastal Projects, does not realise, the same shall be capitalised.
	c) The Group has debited the amount of service tax payable by the Group amounting to Rs. 65.30 lacs to the service tax authorities and the same has been paid by the Group in its own service tax number under the Viswas se Vivad Scheme. The Liability of payment of the service tax was of the Group in the pre GST period which was Charged from the HCC on account of Rent Charges of use of Machinery of the Coastal Projects by the HCC. The Amount was credited to the Costal Projects without depositing the service tax from the rent credited to the Coastal Projects. Thus the services are covered Under Principal agent relationship and GST has to be charged on the same and a sum of Rs. 11.70 lacs is to be paid as GST	Same as above

	on the above. The Liability is understated to the extent of above.	
	d) Further the Group has filed a claim of Rs. 40,567.17 Lakhs inclusive of interest with the NCLT against the Coastal Projects Limited as the contractor Group has gone into liquidation which is in the nature of Contingent Assets and same has been disclosed as Contingent Assets as per Note 2.37. The Official Liquidator has not accepted the claim of the Group stating the reason that the matter is pending with the High Court with Hon'ble High Court of Himachal Pradesh	The matter has been taken-up with the liquidator to include the entire claim amount of HPPCL.
	iv) We invite attention to Note No 2.62 where in it is stated that the Group has not made a provision for Rs. 103 lakhs (Previous Year Rs.103 Lakhs) recoverable from Gammon India since 2013 through Directorate of Energy. The amount has to be recovered along with interest of 10 % per annum. The amount has not been recovered till the date of audit and the same is doubtful of recovery hence provision for doubtful advance is required. In our opinion the Non-Current Financial Assets are overstated to the extent of above and Expenditure are understated to the extent of above.	The amount shown as recoverable can't be declared as doubtful till the Directorate of Energy refuses to re-imburse the amount involved.
	v) The Renukaji HEP has deposited Rs. 186.42 lacs with HPSEB for deposit work. The HPSEB has fully utilised the advance and given the Utilisation certificate to the Group. However the Group has not capitalised the assests. In our opinion the other Non-Current Financial Assets are overstated to the extent of above and Capital work in progress is understated to the extent of above.	Against the total advance of Rs. Rs.186.42 Lacs, (given in two installments) to HPSEBL, for laying construction power and transmission lines, has been fully utilised by the HPSEBL for various works assigned to them, as per the Utilisation Certificate submitted to that effect by HPSEBL. Adjustment of advance is pending in Books of Accounts due to works executed are still being verified by project authorities (as intimated vide UC).
	vi) **Grant Receivable** We invite attention to Note No 2.64 where in it is stated that Group is showing Rs. 522 lakhs (previous year Rs. 448 lakhs) as recoverable grant from the Central Government on account DPR and Investigation Expenses. The Government of India has approved Rs. 1,250 Lakhs for survey and investigation of the project and paid Rs. 500 Lakhs as advance and the rest of the amount is to be paid on the submission of the DPR. The work of the DPR is not completed since 2012 due to sustained opposition to the project by local people. The Central Government has stayed the further payment of the grant until the submission of the DPR. The grant recoverable shown is not as per para 7 and 8 of the Indian Accounting Standard (Ind as) 20 Accounting for Government Grants and Disclosures thereof which states that: - ***"7 Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:*** ***a) the entity will comply with the conditions attaching to them; and***	Statement of facts requires no comments.

<table>
<tr>
<td></td>
<td>b) the grants will be received.
8 A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the entity will comply with conditions attaching to it , and that the grant will be received .Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.”
The grant recoverable is not as per the applicable IND as 20 and the contention of the Group is that as the project is of National importance and the concerned ministry is continuously pursuing the matter with the State Government and directing the Group to take appropriate action to resolve the issue with the affected families so that the survey investigation work may be completed at the earliest. In our opinion the continuous monitoring of the project by the ministry and the Central Government and further directions to resolve the issue with effected families at the earliest is a sufficient compliance for the condition attached to the grant as per the requirement of IND as 20.</td>
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<td>vii) The Shongtong unit is showing following advances to the contractors the recoverability of the same is dependent on the completion of the project and the same has not been discounted and shown as per the fair value as required by IND AS 113. In the absence of information, we are unable to comment on the same (Please also refer Note 2.47). The following are details of the advances:
(Amount in Lacs)
<table>
<tr><th></th><th>Contractor</th><th>Current Year Amount</th><th>Previous Year Amount</th></tr>
<tr><td>1.</td><td>Patel Engineering</td><td>5,146.00</td><td>5,143.00</td></tr>
<tr><td>2.</td><td>Andtriz Hydro</td><td>2,605.00</td><td>3,155.00</td></tr>
<tr><td></td><td>Total</td><td>7,751.00</td><td>8,298.00</td></tr>
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</td>
<td>The recovery of mobilization advance as per contract agreement PCC clause14.2, wherein the deduction of mobilization advance starts from the IPC after the total of all IPC's certified for payment to contractor reaches 30% of the contract price. As such, an amount of 1130.50 lakh on account of mobilization advance has been recovered from M/s PEL till date. The balance payment will be recovered from the subsequent IPCs till the complete recovery, which shall be completely repaid prior to time when 90% of the contract price has been certified for payment.
The advance given to AHPL is adjusted/ recovered from the invoices. An amount of 2093.05 lakh on account of mobilization advance has been recovered from M/s AHPL upto 31.03.2021. The balance amount of advance of Rs. 1744.87 lakh outstanding as on 31.03.2021 will be recovered / adjusted as and when invoices of works executed are certified for payment to the contractor. Discounting can't be done at this stage as the actual date of 90% o the work execution is not ascertainable.</td>
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<td></td>
<td>viii) The Shongtong unit has given advance of Rs. 70 lacs (Previous Year Rs. 100 lakhs) to IPH Khwangi for irrigation scheme and the same has not been charged to expenditure during construction. In our opinion the Non-Current Financial Assets are overstated to the</td>
<td>At present an amount of Rs. 20 lakh stands as balance amount of advance to IPH and efforts are being made to obtain the UC. As the work is still being</td>
</tr>
</table>

	extent of above and CWIP are understated to the extent of above.	executed, hence advance can't be settled at this stage
	ix) The Shongtong unit is showing advance of Rs. 154 lacs (Previous Year Rs. 154 lakhs) to HPSEB as on 31st March 2019 and as the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 154 lakhs and CWIP are understated to the extent of above.	As on date Rs. 35.49 lakh are to be adjusted from advance given to HPSEBL. Efforts are being made to obtain the utilization certificate of the above amount. The work is still being executed, hence advance can't be settled at this stage.
	x) The Sawra Kuddu HEP is showing a sum of Rs. 485 lakhs (Rs. 714 lakhs) as Deposit Work Paid which has not been capitalised for want of utilisation certificates from the executing agencies. As the advance will not be recovered from the agencies and assets are being used by the corporation the same should be capitalised. In our opinion the Non-Current Financial Assets are overstated to the extent of Rs. 485 lakhs and CWIP are understated to the extent of above.	This advance is recoverable in nature. Also there is adjustment of Rs. 229 lakh in the financial year resulting in reduction of advance from 714 lakh to 485 Lakh.
	xi) The Chanju III has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 17 lakhs. Thus the Other Non Current Assests are overstated to the extant of above.	The amount is an 100 % advance payment against the deposit work for Carrying out Preliminary/ Detailed survey along with preparation of Forest Clearance cases and PTCC cases for the construction of 132 KV D/C Transmission Line from Chanju-III HEP to Chanju-I HEP in Distt. Chamba of H.P. Advance can be adjusted only after the completion of work.
	xii) The Deonthal Chanju has not capitalised the advance to HPPTCL for design and survey work amounting to Rs. 13.00 lakhs. Thus the Other Non Current Assests are overstated to the extent of above.	The amount is on account of 100 % advance payment against the deposit work for Carrying out Preliminary / Detailed survey along with preparation of Forest Clearance cases and PTCC cases for the construction of 132 KV D/C Transmission Line from Chanju-III HEP to Chanju-I HEP in Distt. Chamba of H.P. Advance can be adjusted after completion of work.
	xiii) The Sainj unit has given advance against the retention money to HCC limited amounting to Rs. 450 Lacs. The Contractor has not paid the Advance and the interest due on the same. Thus advance to Contractor and Retention money is overstated to the extent of above.	As per Supplementary Agreement SA-12, the loan of Rs 4.50 Crores with interest has been issued to HCC against Bank Guarantee of amount Rs.5.18 Crore., which cannot be encashed being stayed by Hon'ble Arbitral Tribunal in reference –III. A revised claim amount of Rs 6.18 Crore has been raised by HPPCL as counter claim. As Corporation has in hand the BG against the advance given and further the entire amount shall be

		recovered from the contractor at the time of Full & final settlement. As of now the same can't be done as the matter is subjudice.
	xiv) The Sainj unit has paid Rs. 50 Lacs to HP Fisheries Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalized. Thus the Other Non Current Assets are overstated to the extent of above.	The Director–cum-Warden of fisheries has been requested to supply the Utilization certificate to settle the advance, which is awaited.
	xv) The Sainj unit has paid Rs. 10 Lacs to State Pollution Department but the expenditure has not been booked. The Advance is not of recoverable nature and should have been capitalized. Thus the Other Non Current Assets are overstated to the extent of above.	A Utilization certificate has been received from H.P. State Pollution Control Board wherein it has been certified that only a partial Amount of Rs. 1,06,048/- has been utilized during 2017-18 against the advance amount of Rs. 9,87,388/-. Moreover the expenditure is of capital nature & hence does not affect Profit & Loss Account.
	xvi) The Sainj unit has shownRs. 9 Lacs as recoverable from DOE on account of LADF charges paid on Infirm Power. The amount is not recovered till date and provision for the same is required. Thus the Other Non Current Assets are overstated to the extent of above and expenditure is understated to that extent.	Necessary correspondence in this respect is being done with Directorate of Energy. The amount shall be settled accordingly. Further the amount pertains to infirm sale and shall affect the capital value of assets, hence does not affect Profit & Loss Account.
	xvii) The Sainj unit has shown Rs. 131 lacs (Previous year Rs.71 lacs) as interest recoverable from HCC on account of advance given against retention money . The Party has not repaid the amount of advance and nor the interest on the same has been paid back hence provision for the same is required. Thus the Other Non Current Assets are overstated to the extent of above and expenditure is understated to that extant.	The amount is still recoverable form the contractor. However if it is not repaid by the contractor, it shall be recovered from the retention money payable to the contractor. Further the expenditure is of capital natured and also the matter is under dispute. It does not affect Profit & Loss Account.
	xviii) The Sainj unit has booked advance to HPSEB amounting to Rs. 5.29 lacs which is of non recoverable nature and should have been charged to the CWIP. Thus Current advances has been overstated to the extant of above as the amount has not been recovered and adjusted till date.	Sr. Executive Engineer Division HPSEBL, Thoulot has been requested to submit the utilization certificate of deposited fund (Rs. 5.29 Lakh Only) vide this office letter No. HPPCL/SHEP/SM(B/HM)/Gen/2020-21-338-339 dated 11.09.2020 followed by a reminder of even nos. 458-59 Dated 17.10. It can be settled only on receipt of UC.
	xix) The Sainj unit has booked advance to XEN IPH amounting to Rs. 4.65 lacs which is of non recoverable nature and should have been charged to the CWIP. Thus Current advances has been overstated to the extant of above as the amount has not been recovered and adjusted till date.	Xen , Jal Shakti Department, Division-II Kullu at Bhunter has been requested to start the work at the earliest for which Rs. 4.65 lakh has already been deposited vide this office letter No.

