

## **INDEPENDENT AUDITORS' REPORT**

**To the Members  
NHPC Limited**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of NHPC LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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



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## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit & Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

## Emphasis of Matter

We draw attention to:

- a) Note No. 7 para 1 to financial statements, which describes about the reversal of excess pay drawn from the month of February and March 2014 to be recovered from below Board level Executives giving effect to the approval of Competent Authority that the pay scales shall be fitted w.e.f. 01.01.2007 after correcting the aberrations in pay scales fixed w.e.f. 01.01.1997. The confirmation of action of having implemented the directions of Competent Authority effecting recoveries w.e.f. 01.02.2014 is pending with the Ministry of Power (MoP).
- b) Note No. 11 para 2 to financial statements read with Note No. 29 paras 9 and 14, which describes uncertainty about the outcome of the projects under survey and investigation stage. Expenditure incurred for conducting Survey & Investigation on such projects are being carried forward as these projects are under investigation/ pending clearance/ financial assistance with various authorities.
- c) Note No. 29 para 1 to the financial statements, which describes the uncertainty related to the outcome of the claims/ arbitration proceedings and lawsuit filed by/ against the Company on/ by contractors and others. In some of the cases the arbitration award has been decided against the company/ lost in lower courts and the company is pursuing the matter in higher courts. Management does not envisage any possible outflow in respect of decisions against the company other than those already provided for in the books of account.

Our opinion is not qualified in respect of these matters.





## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required under provisions of section 227(3) of the Companies Act, 1956, we report that:
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. In our opinion the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 read with General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
  - e. The Department of Company Affairs, Ministry of Finance vides Notification No. F.No.8/5/2001-CL.V dated 21<sup>st</sup> October, 2003 has notified that the provisions of clause (g) of sub-section (1) of section 274 of Companies Act, 1956, shall not apply to a Government Company.
  - f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For S. N. Nanda & Co.  
Chartered Accountants  
(FR No: 000685N)

*Bhavna Nanda*

(CA Bhavna Nanda)  
Partner  
M. No. 095275

For Singhi & Co.  
Chartered Accountants  
(FR No:302049E)

*SB*

(CA B. K. Sipani)  
Partner  
M. No. 088926

For Gupta Gupta & Associates  
Chartered Accountants  
(FR No: 001728N)

*Ram Kumar Gupta*

(CA Ram Kumar Gupta)  
Partner  
M. No. 097382

For Tiwari & Associates  
Chartered Accountants  
(FR No: 002870N)

*Devender Magoo*

(CA Devender Magoo)  
Partner  
M. No. 085739

Place: New Delhi  
Date: 30<sup>th</sup> day of May, 2014



**Annexure referred to in paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date**

1. In respect of its fixed assets:

- a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) All the fixed assets have been physically verified by the management/outside agencies during the year. In our opinion, the frequency of verification is reasonable having regard to the size of the company and nature of the assets. As per the information given to us by the management, no material discrepancies as compared to book records were noticed in respect of fixed assets physically verified during the year.
- c) The Company has not disposed off substantial part of fixed assets during the year.

2. In respect of its inventories:

- a) The inventory has been physically verified during the year by the management/outside agencies. In our opinion, the frequency of verification is reasonable.
- b) In our opinion and according to the information and explanation given to us, the procedure of verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The company is maintaining proper records of inventories. The discrepancies noticed on physical verification of inventories have been properly dealt with in the books of account.

3. In respect of loans granted/taken to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956:

- a) The company has not granted any loans, secured or unsecured, to/from companies, firms or other parties during the year covered in the register maintained under section 301 of the Companies Act, 1956. In view of this, sub clauses (b), (c) and (d) of clause (iii) are not applicable.
- b) As per explanations & information, the Company has not taken any loans from the parties covered under the register maintained u/s 301 of the Companies Act, 1956. In view of this sub clause (e), (f) & (g) of clause (iii) are not applicable.





4. In our opinion, the internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of the inventory, fixed assets and sale of power & services. System audit has suggested improvements to further strengthen the system.
5. In respect of transactions with companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
  - a) According to the information and explanations given to us, during the year under audit there have been no contracts & arrangements entered by the company which needs to be entered in the register maintained under section 301 of the Companies Act.
  - b) In view of sub clause (a) above, the sub-clause (4) (iii) (b) is not applicable.
6. The Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act 1956 and the rules framed there under.
7. Company is having internal audit department/Outside agencies responsible for carrying out the Internal Audit of various sections at head office and at project offices at periodical intervals as per the approved audit plan. The internal audit system adopted by the internal audit department and the outside agency commensurate with the size and nature of the business of the company but frequency of internal audit needs to be improved.
8. The Company has maintained proper books of account relating to material, labour and items of cost incurred by it pursuant to the rule made by the Central Government for maintenance of cost records under section 209(1) (d) of the Companies Act, 1956. However, we have not made a detailed examination of these accounts with a view to determine whether they are accurate or complete.
9. In respect of statutory dues:
  - (a) According to the records of the company, undisputed statutory dues including Provident Fund, Investor Education & Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess & other material statutory dues, have generally been regularly deposited with the appropriate authorities. We are informed that the Employee's State Insurance Scheme is not applicable to the Company. According to the information and explanations given to us, no undisputed demand payable in respect of the aforesaid statutory dues were in arrears, as at 31<sup>st</sup> March 2014 for a period of more than six months from the date they became payable.



- (b) According to the information and explanations given to us and as per the records of the company, the dues of Sales Tax, Income Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess which have not been deposited on account of disputes:-

(Rs. in Crores)

| Name of the Statute             | Nature of the Dues     | Amount                               | Year to which it pertains                           | Forum                                       |
|---------------------------------|------------------------|--------------------------------------|-----------------------------------------------------|---------------------------------------------|
| Income Tax Act, 1961            | Income tax             | 0.07                                 | A.Y. 2011-12                                        | ITO(TDS), Srinagar                          |
|                                 | Income tax             | 0.10                                 | AY 2008-09 & 2009-10                                | Kotli Bhel 1-A                              |
|                                 | <b>Total</b>           | <b>0.17</b>                          |                                                     |                                             |
| Sales Tax Act of various states | Sales Tax              | 235.02                               | 1994-95                                             | Sales Tax Appellate Tribunal, Srinagar      |
|                                 | Sales Tax              | 48.76                                | 1995-96                                             | Sales Tax Appellate Tribunal, Srinagar      |
|                                 | Sales Tax              | 2.99                                 | 1996-97                                             | Sales Tax Appellate Tribunal, Srinagar      |
|                                 | Sales tax              | 0.54<br>0.29                         | 2008-09<br>2009-10                                  | AETC Kullu                                  |
|                                 | Entry tax              | 0.91                                 | 2013-14                                             | Assessing Officer, Lakhanpur                |
|                                 | Immovable Property tax | 0.19                                 | 1991-92 to 2000-01                                  | Dy. Commissioner, Commercial Taxes (Appeal) |
|                                 | VAT                    | 0.14<br>0.76<br>0.43<br>0.07<br>0.15 | 2006-07<br>2007-08<br>2008-09<br>2009-10<br>2010-11 | Sr. Joint Commissioner, Sales Tax, Siliguri |
|                                 | <b>Total</b>           | <b>290.25</b>                        |                                                     |                                             |
| Customs Act, 1962               | Custom Duty            | 0.06                                 | 1999-00                                             | Custom Department, Mumbai                   |
| Finance Act, 1994               | Service tax            | 13.97                                | 2010-11                                             | Commercial Taxes Officer, Faridabad         |
|                                 | Service tax            | 0.04                                 