		HPPCL/ SHEP/SM(B/HM) / Gen/ 2020-21-336-337 dated 11.09.2020 followed by a reminder file of even nos.462-63 Dated 17.10.2020. It can be settled only on receipt of UC.
	xx) The Sawra Kuddu Unit has debited Rs. 41 lakhs to Patel Engineering on account of Risk and award cost of the work done during the year 2017-18. The contractor has not paid the amount till date. Thus Provision for non recoverability of amount is required. .Thus Other non current Assets are overstated to that extant.	The said amount was withheld/ recovered, but later on was released due to the decision of Dispute Board in favour of the Contractor. Now the said case of recovery is under arbitration, hence can't be shown as doubtful at this stage. Further this shall be capitalised if not recovered hence does not affect Profit & Loss Account.
	xxi) The Sawra Kuddu Unit has shown a Sum of Rs. 665.00 Lacs as amount recoverable on account interest and penalty on entry Tax and provision for the same has been shown as provision for expenses by the unit . The Group has settled the same in the HP (Legacy Case Resolution) scheme 2019 for Rs. 67.92 lacs as final settlement fees. .Thus Other non current Assets are overstated to that extant of Rs. 597.08 lacs and similarly the provision for expenses are overstated to that extant.	It is submitted that as per HP (Legacy Case Resolution) Scheme,2019; the case fopr interest & Penalty in r/o/ Entry Tax mater of LKHEP was discharged by the Excise & Taxation Department Government of H.P & accordingly Discharge Certificate was issued. The settlement Fee of amounting Rs. 67,92,974.00 has been deposited by HPPCL to Excise & Taxation Department, H.P for Discharge of Entry Tax case under HP (Legacy Case Resolution) Scheme, 2019. Further, it is submitted that the case for Recovery of settlement Fee from M/s AHPL is already under consideration of Dispute Board and sufficient amount is withheld from the bills of the contractor to secure the above recovery, subject to the decision of the Dispute Board. Hence it can't be declared as doubtfull for recover, at this stage.
	xxii) The Chanju III has not capitalised the amount of Rs. 187 lacs paid to HPSEBL which is of non recoverable nature. Thus Other non current Assets are overstated to that extant.	The amount on account of 100 % advance payment for strengthening of existing Power Supply Line, released to HPSEBL as a deposit work against the estimate submitted by HPSEBL. Work is in progress. Advance will be adjusted after completion of work.
	xxiii) The Deonthal Chanju has not capitalised the amount of Rs. 187 paid to HPSEBL lacs which is of non recoverable nature. Thus Other non current Assets are overstated to that extant.	The amount is on account of 100 % advance payment for strengthening of existing Power Supply Line, released to HPSEBL as a deposit work against the estimate submitted by HPSEBL. Work is in progress. Advance will be adjusted

<table>
<tr><td></td><td></td><td>after completion of work.</td></tr>
<tr><td>5.</td><td>Inventory Note 2.11
The Kashang stage 1 Unit is showing the following inventories at the close of the year
<table>
<tr><th>S.No.</th><th>Item No.</th><th>Description</th><th>Amount</th><th>Remarks</th></tr>
<tr><td>1.</td><td>2000000751</td><td>G.I. Pipe 80 mmΦ 248.3 Rmt</td><td>1,06,140.80</td><td>Transferred from HPSEB</td></tr>
<tr><td>2.</td><td>2000000744</td><td>Portable Magzine 4 Nos.</td><td>1,55,567.00</td><td>Transferred from HPSEB</td></tr>
<tr><td>3.</td><td>2000000765</td><td>Steel Tubler Pole 10 mtr. 42 Nos</td><td>4,51,035.90</td><td>Transferred from HPSEB</td></tr>
<tr><td>4.</td><td>2000000727</td><td>Angle Iron 100x100x6mm 17.787 M</td><td>6,06,688.42</td><td>Transferred from HPSEB</td></tr>
<tr><td>5.</td><td>2000000766</td><td>ACSR Conductor 14,078 M</td><td>6,22,205.05</td><td>Transferred from HPSEB</td></tr>
<tr><td>6.</td><td>2000005637</td><td>Needle Tips & Seat Ring 1 Set</td><td>16,60,593.94</td><td>Spares for E and M work</td></tr>
<tr><td></td><td>Total</td><td></td><td>36,02,231.11</td><td></td></tr>
</table>
The Item from sr no 1 to 5 amounting to Rs. 19.41 lacs has to be shown at Net Realisable Value and the necessary provision of obsolescence has to be made. No information in respect of the same has been provided to us.
The item at Sr No 6 is spare of the Turbine and has be shown under Property Plant and Equipment's. Thus Inventory is overstated to the extent of Rs. 16.60 lacs and property Plant and Equipment's is understated to the extent of above.</td><td>The Item from Sr No. 1 to 5: The valuation of inventory item at sr. No. 1 to 5 is presently at cost of acquisition, however any change required in the valuation method as per audit observation is the matter of change in policy which required the approval of competent authority.
The Item at Sr. No. 6 : The Needle Tips & Seat Ring is a mandatory spare for Turbine of the machine and one or two set of the same are kept as extra for immediate replacement to avoid generation loss in case of the erosion of the already installed component. This spare is required to be replaced every year due to its erosion during the monsoon season resulting from heavy silt inflows. Therefore the uses period and future economic benefit derived from spare part are limited only up to one period and according to Ind AS 16, The spares parts, stand-by equipment and servicing equipment qualify as Property, Plant and Equipment when an entity expects to use them over the period of more than one year. Hence the spares available to use in store does not qualify the condition to be shown under Property, Plant and Equipment's.</td></tr>
<tr><td>6.</td><td>Trade Receivables Note 2.12
I) The Kashang Unit is showing Rs. 103 lakhs (previous year Rs. 73 lakhs) as amount recoverable from HPSEB Limited on account of Late payment surcharge which has not been accepted by the party and the same amount has not been paid by the customer till date and only sale of power is being paid by the party. The amount has been adjusted with the amount payable to HPSEB Limited on account of dues of leave salary and pension contribution payable to the HPSEB limited.in the year 2019-20 The confirmation from the HPSEB is pending in this regard.</td><td>The amount has been recovered now in the F.Y. 2019-20. Hence as the amount has been recovered before drawing the Balance Sheet for the F.Y. 2018-19 as on 10.06.2020, therefore, it can't be considered doubtful for recovery.</td></tr>
<tr><td></td><td>ii) We invite attention to Note No 2.58 wherein it is stated that HPSEB Limited has retained Rs. 1369 Lakhs (Previous Year Rs. 1,369 lakhs) as amount due on account of Leave salary and pension contribution of employees appointed on secondment basis with the Group. In our opinion the trade receivables are overstated to the extent of above and also the liabilities are overstated to that extant</td><td>This has been settled in the F.Y. 2019-20.</td></tr>
<tr><td>7.</td><td>Other Current Assets Note 2.18
i) The Sawara Kuddu unit has not shown the amount recoverable</td><td>The case is under arbitration and shall be recovered as per the decision of</td></tr>
</table>

	from Patel Engineering on account of recovery of concrete cutting amounting to Rs. 84 lacs (previous year Rs. 84) lakhs. In our opinion the other Current Assets are understated to the extent of above and CWIP is overstated to the extent of above.	arbitration case. The said amount is already shown as recoverable from the contractor. Total Amount of Rs.77.50 lakh is shown as recoverable from M/s Patel Engineering Limited against concrete cutting recovery.
	ii) The Beradol HEP has shown the amount recoverable from HPSEBL amounting to Rs. 93.03 lacs on account of sale of power under the Head Receivable from HPSEB which has to be shown under the Head Trade Receivable. Thus Trade Receivables are understated to the extent of above.	Has been rectified in the F.Y. 2019-20.
8.	**Non-Current Other Financial Liabilities Note 2.21** i) **Long Term Borrowings** The Group has taken loan from the State Government for construction of Hydro projects. The Group has not paid the Instalment and interest on the State Government loans. The State Government has provided deferment of loan and interest for the amount accrued up to January 2017 till FY 2018-19. The instalment interest due after January 2017 till the close of the year has not been paid by the Group to the state Government. We Invite attention to Note 2.73 where in the Group has made the request for the deferment of Instalment and loan to State Government . The State Government has given has not accepted the request and has granted the deferment for the year 2020-21 till the year 2021-22. In our opinion the Group has defaulted in payment of instalments and interest to the state government which is holding 31.63%(Previous Year 28.59 %) of the equity. However there is no other default in payment of loan and interest to any other Financial institutions/Banks. The Group has not complied with Requirements of the IND AS 20 Accounting of the Government Grant which states that the any concession from the government should be added as addition to the cost and should be credited to the revenue.	HPPCL had requested Deferment of Loan dues from GoHP vide letter No. 8865 dated 11.09.2020. In response, GoHP vide letter No. MPP-C(12)-1/2017 dated 05th February, 2021 has agreed to the deferment of loan dues for the FY 2020-21 till the FY 2021-22. Further, HPPCL vide letter No. 16843 dated 24/02/2021 has again requested the GoHP that the repayment of entire principal and interest installment due up to 31.03.2021, may also be deferred.
8.	ii) The loan to the Group was sanctioned by the Central Government to the State Government as 90 % grant and 10 % loan basis has been further advanced to the Group as 100 percent loan which was sanctioned to the state government under Clean energy program. The Funding of the Grant to State Government as Loan to the Group has increased the financial cost Liability on account of interest payable to the State Government. This will increase the cost per unit of the generation of power and will not be recovered from the consumer and have to be borne by the Group . The charging of the interest will not make the Group profitable as it constitutes 40% to 45% of the revenue cost and the Group has not paid the interest to the state government even after three units are commissioned and the Group is pursuing for the deferment of principal and interest till 2024 and in earlier year also the deferment has been granted by the State Government. The CAG has also raised concern over the same in there report and suggested that the matter be taken up with the state government to get the benefit of the Govt of India Policies.	The matter of channeling of grant portion of the financial assistance by GoHP as loan to HPPCL has already been raised by CAG as pointed out in this Para contents. The reply of the management of HPPCL has been submitted. On similar lines, it is again submitted that it is a policy matter of GoHP and the entire equity in HPPCL is also invested by the GoHP and, therefore, it is the right of the State Government to transfer funds to HPPCL as loan or otherwise.

<table>
<tr><td></td><td>iii) The Long-term Liabilities includes EMD, Retention Money and Security Deposits pending since inception of projects and the same has not been paid till the close of the year. The Internal control in respect of them is very weak and should be strengthened and the liabilities should be assessed at fresh and should be charged to revenue in appropriate cases.</td><td>EMD, Retention Money and Security Deposits etc. are being released to the contractors, whenever, claims are being submitted by the contractors.</td></tr>
<tr><td>9.</td><td>Non-Current Liabilities Provisions Note 2.23
i) For Group Employees
We invite attention to note 1.20 and 2.41 where in the policy adopted for employees benefit and accounting in respect of the same has been disclosed. The Above policy is not in compliance with the Ind AS 19 Employees Cost in relation to Post Employment defined Benefits plan in the matter of its recognition and measurement. In the absence of Information, we are unable to comment on the same of its impact in the balance sheet and profit and Loss Account.</td><td>Adequate provisions have been created as per the defined Gratuity and Leave Encashment Plans, adopted by the Corporation. Compliance to Ind AS has been ensured w.e.f. F.Y 2019-20.</td></tr>
<tr><td></td><td>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.</td><td>Calculation and booking of such liabilities is based on the methodology devised by State/Central Govt. and on terms & conditions accepted by both the parties.</td></tr>
<tr><td></td><td>iii) The Group has shown Gratuity Liability at the close of the year in excess by Rs. 86.17 lacs. Thus Provisions non-current is overstated to the extent of above.</td><td>The same has been rectified in the F.Y. 2019-20.</td></tr>
<tr><td></td><td>iv) The Group has shown Leave Contribution Liability at the close of the year short by Rs.50.32 lacs. Thus Provisions non-current is understated to the extent of above.</td><td>The same has been rectified in the F.Y. 2019-20.</td></tr>
<tr><td>10.</td><td>Other Non-Current Liabilities Note 2.24
a) Utilised Grant Renuka ji
I) The Group has incurred following expenditure on the Renukaji project till 31st March 2019.
(Amount in Lacs)
<table>
<tr><th>Particulars</th><th>as on 31st March 2019</th><th>as on 31st March 2018</th></tr>
<tr><td>Tangible Assets</td><td>51,689.00</td><td>42,095.00</td></tr>
<tr><td>Capital Work in progress</td><td>32,148.00</td><td>32,014.00</td></tr>
<tr><td>Advances</td><td>269.00</td><td>199.00</td></tr>
<tr><td></td><td>84,106.00</td><td>74,308.00</td></tr>
<tr><td>Grant Received</td><td>68,548.82</td><td>68,548.82</td></tr>
<tr><td></td><td>68,548.82</td><td>68,548.82</td></tr>
<tr><td>Shortfall</td><td>15,557.18</td><td>5,759.18</td></tr>
</table>
There is a shortfall of expenditure to the tune of Rs. 15,557 Lakhs (Previous year Rs. 5,759 Lakhs) which has to be borne by the participating states. No information about the share of the expenditure of the participating states and confirmation from them has been provided to us for verification. In absence of information we are not able to comment on the same. The Renukaji unit has not made any provision for the amount recoverable from the participating states and the central government. In our opinion</td><td>Funds/grants receivable as on 31.03.2020 as worked out are Rs.56,49,77,262.35/- and entry in this regard has been made in the books of account in the F.Y. 2019-20. Cumulative funds / grants received up to 31.03.2021 are Rs. 710,86,79, 755/- and up to 31.03.2020 are Rs. 689,52,79,655/-. During this FY 2020-21 Rs. 5 Cr. and Rs. 16.34 Cr. has been received from H.P. Govt. and Haryana Govt. up to 31.03.2021 respectively. The recoverable amount shall be recovered from the funds being received.</td></tr>
</table>

	the other current assets are under stated to the extent of above similarly the other non-current liabilities are understated to the extent of above.	
	ii) We invite attention to Note No 2.85 where in the Group has requested the Government of India for additional amount of Rs. 31,602 lacs to be deposited with the courts on urgent basis.	Disclosure to this effect has been under Note No. 2.85. Consequent to this Government of Haryana has released the fund of Rs.16.34 crore against share money for construction of Renukaji Dam on 14.10.2020 through RTGS. Further, H.P Govt. has also released Rs. 5 crore during the FY 2020-21. The latest position w.r.t funds received from funded agencies has already been stated in the Para 10(i) above.
	iii) We invite attention to para 2 (viii) of our audit report regarding allocation of expenses to Renukaji HEP wherein its stated that the allocation of expenditure of Corporate office and Sundarnagar Design office to the unit has not been confirmed / approved by the participating states and the central government. In the absence of confirmation and approvals we are unable to comment on the apportionment of expenditure charged to the Renukaji HEP. The Group has allocated Rs. 2,329 (previous year Rs. 2111 lakhs) as share of corporate office and design wing expenses to the Renukaji HEP till 31st March 2017. In our opinion the amount recoverable from participating states will be reduced byRs. 2,329 (previous year Rs. 2,111 lakhs) given in above para.	The proportionate expenditure of Corporate office and Design Office has been allocated on the basis of expenditure being incurred by HPPCL on Renukaji HEP. As such expenditure shall form part of the total funds agreed to be provided by GoI and beneficiary States, hence prior approval of booking of every expenditure being incurred in Renuka Ji Dam is not required. Further, keeping in view that a major portion of the funds required for construction of Dam shall come from Central Govt. and only 10% of the funds required shall be contributed by beneficiary states, hence beneficiary wise booking of expenditure is not required.
	iv) The Group is earning interest on the surplus funds of renukaji at Corporate Office by investing the same in short term Fixed Deposits. The Interest earned on the same has not been shown as addition to the Grant nor the same has been reduced from the incidental expenditure during construction period of the unit. The above practice is not in line with the significant accounting policy adopted by the Group (refer Note 1.16). In the absence of information, we are unable to comment of the effect of the same on the Financial Statements.	This has been done as per the decision of the management
11.	**Current Liabilities Other Financial Liabilities Note 2.26** i) The Liability on account of Retention Money, Security Deposit and dues payable to Contractors and suppliers are subject to Confirmation. In the absence of Information, we are unable to comment on its effect on assets and liabilities.	Current Liabilities on account of retention money, Contractor and Suppliers dues payable are being cleared on regular basis and Portion of Security deposits also released to vendors time to time and the matter has also been taken up with concerned offices for releasing the pending security deposited. Confirmations of

		Balance payable as on 31st March 2019, were sought from respective Contractors/ Govt. Departments. Based on the confirmations received/not received, the liabilities have been shown in Books of Accounts.
	ii) The different units of the Group are showing separately the amount payable and recoverable from HPSEB Limited. No Confirmation from the HPSEB Limited has been provided to us for the amount payable and recoverable. In our opinion only one account of the HSPEB Limited should be maintained and net balance of recoverable or payable should be shown in the financial Statements.	Most of the amounts under Payable and Receivable heads, pertaining to HPSEBL have been settled. In case of remaining pending entries necessary reconciliation is being done and the accounts shall be settled accordingly.
	iii) The Other Current Liabilities includes EMD, Retention Money and Security Deposits pending since inception of projects and the same has not been paid till the close of the year. The Internal control in respect of them is very weak and should be strengthened and the liabilities should be assessed at fresh and should be charged to revenue in appropriate cases.	The liabilities against EMD, Retention Money, Security Deposit and dues payable to Contractors are released as and when claims are submitted by Contractors, on the basis of verifications of such claims by concerned Engineering-in-charge (EIC).
	iv) The Other Financial Current Liabilities includes Rs.74.22 lakhs (Previous Year Rs. 72 lakhs) as unclaimed money on account of payables, retention, security and other payables to the contractors. The amount has been shown under this head because the persons to whom amount is payable is not traceable. In our opinion the other current financial liabilities are overstated to the extent of above and necessary provision for amount written back should be provided.	Decision in this regard is under consideration of the management.
	v) The SwaraKuddu unit has made a provision for CAT Plan Expenses on 04th January 2016 amounting to Rs. 69 lakhs. The Unit has informed us that the amount has not been paid as the previous utilisation certificates has not been provided by the Forest Department. In our opinion the amount is of the nature of withheld amount and should be shown under the head Non-Current Financial Liabilities. Thus, current Liabilities are overstated to the extent of above.	The amount is of the nature of current liability as same shall be released on receipt of utilization certificate of the previously paid amount.
	vi) The Corporate Office has not made the provision for demand raised by the PF Commissioner for the period 09/2008 to 06/2011 on account of PF contributions of Unregistered Contractors amounting to Rs. 189 Lakhs on 02nd August 2018(refer Note 2.60). Thus, current liabilities are understated to the extent of above.	Matter being sub-judice, has been shown under contingent liabilities under Note on Accounts No.2.60, Hence do not affect P & L Account.
	vii) **Local Area Development Fund: -** We Invite attention to Note 2.66 where in the Group has not made any provision of amount payable to LADA fund on account increase in cost of the Projects. The following are the details of the Projects and understatement of Liability on account of additional amount payable to LADA Fund.	In case of Sainj HEP provision of the balance amount LADA has been made in the books of accounts in the F.Y 2019-20. In case of Sawra Kuddu & Kashang Stage–II & III, amount payable

<table>
<tr><td></td><td>
<table>
<tr><th>HEP</th><th>Expenditure Incurred in Crore</th><th>Lada Fund @1.5%</th><th>Expenses Booked</th><th>Deficit</th></tr>
<tr><td>Kashang II and III</td><td>219.00</td><td>3.29</td><td>0.77</td><td>2.52</td></tr>
<tr><td>Sainj</td><td>1,298.70</td><td>19.48</td><td>17.97</td><td>1.51</td></tr>
<tr><td>Sawra Kuddu</td><td>1,876.17</td><td>28.14</td><td>27.16</td><td>0.98</td></tr>
<tr><td>**Total**</td><td>**3,393.87**</td><td>**50.91**</td><td>**45.90**</td><td>**5.01**</td></tr>
</table>
In our opinion the Capital work in progress is understated to the extent of Rs. 501 lakhs and correspondingly Current Liabilities are also understated to that extant.</td><td>against LADF have been deposited regularly. Due to ongoing works at project ends and final project cost not yet arrived, hence the exact amount of final installment is not determinable at this stage. The marginal amounts, remaining to be deposited are subject to further adjustments and shall be accordingly provided/released.</td></tr>
<tr><td></td><td>viii) The Kashang Unit has not Charged GST on the Liquidation Charges amounting to Rs.534.42 lakhs on Rs. 2,969 Lacs charged from HCC. The Group has not shown the Liability under GST returns filed during the year under review nor the same has been charged to the contractor . The observation was also reported in the previous year also. Thus the current liabilities and understated to that extant and other non current assets is also understated to that extant.</td><td>GST Act 2017 came into force w.e.f 1st July 2017 and the Liquidation Charges pertains to Pre-GST period and were recorded in the books of Accounts in the FY 2016-17 vide SAP Document no. 113550 dated 31.03.2017, hence the GST was not applicable on the date of transaction and accordingly no GST was charged on LD Charges. Further this has not been reported in the GST Audit Report by the GST Auditors.</td></tr>
<tr><td></td><td>ix) We invite attention to note 2.72 where the Corporate Office has shown Rs. 500 lacs as amount payable to the Kisahau Corporation Limited on account Equity Contribution of the State Government for the seed Money. No Confirmation from the Kisahu Corporation Limited and directions from the State Government to keep the money with Group has been provided to us for verification. In the absence of information we are unable to comment on the same.</td><td>A sum of Rs. 5.00 Crore was received from GoHP on account of Equity Contribution towards Kishau Dam Project. In this regard, a sum of Rs. 0.75 Crore has already been remitted to Kishau Dam Project on dated 03-12-2020. For the remittance of balance amount, approval of worthy Board of Directors is being sought. Accordingly, upon receipt of instructions/ approval the balance amount shall be remitted to Kishau Dam project.</td></tr>
<tr><td></td><td>x) The Renukaji HEP has shown provision for Land Expenses of Rs. 18,849 Lacs against which the demand has been deposited with the High Court which has been shown as part of Land expenses under Property Plant and Machinery. The Group has deposited Rs. 10,600 lacs with High Court against the above provisions. Thus Provisions are overstated to the extent of above and consequentially the Capital Work in progress is overstated to that extent.</td><td>The provision for Land Expenses of Rs 18,849 Lacs against which the demand has been deposited with the High Court which has been shown as part of Land expenses under Property Plant and Machinery has been adjusted now in the F.Y 2019-20.</td></tr>
<tr><td></td><td>xi) The Renukaji HEP has shown the amount recovered from LAO amounting to Rs. 1600 Lacs as amount payable to Government Agencies . The HEP at the time of advancement to LAO has shown the same as part of land expenses. The amount recovered back has to be reduced from the Land Expenses. Thus Current Liabilities are overstated to the extent of above and similarly the land expenses are overstated to that extent.</td><td>The amount has been transferred by LAO, HPPCL, Shimla out of the amount deposited with LAO against different awards and remained unpaid due to some reasons and the same is to be disbursed as and when interested persons come forward to receive the same as intimated by LAO vide letter No. LAO.Bkg/2018-583-85, 586-88 dt 04.10.2018. As the same is required to be disbursed as clarified by LAO,</td></tr>
</table>

		HPPCL Shimla hence shown as payable.
	xii) The Shongtong HEP has excess Provision of expenses on account of Escalation costs amounting to Rs. 364 lacs payable to M/s Patel Engineering Limited. The excess provisions has been reversed in the next Financial Year. Thus Current Liabilities are overstated to the extant of above.	The excess provision has now been revesred in the F.Y. 2019-20.
	xiii) The Sainj HEP has overstated the Bills Expenses payable on account of Vulnerable Grant payable to affected Families amounting to Rs. 4.80 lacs. Thus current Liabilities are overstated to that extent of above.	Bills Expenses payable on account of Vulnerable Grant payable to affected Families amounting to Rs 4.80 lacs has been rectified now in the F.Y. 2019-20.
	xiv) The Sainj Unit has shown excess provisions on account of expenditure under the Head O and M Tools and tackles amounting to Rs. 212 lacs and the same has been reversed in the next financial year .Thus current liabilities are overstated to the extant of above and correspondingly expenditure are overstated to that extant.	The provisions were made as per the tentative details provided by concern division The provisions was revert back as the expenditure has been booked through Z bill in subsequent year.
	xv) The Swara Kuddhu HEP has transferred land measuring 0.9224 hectare to the HPTCL for the construction of 220 KV Switching Station at Hatkoti. The Group has received Rs. 916 lacs as cost towards the cost of land in the month of November 2018. The Group has handed over the possession of the land to the HPTCL but has shown the amount as advance from the customers and the sale deed for the same has not been executed so far. In our opinion the advance has to be adjusted with the cost of the land and the deposit with the court. Thus current liabilities are overstated to the extent of Rs 916 Lacs.	The amount received from HPPTCL is equivalent to the awarded amount and the deposits made in High Court. The rate of land will vary now, as per the latest orders of the Hon'ble High Court. Further in the absence of Sale deed / agreement, final consideration and terms and conditions of the handed over land cannot be ascertained. Hence, amount has been shown as advance from HPPTCL and shall be settled.
	xvi) The Sainj Unit has made provision of Rs. 62.00 lacs on the basis of the supply order issued to the Voith Hydro in the month of November 2018. The Party has supplied the spare parts in the month July 2019 and raised the Invoice. Thus provisions are overstated to the extant of above.	The provisions were made as per the tentative details provided by concern division or base to supply order placed in the Nov 2018. But the Voith Hydro supply the material on July 2019 and same date they raised the invoice. But the provision made in 18-19 revert back in 2019-20.
	xvii) The Sainj Unit has shown a sum of Rs. 519 lacs as amount payable to Voith Hydro. The HEP has not provided to us the details in respect of the same and nor any confirmation from the supplier has been provided. The Amount is payable since 2017 and the same has not been paid till the date of the audit. Thus the liabilities are overstated to the extent of above.	The reconciliation of the accounts in respect of E&M package of Sainj HEP is in progress. All the pending dues payable to M/S VHN shall be settled while carrying out the final settlement.
12.	**Other Income Note 2.25** i) **Foreign Exchange Fluctuations** The Shongtong HEP has not accounted for the Foreign Exchange gain on the amount payable to Lehmeyar International during the year under review:	The foreign exchange gain has now been booked in subsequent year.

Lehymehar International

Invoice	Euro	Net Payable in Rs after TDS	in Euro	Euro on 31.3.2019		FE Gain
918001155	63,101.08	47,66,182.33	56,790.97	77.87	44,22,312.99	3,43,869.34
918001499	21,033.69	15,39,792.31	18,930.32	77.87	14,74,104.10	65,688.21
		63,05,974.64	**75,721.29**		**58,96,417.09**	**4,09,557.55**

Thus Income is understated to the extent of above.

ii) The Group has shown prior period income at negative Balance of Rs. 19.00 lacs during the year under review which has to be shown under the head prior period expenses. Thus Other income is understated to the extent of above and other expenses are also understated to that extent.

Has been rectified in the subsequent financial years.

13. **Sale of Power**

I) The Kashang and Sainj HEP has booked the Sale of Power in the books of accounts on net realisation value of the Group Share. No Accounting entry for the Free Power to State Government, LADA Share and auxiliary power has been made in the books which is not in lines with the accounting policy adopted by the Group in the year 2016-17. We Invite attention to note 2.57 (b)(Post COD ii) where in the change in accounting policy has been indicated by the Group. The following are the details in respect of the same and comparative figures of the previous year.

(Amount in Lacs)

	Particulars	Current Year	Previous Year
3000002	Sale of Energy	2,221.40	1,366.00
		2,221.40	1,366.00
4000750	Free Power to State Govt (Royalty)	1,951.51	1,129.00
4000751	Free Power to State Govt (LADF)	195.15	94.00
4000752	Generation/Auxiliary Energy Expenses	74.74	143.00
	Total	**2,221.40**	**1,366.00**

The Group has not disclosed the impact of the same and as result the figures of current and previous year are not comparable. The non accounting of the same will have impact on the apportionment of expenditure of corporate office and sundernagar to various units during the year under review. The impact of the same cannot be quantified hence we are unable to comment on the same.

Sale of power entries have been taken into books as per instruction issued by SoP department vide letter no. HPPCL/SoP/13%FP/Kashang HEP/2017-9731-38 dated 24.07.2018. As per ibid letter HPPCL is entitled for selling only 87% of the power and 13% Royalty Power of GoHP has to be provided in the shape of free power (free of Cost) at Bus bar of the project. Therefore, accounting of revenue generated from sale of 87% of Power including UI/DSM etc. is to be accounted for in the Books of Accounts. Further, During the F.Y. 2018-19, the power generated was sold in energy exchange directly. As the portion of free power @13% was not remitted to Corporation and non-availability of exact figure of free power given to State Govt. and to LADF, the amount booked under sale of power is net of such free power. Disclosure under Note Para 2.57(b), refers.

ii) The Beradol Solar Power unit while fixing the tariff rate has adopted HPREC AD benefit Rate of Rs. 4.31 per unit while approving the Tariff Rate with HPSEB. The Corporation is not availing the advance deprecation benefit thus Tariff rate of Rs. 4.79 per unit is applicable to the corporation. Thus Sale of power is understated to the extent of Rs. 10.36 lacs.

The agreement for sale of power has been executed with HPSEB Ltd. in March 2017. As HPPCL is not making any Profit and is under Loss, the Advance Depreciation Benefit can't be availed, therefore, for availing the benefit of Rs. 4.79 Per Unit, HPPCL shall have to execute new agreement with HPSEB Ltd. after the approval of HPERC. HPPCL is looking forward for the same and correspondence in this regard is already in the pipe line with HPSEB Ltd.

14. Apportionment of expenditure and Income of Corporate Office and Sundarnagar

i) **Expenditure of Corporate Office and Sundarnagar**

It has been observed that at the time of apportionment of expenditure of Corporate office and Design Office the net expenditure incurred during the year has been apportioned in the ratio of 278:87 from 01st April 2018 to 03rd January 2019 and 4th January 2019 to 31st March 2019. (refer Significant Accounting Policy no 1.6 g and Note no 2.57(c)). The above apportionment is not in line with the accounting policy referred in note 1.6 g which states that the *"The Expenditure of Corporate office and Sundarnagar design office is allocated to different accounting units on systematic basis."*

In our opinion the expenditure and income should have been apportioned separately on actual basis between the pre and post cod period to different units. The Adoption of wrong method of apportionment may effect the allocation of cost to different units and the effect on its depreciation after commissioning of the projects . In the absence of information we are unable to comment on the same.

Keeping in view practicability, the allocation has been done accordingly. The methodology has been disclosed in the Notes on Accounts No. 2.57(c).

ii) Income of Corporate Office and Sundarnagar

It has been observed that the income of the corporate office mainly consists of the interest earned on Fixed deposits by making short term investments of the following funds:-

-Funds received for Equity

-Funds for Renukaji Project

-Imp rest Funds for ADB Funded Projects State Govt Loan

-Interest on Funds With LAO

The Group has received the following interest on Fixed Deposits and on different type of funds during the year:-

The Group has allocated income to various projects on the basis of allocation of expenditure to different units as per accounting policy of the Group during the year under review. The following are the details of the allocation:-

S.No.	Particulars	Current Year Amount	Previous Year Amount	To be apportioned to
1.	Equity Funds	6,43,02,254.00	5,26,73,054.00	All the Units
2.	Renuka Funds	8,00,32,226.00	16,88,61,940.00	To Renuka Funds
		14,43,34,480.00	**22,15,34,994.00**	
	Interest on Funds with LAO	4,73,27,611.00	1,55,69,369.00	Renuka ji
		19,16,62,091.00	**23,71,04,363.00**	

The allocation of interest earned on short term bank deposits, made out of idle funds, have been allocated on the basis of the approved practice.

iii) The expenditure of the Sundernagar Design Wing has been transferred to Different units during the year review. The following are the details of the same.

Name of Power Project	01/04/2018 to 03/09/2019	04/09/2019 to 31/3/2018	Total
Sawra Kuddu	4,19,73,078.54	1,35,32,124.57	5,55,05,203
Sainj	43,80,493.30	4,29,653.00	48,10,146
Renukaji	1,37,46,140.38	43,01,849.69	1,80,47,990
Kashang I	13,36,984.69	1,43,217.67	14,80,202
Shongtong	2,08,42,680.59	64,36,688.42	2,72,79,369
Chirgaon Majhgaon	2,97,512.69	98,085.60	3,95,598
Triveni Mahadev	1,80,335.56	59,446.55	2,39,782
Thana Plaun	6,89,940.25	2,01,540.22	8,91,480
Nakhtan	6,04,884.89	1,92,129.92	7,97,015
Gyspa Dam	2,91,265.88	94,840.30	3,86,106

Same as above

Surgani Sundla	4,09,508.78	1,01,171.17	5,10,680
Deothal Chanju	1,36,707.48	40,427.86	1,77,135
Chanju III	2,86,088.37	83,193.76	3,69,282
Berra Dol	8,82,369.99	13,18,796.03	22,01,166
Kashang II	55,82,944.46	16,45,460.04	72,28,404
Bara-Khmba	-	272.43	272
Algore Project	-	100.69	101

The Design wing has not provided to us details regarding expenditure incurred on various projects and no job cards has been kept by the design wing to substantiate the expenditure incurred on various projects. In the absence of information we are unable to comment on the same.

iv) Apportionment of Expenses of Corporate Office and Sundernagar Design Office While calculating the Sale to outlay ratio of the commissioned projects from 03rd January 2019 to 31st March 2019 the Group has taken the sale for the full year instead of sales of above mentioned period. The following are the details of the same.

		As per Group	As per our calculations	Excess
Sale	04/01/2019 to 31/03/2019	1,70,53,34,763.00	14,66,54,577.00	1,55,86,80,186.00
Outlay	as on 31/03/2019	21,98,68,09,627.00	21,98,68,09,627.00	-
Ratio %		7.76	0.67	7.09
Eligible Expenditure		33,34,160.00	2,86,588.00	30,47,572.00

Thus Expenditure is overstated to the extent of Rs. 30.47 lacs in respect of the commissioned Projects during the year under review.

This has been rectified in the subsequent financial year.

v) The Corporate Office while calculating the sales during the period for the purpose of appropriation of expenditure of Corporate Office and Sundernagar has not taken the figures from the books of accounts as a result there is variation the sales figure during the year under review . The following are details of the same.

Month	Sales Considered	As per Books	Difference
Apr-2018	7,09,44,622.00	5,58,09,668.00	-1,51,34,954.00
May-18	19,22,24,689.91	22,26,64,384.93	3,04,39,695.02
Jun-18	18,36,61,664.42	22,57,35,398.50	4,20,73,734.08
Jul-18	26,85,56,571.53	28,50,73,099.88	1,65,16,528.35
Aug-18	21,29,16,486.13	25,11,18,892.22	3,82,02,406.09
Sep-18	28,27,55,310.39	30,51,85,540.35	2,24,30,229.96
Oct-18	22,67,18,883.91	26,39,09,750.26	3,71,90,866.35
Nov-18	8,51,58,029.19	9,65,66,967.04	1,14,08,937.85
Dec-18	5,95,19,356.18	3,77,12,832.41	-2,18,06,523.77
Jan-19	5,29,54,306.74	5,61,30,014.06	31,75,707.32
Feb-19	4,11,98,447.36	4,03,85,159.04	-8,13,288.32
Mar-19	2,89,14,630.46	4,13,06,027.48	1,23,91,397.02
Total Block	**1,70,55,22,998.23**	**1,88,15,97,734.17**	**17,60,74,735.94**

This has been rectified in the subsequent financial year.

vi) The effect of above variations has an impact on the Expenditure to be capitalised on commissioned projects during the year under review the following are the details of the same.

	01/04/2018 to 03/01/2019	04/01/2019 to31/03/2019	Total
HPPCL	1,00,77,350.49	33,34,160.34	1,34,11,510.83
As per our Calculations	1,10,62,680.98	2,86,588.11	1,13,49,269.09
	9,85,330.50	**-30,47,572.23**	**-20,62,241.73**

The Impact of the above will be that expenditure are overstated by

Same as above.

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<td>Rs 20.62 lacs and CWIP is overstated to that extent during the year under review.</td>
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<td>15.</td>
<td>Provision for Income Tax
We invite attention to Note No 2.68 where in no provision has been made by the Group for income tax during the year under review.
We also invite attention to note 2.54 where in the cases for earlier years are pending with different authorities and the outcome of which are uncertain and may affect the amount shown as Deposits with Income Tax authorities Rs. 8,874.50 lakhs (Previous Year Rs.9,195 lakhs (refer note 2.10).In view of the uncertainly involved and the matter is subjudice we are unable to comment on the recoverability of the above amount and its effect on the Financial</td>
<td>No provision for income tax liabilities has been made, as the Group has brought forward losses and unabsorbed depreciation as per Income Tax provisions. During the year also the Group is in loss.</td>
</tr>
<tr>
<td>16.</td>
<td>Goods and Service Tax
The Group has not complied with all the provision of the Goods and Service Tax Act while preparing the monthly returns and the annual returns for the year under review.
We have checked some instances and have observed that the Goods and Service tax has not been deposited on following expenditures and Income:-
1. Tender Income
2. Liquidation Charges
3. Rent Income
4. Late Payment Surcharge
5.Payments Made to Government Departments and Government Bodies under Reverse Charge.
6. Reimbursement of Expenses from Contractors
7. Sale of scrap.
The Group has appointed GST auditor to conduct the GST audit under the GST Act. However the GST Audit report for the year under review has not been submitted till the date of the finalisation of this report as the due date for filling of the report was 31st December 2020. In the absence of the report we are unable to comment on the final liability of GST along with interest and penalty.</td>
<td>1. GST on Tender income- HPPCL has been deposited GST on almost on all tender income.
2. GST on Liquidation Charges - The case regarding Liquidation charges is sub judice with H'ble High court of HP. The outcome is contingent. In case of adverse decision by Hon'ble High Court, HPPCL may not be in a position to recover Liquidation charges as well as the GST paid on it.
3. GST on Rent Income - HPPCL has deposited the GST on rental Income.
4. GST on Late payment surcharge- The Delayed payment surcharge/ Late Payment Surcharge/ Surcharge on outstanding amount (by whatever name called) cannot be treated as separate service and same shall be included in the value of initial supply to which such charges relate. As the portion of Delayed payment surcharge attributable to exempted supply is exempted. Thus no GST is attracted.
5. GST on Payment made to government departments and government bodies under reverse charge - GST has been paid on the bills where GST have been charged by the concerned Government Departments.
6. N/A
7. N/A.</td>
</tr>
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<td>ii) The GSTR 9 Annual Return for the year 2018-19 submitted by the Group shows the following liability
<table>
<tr><th>Tax</th><th>Amount</th></tr>
<tr><td>IGST</td><td>3,08,488.00</td></tr>
<tr><td>CGST</td><td>13,017.00</td></tr>
<tr><td>SGST</td><td>13,017.00</td></tr>
<tr><td>Total</td><td>3,34,522.00</td></tr>
</table>
</td>
<td>Necessary reconciliation is being done in this respect.</td>
</tr>
</table>

No Provision for the same has been made in the Books of accounts. Thus Liabilities are understated to that extent.

iv) The Group has claimed input of GST while filling the monthly 3 B during the year under review. However while filling the GSTR 9 for the year no details for the Input claimed has been filled and claimed and no liability on account excess claim of ITC has been made. The Following are the details of the same.

Tax	Amount
IGST	1,14,161.00
CGST	1,14,161.00
SGST	10,512.00
Total	**2,38,834.00**

Thus liabilities are understated to the extent of above.

Necessary reconciliation is being done in this respect.

v) The GSTR 9C Audit report filed by the GST Auditor for the year 2017-18 on 21/05/2020 shows the following amounts as payable by the Group.

S.No.		CGST	SGST	Total
1.	Tax	6,01,21,367.00	6,01,21,367.00	12,02,42,734.00
2.	Interest	1,66,82,144.00	1,66,82,144.00	3,33,64,288.00
	Total	**7,68,03,511.00**	**7,68,03,511.00**	**15,36,07,022.00**

Thus Current Liabilities are understated to the extent of Rs. 1536

The payable amount is related to the GST on LD Charges, Arbitration Fee and payments made to Government departments, the detailed reasons of which have been specified under Sr. No. 16 (i) above.

17. Quantitative Details in respect of energy generated and sold

We invite attention to Note 2.49 where in the Group has stated that it has installed capacity of 165 MW as on 31st March 2019. The Group has capacity 65 MW *3 i.e. 195 MW and two turbines was in operation and was used alternatively, the third turbine was not used by the Kashang HEP during the year under review and the installed capacity of the Sainj HEP is 100 MW and one solar unit with the capacity of 5MW was installed during the year under review Thus total Installed capacity is 300 MW instead of 165 MV In our opinion the installed capacity is understated to the extent of 135 MW.

In case of Kashang HEP Stage-I (65 MW), even though all the three Units of 65 MW each have been commissioned, but for availability of water, only single machine/unit can be operated at a time. Due to water availability at present it is provisioned only for operating single machine of 65 MW at a time, as the KK Link Line in case of Kashang Stage II & III, is not yet constructed/linked. However, all the machines are being run on alternate basis by project offices. Therefore, the installed capacity of this Kashang Stage-I is (65 MW) only.

18. Allocation of expenses of Kashang 1, 2 and 3

(I) The method adopted for allocation of expenses by the Kashang Unit to Stage 1, 2 and 3 is not systematic and nor consistently followed,

	2018-19	2017-18	2016-17
Stage 1	82.50%	84%	70%
Stage 2 and 3	17.50%	16%	30%
Total	**100%**	**100%**	**100%**

Earlier up to FY 2018-19 the common expenditure of Stage 1,2&3 were apportion on the basis of project cost as per the approval of the management, however now from F.Y. 2019-20 onward the most of the expenditure are directly charged to the respective stages on actual basis, wherever possible.

19. Profit and Loss Account

i) O and M R & R

The Sainj unit has booked prior period expenses amounting to Rs.

Shall be given required accounting

<table>
<tr>
<td></td>
<td>6.30 lacs under this Head for the year 2017-18. Thus expenditure is overstated to the extent of above and same has to be shown in the year 2017-18 by recasting the financials statements.</td>
<td>treatment as per Ind As applicable from the F.Y. 2019-20.</td>
</tr>
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<td>ii) O and M Disaster Management
The Sainj Unit has booked the cost of hooters and other expenses amounting to Rs. 45.35 lacs as expenditure during the year under review which are of Capital Nature and has to be capitalised by the HEP. Thus expenditure is overstated to the extent of above and property plant and machinery is understated to the extent.</td>
<td>The amount of Rs. 45.35 has been booked for the cost of hooters and other expenses as expenditure during the FY 2018-19 after the COD of Sainj HEP i.e. during the O&M Stage of the project & against the budget allotted under O&M R&M of the Sainj HEP for the FY-2018-19 and is not of capital nature.</td>
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<td>iii) O and M Plant and Machinery
The Turbines of the Kashang HEP was shut down since 30th July 2018 due to erosion in Machines runners and under water parts caused by high silt content in the water. The repair work of coating and repair of the eroded component of the Unit 1 and 3 was awarded to AHPL on 19th May 2018 for amount of Rs. 315 lacs.
The Kashang unit has booked repair and maintenance of runners and its coating to cost of the turbines 1 and 3 to the O and M Expenses plant and Machinery. The high silt in the water has damaged the under water components up to 27%-28%. The IND As 16 states that subsequent costs relating to day to day servicing of the PPE will be covered under ' Repairs and Maintenance. Abnormal and major overhaul of the runners damaged by the slit is not normal repair and Maintenance and will not form of the Repair and Maintenance. In our opinion the benefit of the expenditure is available for more then one year to the Group and the expenditure should have been capitalised and to be amortised over the years for which the benefit will be available. Thus Expenditure is overstated to the extent of above and Property Plant and Machinery is understated to that extent.</td>
<td>The erosion of the underwater components of the turbine in Hydro Power plant is a normal process and supposed to occur every year during monsoon season due to high silt. Hence, the future economic benefit of the expenditure may or may not be available for more than one year to the Group due to the normal process in Hydro project .Therefore, these expenses has been charged to the O&M expenses Plant and Machinery. The repair and coating work of Turbine runner does not fall under measure overhaul of the unit.</td>
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<td></td>
<td>iv) Prior period Expenses
The Group has charged the prior period expenses during the year under review to the profit and loss Account. The Following are the year wise Bifurcation of the same.
<table>
<tr><th>S.No.</th><th>Particulars</th><th>Amount</th></tr>
<tr><td>1.</td><td>for the year 2017-18</td><td>1,42,32,088.00</td></tr>
<tr><td>2.</td><td>Period erlier then 2017-18</td><td>6,21,06,074.00</td></tr>
<tr><td></td><td>Total</td><td>7,63,38,162.00</td></tr>
</table>
As per IND As 8 Accounting Policies, Changes in Accounting Estimates and Errors , the errors has to be rectified retrospectively in the Financial Statements as if the error had never occurred. If the error pertains to period earlier then previous year then the third Balance sheet has to be prepared as opening Balance Sheet. Refer Note 1.25 of the Significant Accounting Policies of the Group which has not been complied with. In our opinion the Group has not complied with the requirements of the IND AS 8.</td>
<td>The Prior period expenses pertain to Kashang HEP Rs. 17, 33,592/- only has been charged to profit & loss account during the year under review. These expenses have been charged due to the compliance of statutory audit observations on the Books of Accounts for the F.Y. 2017-18. Compliance to Ind AS 8 has been ensured from F.Y. 2019-20 onwards.</td>
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v) Appropriation of Employees cost for Kashang Stage I, 2 and 3

The Kashang Unit has not provided to us the salary cost of the employees posted to the Stage 1, 2 and 3. The Unit does not have the salary cost of employees posted on different stages. In the absence of information we are unable to comment on the apportionment of salary expenses to different stages. The following is the details of salary booked under different stages

(Rs. in Lacs)

<table>
<tr><th>Particulars</th><th>Current Year</th><th>Previous Year</th></tr>
<tr><td>Kashang Stage 1</td><td>520.95</td><td>634.00</td></tr>
<tr><td>Kashang Stage 2 and 3</td><td>110.50</td><td>120.00</td></tr>
<tr><td>Total</td><td>631.45</td><td>754.00</td></tr>
</table>

</td>
<td>Salary cost couldn't be charged separately to different stages on actual basis due to insufficient data of staff posted against different stages and employees cost has been charged to Stages on the basis of project cost during the FY 2018-19 duly approved by the management. However since F.Y. 2019-20 onward the Salary cost directly charged to the respective stages on actual manpower deployment basis.</td>
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vi) The Kashang unit has charged DA @ 144 % instead of 148% while calculating the liability of the Leave Encashment and gratuity of the Group employees. The Following is the details of the of the shortfall

<table>
<tr><th></th><th>Amount</th></tr>
<tr><td>Gratuity</td><td>1,16,656.00</td></tr>
<tr><td>Leave Encashment</td><td>1,30,014.00</td></tr>
<tr><td>Total</td><td>2,46,670.00</td></tr>
</table>

</td>
<td>Necessary Rectification has been done in the F.Y. 2019-20.</td>
</tr>
<tr>
<td>20.</td>
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Approval of accounts by the Board for the year 2018-19 before the approval of the accounts for the year 2017-18 in the AGM.

The Board of Directors has approved the accounts for the year 2018-19 in the Board meeting of 10th June 2020 before the approval of the audited accounts for the year 2017-18 of the corporation in the Annual general meeting on 19th November 2020.

</td>
<td>In this respect it is submitted that, as per Part-II Sr. No.(4) of Annexure-I, to the C&AG letter of appointment of Statutory Auditors, which is regarding Conditions to the Auditors: "the auditor may start the audit of the Group immediately on receipt of the accounts of the Group. However, they should certify the accounts for the year only after the audited accounts for the previous year has been laid before the AGM for their consideration. **In case audited accounts of the previous years has been considered but finally not adopted by the shareholders, the auditor can certify the accounts of the succeeding year, indicating the fact of the non-adoption of the previous year accounts in their report."**</td>
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<tr>
<td>21.</td>
<td>

Income Tax Appeals with the High court in respect of Chargeability of Income Tax on Interest on Fixed Deposits kept as short-term Investments.

The Group has filed an Appeal with the High Court of Himachal Pradesh that the interest on the short-term investment of the funds in Fixed Deposits with bank from the Equity received from the Government is an addition to the equity and not an income of the

</td>
<td>This is as per the approved policy of the management. However this interest income is to compensate the corresponding escalation cost and</td>
</tr>
</table>

	Group and on same the income tax is not payable. Similarly, the Income earned on Renuka Funds is also an additional grant from the Agencies and the same is also not an income of the Group and the same will be utilised on the project expenses and is part of the Grant. The Group has not shown the interest earned on equity fund till the close of the year as an addition to the Equity and similarly the interest earned on Renuka HEP funds till the close of the year has not been shown as additional grant from the Agencies. The income tax authorities are considering such income as taxable income and is being charged as taxable Income of the Group. No information in respect of the same has been provided to us by the Group till the close of the year. In the absence of the information we are unable to comment on the effect of the same on the Balance Sheet.	borrowing cost etc. of the period for which the funds remained idle, due to obstruction of awarded work, for reasons attributable to the Corporation.
22.	**i) Investment Property** The Group is not showing the assets given on rent/ lease as investment property and the same has been shown under the Head Property Plant and machinery.	Being followed from F.Y. 2019-20 onwards
	ii) Chirgaon Majgoan has given Building on rent to HPPTCL amounting to Rs. 1.34 lacs. The Cost of property should be shown as Investment property and depreciation for the corresponding rent has to be charged to the profit and loss Account. Thus Income is understated to the extent of above.	Being followed from F.Y. 2019-20 onwards
23.	**Design Wing Sundernagar** I) The Design wing has booked Rs. 11.66 lacs as lab income and Consultancy Income. However it has been observed that the design wing has not booked any expenditure in relation to providing such services. All the expenses of the GM Office has been apportioned to the all units of the Group and no expenditure has been allocated to the income of the Design Wing. Thus the Matching concept accounting has not been followed by the Group.	(I) This office has booked Rs. 541086/- as lab receipt and Rs. 625000/- as income from consultancy during F.Y. 2018-19. At present no such mechanism / policy to segregate the cost/ expenditure in relation to the generation of lab/ consultancy income from the overall expenditure incurred by this office is in place, because of which this office is not in a position to accurately match the expenditure incurred thereof. However, a mechanism to this effect is being framed and finalised.
	ii) The Design Wing is providing Technical services to the Kishaua Power Corporation on behalf of the State Government. However no details in respect of the services provided Design wing has been provided to us.	In this context, it is submitted that the design wing is not providing any technical services to Kishau Corp. directly, however, assisting HPPCL Corporate Planning Office on technical issues being forwarded to DW Sundernagar, from time to time. However, the expenditure incurred directly from this office for Kishau Corp. Ltd. is being booked under the G/L Advance to Govt. Department "Kishau Power Corp.

24.	**Disaster Recovery Center** The Group has installed SAP ERP software for all its projects including corporate office. The Group has its DRC at Chennai and the same was closed and shifted to Shimla by M/s Siffy Technology . M/s Siffy Technology was awarded the contract for the AMC of the DRC for Rs. 1.25 crores and the reallocating cost of DRC for Rs. 9.67 lacs. The Group has proposed to shift the DRC from Chennai to Himachal Pradesh at Data Center Site of HPSEBL at pointa Sahib or at any other place at Pointa Sahib. The Group does not find any suitable site at Pointa Sahib thus no Disaster Recovery Center of the Group is in place till date.	The Data Center of HPPCL has been now shifted to HP State Data Center at Mehli Shimla, H.P. and is in operation. For DRC also arrangements are also being made by this Corporation with HP State Data Center to provide required space at their DRC, which is located in other seismic zone. However at present the Data Back-up is being saved at two different locations to prevent data loss.
25.	**Land Court Cases Renuka Ji Project** The Board of Directors in its 75th meeting on meeting 18th March 2021 has decided not to the file Regular First Appeal in the Hon'ble High Court against the awards passed by the Lower Courts and against the decision of the Hon'ble High Court. Refer Note 2.36 Notes where in its stated that the Group has made contingent provision in respect of the awarded amount amounting to Rs. 11,471.33 lacs. The Decision of the Group not to file the appeal will make the contingent provisions as regular provisions and thus the provisions on account of land compensation of Renuka Ji Project is understated to the extent of above. The effect of the said qualifications where ascertainable the loss of current year will be Rs. 11,736 lakhs against reported loss of Rs. 10,586 lakhs. The Other Equity will be Rs.24,117 lakhs instead of Rs. 22,198 lakhs. The Borrowings will be Rs. 1,40,368 lakhs instead of Rs.1,59,765 Lakhs .The Other Financial Liabilities will be of Rs. 6,144 lakhs instead of Rs. 10,993 lakhs. The Provisions non-current will be of Rs. 4,285 lakhs instead of Rs. 5,690 lakhs. The other non Current Liabilities will be Rs. 82,840 lakhs instead of Rs. 69,543 lakhs .The Other Current Financial Liabilities will be Rs.2,92,604 lakhs instead of Rs. 2,62,070 lakhs. The Property Plant and Equipment will be Rs. 3,33,156 lakhs instead of Rs.3,03,086 lakhs. The Capital Work in Progress will be Rs.2,95,703 lakhs instead of Rs. 3,08,204 lakhs. The Loans will be Rs.153 lakhs instead of Rs. 149 lakhs .The Other Noncurrent Assets will be Rs.29,435 lakhs instead of Rs. 36,705 lakhs. The inventories will be Rs. 53 lakhs instead of Rs. 74 lacs. The Trade Receivable will be Rs.481 lakhs instead of Rs.1,757 lakhs. The cash and cash equivalents will be Rs. 9,404 instead of Rs. 11,365 lakhs. The Bank Balance will be Rs.11,670 instead of Rs. 9,709 lakhs. The Loans Financial Assets will be Rs. Nil lakhs instead of Rs. 3 lakhs. The Financial Assets others will be Rs. 551 lakhs instead of Rs. 1349 lakhs. The Other current Assets others will be Rs. 14,267 lakhs instead of Rs. 6,241 lakhs. The Expenditure during the year are overstated on account of Prior period items by Rs. 769 lacs for which adjustments has to be made in previous years. **Emphasis of Matter** 1) No reasonable effort has been made to remove the qualification raised in earlier year audit reports and the same has been considered in this year report also. 2) We further draw attention to the following matters in the Notes	As the decision taken now involves long process to measure the extent of liabilities involved. Land owners who may be still aggrieved by such orders of the Hon'ble Court may delay the process of final settlements, besides, being large number of cases for which liability needs be calculated, hence liabilities can't be accounted for at this stage. However, disclosure to this effect has been given under the Note No. 2.87. The deviations reported by Auditors are within the specified limits. Most of the observations of the previous financial years have been settled.

<table>
<tr><td></td><td>to the stand alone Ind As Financial statements: -
I) Note No. 2.39 to the standalone Ind AS financial statements regarding the various balances which are subject to reconciliation/ confirmation and respective consequential adjustments.</td><td>Disclosure/explanation to this effect has been given in the Notes on Accounts at Note No. 2.39.</td></tr>
<tr><td></td><td>ii) Note No. 2.59 to the standalone Ind AS financial statements regarding statement on State Government loan for Shontong Karcham HEP (450MW) where the ADB funding to state government has expired and stopping of funding by the KFW to the project.</td><td>Disclosure/explanation to this effect has been given in the Notes on Accounts at Note No. 2.59.</td></tr>
<tr><td></td><td>iii) Note No 2.67 to the standalone Ind AS financial statements regarding stay of Forest land to Kashang Stage II and III project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case.</td><td>Disclosure/explanation to this effect has been given in the Notes on Accounts at Note No. 2.67.</td></tr>
<tr><td></td><td>iv) Note No 2.70 to the standalone Ind AS financial statements regarding statement on Nakhtan project pending with Hon'ble High court of Himachal Pradesh the fate of which is dependent on the outcome of the case. Our Opinion is not modified in respect of these matters</td><td>Disclosure/explanation to this effect has been given in the Notes on Accounts at Note No. 2.70.</td></tr>
<tr><td></td><td>Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
For each matter below, description of how our audit addressed the matter is provided in that context. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.
<table>
<tr><th>S. No.</th><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>1</td><td>Contingent Liabilities and Provisions
There are a number of litigations pending before various forums against the Company and the management's judgement is required for estimating the amount to be disclosed as contingent liability and for creating the adequate amount of provision, wherever required. We identified this as a key audit matter because the estimates on which these amounts are based involve a significant degree of management judgment in interpreting the cases and it may be subject to management bias.
(Refer Note No. 2.36 to the Standalone Financial Statements, read with the Accounting Policy No.1.18)</td><td>We have obtained an understanding of the Company's internal instructions and procedures in respect of estimation and disclosure of contingent liabilities and adopted the following audit procedures:
- understood and tested the design and operating effectiveness of controls as established by the management for obtaining all relevant information for pending litigation cases;
- discussed with the management any material developments and latest status of legal matters;
- examined management's judgements and assessments whether provisions are required;
- considered the management assessments of those matters that are not disclosed as the probability of material outflow is considered to be remote;
- reviewed the adequacy and completeness of disclosures;
Based on the above procedures performed, the estimation and disclosures of contingent liabilities and creation of provisions are considered to be adequate and reasonable.</td></tr>
<tr><td>2</td><td>Property, Plant & Equipment
There are areas where management judgement impacts the carrying value of property plant and equipment and the irrespective depreciation rates. These include the decision to capitalise or expense costs; the annual asset life review; the timeliness of the capitalisation of assets and the use of management assumptions and estimates for the determination or the measurement and recognition criteria for assets retired from active use. Due to</td><td>We assessed the controls in place over the fixed asset cycle, valuated the appropriateness of capitalisation process Performed tests of details on costs capitalised ,the timeliness and accuracy of the capitalisation of the assets and the de- recognition criteria for assets retired from active use.
In performing these procedures, were viewed the judgements made by management including the nature of underlying costs capitalised; determination of realizable value of the assets retired from active use ;the appropriateness of asset lives applied in the calculation of depreciation; the useful lives of assets prescribed in schedule II of the Companies Act, 2013 and the useful lives of certain assets as per the technical assessment of the management.</td></tr>
</table></td><td>Comments not required</td></tr>
</table>

	the materiality in the context of the balance sheet of the Company and the level of judgement and estimates required, we consider this to be as area of significance. (Refer Note No. 2.1 to the Standalone Financial Statements, read with the Significant Accounting Policy No. 1.5)	We have observed that the management has regularly reviewed the aforesaid judgements and there are no material deficiencies in measurement and recognition of property, plant and equipment.
3	**Capital work-in-progress(CWIP)** The company is involved in various capital works like construction of new power projects, installation of new plant and machinery, civil works etc. These projects/works take a substantial period of time to get ready for intended use and due to their materiality in the context of the balance sheet of the Company, this is considered to be an area which had the significant effect on the overall audit strategy and allocation of resources in planning and completing our audit. (Refer Note No.2.2 to the Standalone Financial Statements, read with the Significant Accounting Policy No. 1.6)	We performed an understanding and evaluation of the system of internal control over the capital work-in-progress, with reference to identification and testing of key controls. We assessed the progress of the project and the intention and ability of the management to carry forward and bring the asset to its state of intended use. We assessed the timeliness and accuracy of capitalisation of assets when it is ready for the intended use.

	Information Other than the Standalone Financial Statements and Auditor's Report Thereon The Group's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the standalone financial statements and our auditor's report thereon. Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.	Statements of facts, comments not required.
	Management's Responsibility for the Standalone Ind AS Financial Statements The Group's Board of Directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and statement of changes in equity of the Group in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with relevant rules issued there under. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application	Statements of facts, comments not required.

	of appropriate accounting policies making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. In preparing the standalone financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. The Board of Directors are responsible for overseeing the Group's financial reporting process.	
	Auditor's Responsibility Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism through out the audit. We also Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. - Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Group has adequate internal financial controls system in place and the operating effectiveness of such controls. - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone	Statements of facts, comments not required.

	financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern. - Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation. Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.	
	Report on Other Legal and Regulatory Requirements 1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.	Comments not required.
	2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the Group as we considered appropriate and according to the information and explanations given to us, in the Annexure-2 on the directions issued by Comptroller and Auditor General of India.	Comments not required.
	3. **As required by section 143(3) of the Act, we report that:** a) We have sought and except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;	Comments not required.
	b) Except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Group so far as appears from our examination of those books;	Comments not required.

	c) The Balance Sheet, Statement of Profit and Loss and statement of Cash Flows and Statement of changes in equity dealt with by this report are in agreement with the books of account;	Comments not required.
	d) Except for the effects of the matter described in the Basis of Qualified Opinion paragraph above ,in our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act,	Comments not required.
	e) The Matter described in the Basis for Qualified Opinion paragraph above, in our opinion may have adverse effect on the functioning of the Group.	Comments not required.
	f) In view of the exemptions given vide Notification No. G.S.R. 463 (E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, the provisions of Section 164 (2) of the Companies Act, 2013 regarding disqualification of directors, are not applicable to the Group.	Comments not required.
	g)The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.	Comments not required.
	h) With respect to adequacy of Internal Financial Controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure-3" in our opinion the internal financial controls system is adequate but the operating effectiveness of such controls need be improved. I) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us: I. The Group has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 2.33 to the standalone Ind AS financial statements.	Comments not required.
	ii. The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;	Comments not required.
	iii. There were no amounts as at 31.03.2019 which were required to be transferred to the Investor Education and Protection Fund by the Group.	Comments not required.

ANNEXURE 1 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HIMACHAL PRADESH POWER CORPORATION LIMITED on the accounts for the year ended on 31st March 2019.

S. No.	Auditor's Report	Reply
i.	(a) The Group 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 Group except in cases of Renukaji HEP, SainjHEP, Shongtong HEP and Chirgaon HEP where the land has not been transferred in the name of the Group.	a) Statement of facts, comments not required. b) Statement of facts, comments not required. c) Action for the transfer of title in the name of the Group has been initiate.
ii.	The inventory of the Group consisting of Capital Stores, stores, spare parts and other Items. We were informed that these have been physically verified by the management during the year under review.	Statement of facts, comments not required.
iii.	According to the information and explanations given to us, the Group has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. In view of above, the clauses 3(iii)(a) and 3(iii)(b) of the Order are not applicable.	Statement of facts, comments not required.
iv.	The Group has not given any loan, made investments and issued guarantees under section 185 and 186 of the Companies Act, 2013.	Statement of facts, comments not required.
v.	The Group has not accepted any deposits from the public in terms of section 73 to 76 or any provisions of the Companies Act, 2013 and rules there under.	Statement of facts, comments not required.
vi.	The Group has made and maintained cost accounts and records as specified by the Central Government under section 148 (1) of the Companies Act 2013. However, we have not made a detailed examination of these accounts and records with a view to determine whether they are accurate and complete. The companies cost accounting records has been audited by the Cost Auditors M/s Balwinder and Associates and they have submitted the report on 19/11/2020.	Statement of facts, comments not required.
vii.	(a) The Group is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2019 for a period of more than six months from the date they	Statement of facts, comments not required.

<table>
<tr><td></td><td>became payable. However the Liability on account of Goods and Service Tax can not be quantified as GST audit is under progress till the finalisation of this report. We are informed that the provisions of Employees' State Insurance Act are not applicable to the Group.</td><td></td></tr>
<tr><td></td><td>(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:
<table>
<tr><th>S.No.</th><th>Statue / Act</th><th>Nature Due</th><th>Amount in lacs</th><th>Period</th><th>Forum Which Pending</th></tr>
<tr><td>1.</td><td>Entry Tax</td><td>Interest</td><td>337.70</td><td>2010-15</td><td>Addl. Excise & Taxation Commissioner -cum-Applellate Authority</td></tr>
<tr><td>2.</td><td>Entry Tax</td><td>Penalty</td><td>751.28</td><td>2010-15</td><td>Addl. Excise & Taxation Commissioner -cum-Applellate Authority</td></tr>
<tr><td>3.</td><td>Provident Fund</td><td>PF Dues</td><td>189.26</td><td>2008-11</td><td>Central Government Industrial Tribunal Chandigarh</td></tr>
<tr><td>4.</td><td>GST</td><td>GST</td><td>868.78</td><td>2017-18</td><td>Amount payable as per GSTR 9 C</td></tr>
<tr><td>5.</td><td>GST</td><td>Interest</td><td>333.64</td><td>2017-18</td><td>Amount payable as per GSTR 9 C</td></tr>
<tr><td>6.</td><td>GST</td><td>GST</td><td>5.72</td><td>2018-19</td><td>Amount payable as per GSTR 9</td></tr>
<tr><td>7.</td><td>Income Tax</td><td>Demand</td><td>146.28</td><td>2015-16</td><td>Appeal with CIT Solan</td></tr>
<tr><td>8.</td><td>Service Tax</td><td></td><td>65.00</td><td></td><td>Sawra Kuddu</td></tr>
<tr><td></td><td>TOTAL</td><td></td><td>2697.67</td><td></td><td></td></tr>
</table>
The Amount of interest and penalty on the Entry Tax thereon due to Excise and taxation department has been settled under Legacy Cases Resolution Scheme by paying the Requisite Settlement Fees by the Group.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>viii.</td><td>The Group has not defaulted any repayment of loans or borrowing to any financial institution or bank or dues to debenture holders. However, the Government of Himachal Pradesh has given the sanction to the deferment of repayment Loan and interest up to Jan 2017. No Deferment has been given by the State Govt after that and the request for the same has been given by the Group for further deferment and Group has not paid the amount of installment of loan and interest after January 2017 till the finalisation of the report.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>ix.</td><td>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.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>x.</td><td>During the course of our examination of the books and records of the Group, carried out in accordance with the generally accepted auditing practices in India, and according to the information/ explanation given to us, we have neither come across any instance of material fraud by the Group or on the Group by its officers or employees, noticed or reported during the year, nor have we been informed of any such cases by the management except in the year 2015 at Renukaji HEP and the same is pending with State Vigilance.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>xi.</td><td>This being a government Group Section 197 of the Act is not applicable.</td><td>Statement of facts, comments not required.</td></tr>
<tr><td>xii.</td><td>Group is not a Nidhi Group.</td><td>Statement of facts, comments not required.</td></tr>
</table>

xiii.	As per information available to us all transactions with related parties are in compliance with Section 177 & 188 of the Companies act 2013, wherever applicable and the details have been disclosed in the Financial Statements etc. as required by the applicable Accounting Standards.	Statement of facts, comments not required.
xiv.	As informed by the management, the Group has not made any preferential allotment to private placement of shares or fully convertible debentures during the year under review.	Statement of facts, comments not required.
xv.	As informed to us the Group has not entered in to any non-cash transaction with directors or persons connected with him.	Statement of facts, comments not required.
xvi.	Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable to the Group	Statement of facts, comments not required.

ANNEXURE 2 TO THE AUDITORS' REPORT

Annexure referred to in our report of even date to the members of Himachal Pradesh Power Corporation Limited on the accounts for the year ended on 31st March 2019

S No.	Directions	Action Taken	Impact on Financial Statement
1.	Whether the Group has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	According to the information and explanations given to us and based on our audit, the Group has a system in place to process the accounting transactions through M M Module, Project System, Human Capital Module and Financial and Controlling Module through IT system and for this purpose SAP-ERP has been implemented by the Group. Period end Financial Statements are compiled offline based on balances and transactions generated from such SAP-ERP system for the purpose of preparing The Accounting transactions for sale of power is not generated though Sales and distribution Module and being directly posted in FI Module.We have neither been informed nor have we come across during the course of our audit any accounting transactions which have been processed outside the IT system having impact on the integrity of the accounts. The Group has maintained separate Data Centre but does not have Disaster Recovery Centre.	Nil
2.	Whether there is any restructuring of an existing loan or cases of waiver/ write No such case come off of debts/loans/interest etc. made by a lender to the Group due to the across during If yes, the financial impact may be stated. Group's inability to repay the loan?	The State Government Loans has been restructured for repayment of loan and interest up to Jan 2017 till the year2018- 19. The Group had requested the State Government for further deferment in the month of September 2020. The State Government has deferred only the dues for the year FY 2020-21 till FY2021-22.	Nil
3.	Whether funds received / receivable for specific schemes from Central/ State agencies were properly accounted for/utilized as per its term and conditions? across during List the cases of deviation.	The Funds received for Renukaji Project and Gyspa Project has been properly accounted for except the interest earned on the short term deposit from the surplus fund has been accounted for as the income of the corporation instead of the crediting the same to the amount payable to the central / State Government. Refer Para C 14(ii) of the main audit . No information in respect of interest earned on the short term investment has been provided to us.	The Amount payable to the Central/state is understated to the extentof interest earned on theshort term investment.
4.	Whether land acquisition is involved in setting up the new projects report whether settlement of dues done expeditiously and in transparent manner	The land has been acquired at Renukaji Dam. All the payments on account of settlement has been transferred to the LAO. However a sum of Rs 188.49 crores has not been paid till the close of the year and provision for the same has been made in the books of accounts.	Nil

5.	How much cost has been incurred on abandoned projects and of this how much cost has been written off	The Corporation has abandoned the Tidong HEP and Sunni Project. The Amount incurred on Tidong project is being shown as recoverable from the Directorate of energy and the amount has not being written off the by the Management. The Corporation has written off Rs 41.26 lacs as amount recoverable from SJVNL on account of cost of the Sunni Project.	Nil
6.	Indicate Whether the Group has efficient system for monitoring and adjusting advances to contractors/ supplier. Highlight the Significant instances of failure of the System if any	The Group has proper system of adjusting the advances to suppliers, except in following cases:- 1-Patel Engineering Due to non completion of the percentage of the work completed by the Contractor 2-HCC Limited Due court case involved 3 Costal Projects Group in Liquidation at NCLT	Nil

ANNEXURE 3 TO THE AUDITORS' REPORT

Report on the Internal Financial Controls under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **HIMACHAL PRADESH POWER CORPORATION LIMITED** ("the Group") as of 31 March 2019 in conjunction with our audit of the Consolidated financial statements of the Group for the year ended on that date.

S. No.	Auditor's Report	Reply
1.	**Management's Responsibility for Internal Financial Controls** The Group's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Group 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 Group's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.	No comments.
2.	**Auditors' Responsibility** Our responsibility is to express an opinion on the Group'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 Group's internal financial controls system over financial reporting.	No comments.
	Meaning of Internal Financial Controls over Financial Reporting A Group'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 Group'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	Statement of facts, comments not required.

	dispositions of the assets of the Group; (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 Group are being made only in accordance with authorisations of management and directors of the Group; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Group'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.	Statement of facts, comments not required.
	Opinion In our opinion, the Group 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 2019, except in the areas given below based on the internal control over financial reporting criteria established by the Group 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, Group needs to further strengthen the in the control system in the following areas: - Implementation and Compliance of Ind. AS at unit level to ensure the compliance of the Indian AS on the Group as a whole. - Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013 and requirements of the Ind AS - Harmonisation in creation of account heads at Corporate Level in relation to advances, liabilities and vendors according to the nature of expenditure so that no duplication of account code exits and only single account code is allotted to individual vendors in the Group as a whole. - Payment to contractors strictly on the basis of authorisation of the BOD. - Option of marking of clearing entries in the SAP should be followed by all the accounting units in respect of current as well as old accounting entries. - Scrutiny of old Earnest Money Deposits, security deposits, Retention money and other payables to contractors. - Capitalisation of Capital Work in Progress in timely and efficient manner. - Reconciliation of retro entries in SAP for CPT Module. - Payment to Contractors of Additional Advance/ Advance against Retention Money and its accounting treatment. - Recovery of delay damages from the contractors and accounting thereof - Provision of Expenses should be made on realistic basis and the payment in subsequent financial year should be adjusted from the provision only. - Long Term Advances and Deposit Work should be regularly reviewed and accounted for where the significant work has been completed. - Accounting of Provision is respect of doubtful advances and other recoverable. - Review of Negative Balances in liabilities and assets heads. - Accounting of EMD in the nature of FDR in the books of accounts. - Recording of financial entries in foreign exchange also where the advances, retention	Suggestions related to strengthening of internal control system have been noted for future compliance.

	money and suppliers dues are payable in other currency also. - Investing of idle funds at HEP in SWEAP Bank accounts to earn bank interest. - Reversing the Cheques/ Neft Entries for which the Limitation period is over. - Accounting of Inventories in hand at project site at the close of the year. - Liability on account of GST should be as per the requirements of the Goods and Service Tax Act. - Accounting Staff/ Officers at Unit Level should be regularly trained in respect of the Indian Accounting Standards and other Accounting concepts and conventions while preparing the Financial Statements. 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, 2019 standalone financial statements of the Group. However, these areas of improvement do not affect our opinion on the standalone financial statements of the Group.	

Other Matters:

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to Joint Venture which are Companies incorporated in India, is based on the corresponding report of the auditor of such Company incorporated in India.

Government of India
Indian Audit and Accounts Department
Principal Accountant General (Audit)
Himachal Pradesh-171003

भारत सरकार
भारतीय लेखा तथा लेखापरीक्षा विभाग
प्रधान महालेखाकार, (लेखापरीक्षा)
हिमाचल प्रदेश, शिमला-171003

क्रमांकः ए0एम0जी0–11(मुख्यालय–1)/हि0प्र0पा0कार्पो0लि0–लेखे–2018–19/2021–22/201 दिनांकः 03/09/2021

सेवा में,

प्रबन्ध निदेशक,
हिमाचल प्रदेश पावर कारपोरेशन लिमिटिड,
हिमफैड भवन पांजड़ी, शिमला–171005

विषयः- कम्पनी अधिनियम, 2013 की धारा 143(6)(b) के अधीन टिप्पणियां।

महोदय,

मैं, 31 मार्च 2019 को समाप्त वर्ष के लिए हिमाचल प्रदेश पावर कारपोरेशन लिमिटिड, के लेखों के सम्बन्ध में कम्पनी अधिनियम, 2013 की धारा 143(6)(b) के अधीन टिप्पणियां भेज रही हूं।

कृपया पावती भेजें।

संलग्नः उपरोक्त

भवदीया,
हस्ता/-
प्रधान महालेखाकार

Comments of the Comptroller and Auditor General of India under Section 143(6) (b) read with Section 129 (4) of the Companies Act, 2013 on the Consolidated Financial Statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2019.

The preparation of Consolidated Financial Statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2019 in accordance with financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139 (5) read with Section 129 (4) of the Act are responsible for expressing opinion on the financial statements under Section 143 read with Section 129 (4) of the Act based on independent audit in accordance with the standards on auditing prescribed under Section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated 9 June 2021.

I, on behalf of the Comptroller and Auditor General of India (CAG), have conducted a supplementary audit of the Consolidated Financial Statements of Himachal Pradesh Power Corporation Limited for the year ended 31 March 2019 under Section 143 (6) (a) read with Section 129 (4) of the Act. We conducted a supplementary audit of the financial statements of Himachal Pradesh Power Corporation Limited but did not conduct supplementary audit of the financial statements of Himachal EMTA Power Limited for the year ended on that date. Further, Sections 139 (5) and 143 (6) (b) of the Act are not applicable to Himachal EMTA Power Limited being private entities, for appointment of their Statutory Auditors and nor conduct of supplementary audit. Accordingly, CAG has neither appointed the Statutory Auditors nor conducted the supplementary audit of this Company. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and Company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under Section 143 (6) (b) read with Section 129 (4) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report.

1. Balance Sheet

Liabilities

Current Liabilities

Other Financial Liabilities (Note no. 2.26): Rs.2620.70 crore.

The above does not include Rs. 24.82 lakh being payable to HP Forest Department on account of value of the trees and departmental charges on Compensatory Afforestation relating to Surgani Sundla Hydro Electric Project (48 MW) as on 31-03-2020. The payment was due before 14-07-2018 and was actually paid during 2019-20, as such provision for the same should have been made in the books of accounts. This resulted in understatement of 'Current Liabilities-Other Financial Liabilities' as well as 'Capital Work-in-Progress' by Rs. 24.82 lakh.

2. Independent Auditor Report

Basis for Qualified Opinion Report

(i) A reference is invited to Para I (viii) of observation on the financial statements of Independent auditor's report wherein it is stated that instead of booking of cost of training of Rs. 48.82 lakh to the revenue expenditure, the Kashang unit had booked and capitalized the same under the head 'E & M Works'. Thus, E and M works is overstated and expenditure is understated to the above extent. It was also observed that during 2018-19, the amount actually spent on training was Rs. 68.91 lakh. Thus, the Statutory Auditor's qualification is deficient to the extent of Rs. 20.09 lakh (Rs. 68.91 lakh - Rs. 48.82 lakh). This also resulted in understatement of 'Loss' and overstatement of 'Non Current Assets' by Rs. 20.09 lakh.

(ii) A Reference is invited to observation no. 2 (iii) of Auditor's report wherein it is stated that "total of three progressive payments to Andritz Hydro Power Limited amounting to Rs. 54.03 crore from 4/16 to 3/17 were in nature of advance and has to be adjusted with the invoices to be raised by the supplier in future. Thus advance to the supplier is understated and capital work in progress is overstated to that extent." The observation of Statutory

Auditors is deficient as the payments were made as per terms of contract after completion and certification of work.

For and on the behalf of the
Comptroller & Auditor General of India

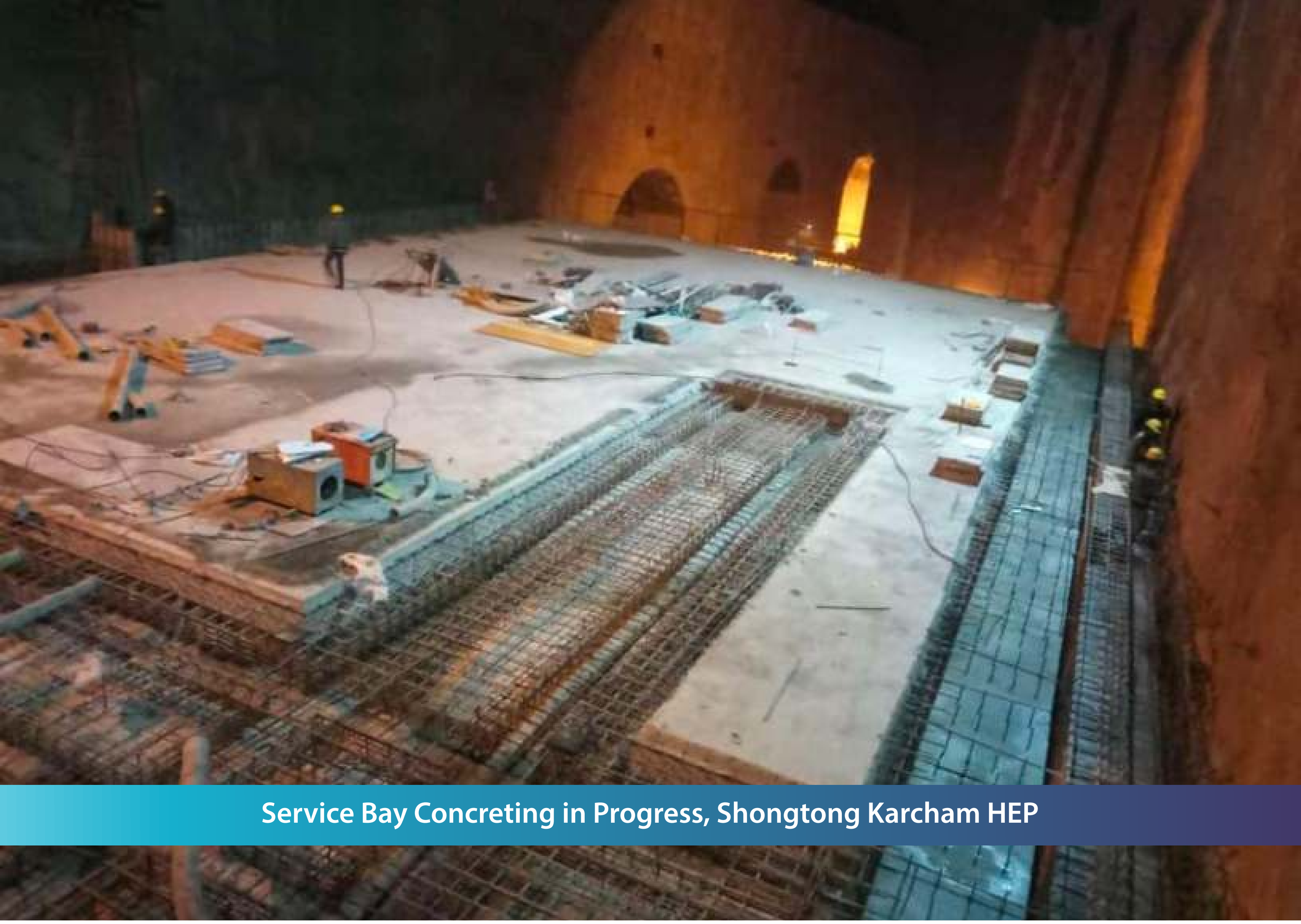
Sd/-
Principal Accountant General (Audit)
Himachal Pradesh, Shimla

Place: Shimla
Date: 03-09-2021

Reply to the Comments of the Comptroller and Auditor General of India under Section 143(6)(b) read with Section 129(4) of the Companies Act 2013, on the Consolidated Financial Statements of Himachal Pradesh Power Corporation limited, for the year ended 31 March 2019

	Comments of C&AG	Reply by HPPCL Management
1.	**Balance Sheet** **Liabilities** **Current Liabilities** **Other Financial Liabilities (Note no. 2.26): Rs. 2620.70 crore.** The above does not include Rs. 24.82 lakh being payable to HP Forest Department on account of value of the trees and departmental charges on Compensatory Afforestation relating to Surgani Sundla Hydro Electric Project (48 MW) as on 31-03-2020. The payment was due before 14-07-2018 and was actually paid during 2019-20, as such provision for the same should have been made in the books of accounts. This resulted in understatement of 'Current Liabilities-Other Financial Liabilities' as well as 'Capital Work–in –Progress' by Rs. 24.82 lakh.	The expenditure has been accounted for and payment released, in the F.Y. 2019-20.
2.	**Independent Auditor Report** **Basis for Qualified Opinion Report** i) A reference is invited to Para I (viii) of observation on the financial statements of Independent auditor's report wherein it is stated that instead of booking of cost of training of Rs. 48.82 lakh to the revenue expenditure, the Kashang unit had booked and capitalized the same under the head 'E & M Works'. Thus, E and M works is overstated and expenditure is understated to the above extent. It was also observed that during 2018-19, the amount actually spent on training was Rs. 68.91 lakh. Thus, the Statutory Auditor's qualification is deficient to the extent of Rs. 20.09 lakh (Rs. 68.91 lakh - Rs. 48.82 lakh). This also resulted in understatement of 'Loss' and overstatement of 'Non Current Assets' by Rs. 20.09 lakh.	Necessary rectification has been made in the F.Y. 2020-21.
	ii) A Reference is invited to observation No. 2 (iii) of Auditor's report wherein it is stated that “total of three progressive payments to Andritz Hydro Power Limited amounting to Rs. 54.03 crore from 4/16 to 3/17 were in nature of advance and has to be adjusted with the invoices to be raised by the supplier in future. Thus advance to the supplier is understated and capital work in progress is overstated to that extent.” The observation of Statutory Auditors is deficient as the payments were made as per terms of contract after completion and certification of work.	Comments not required.

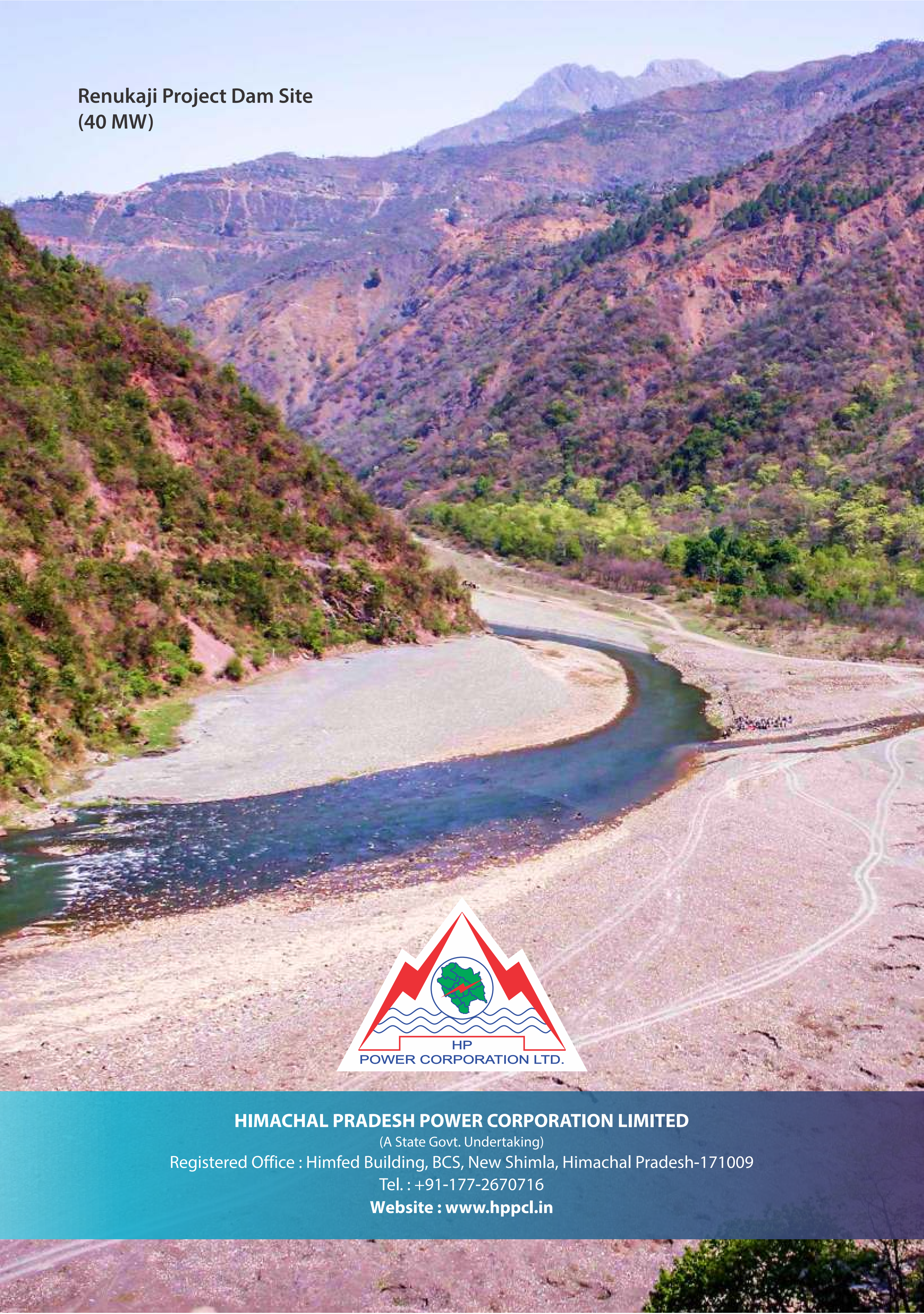
HP
POWER CORPORATION LTD.



Service Bay Concreting in Progress, Shongtong Karcham HEP

Approach Tunnel to GOC (Link Tunnel) - Excavation in progress,
Intregrated Kashang HEP Stage II & III

Renukaji Project Dam Site
(40 MW)



HIMACHAL PRADESH POWER CORPORATION LIMITED
(A State Govt. Undertaking)
Registered Office : Himfed Building, BCS, New Shimla, Himachal Pradesh-171009
Tel. : +91-177-2670716
Website : www.hppcl.in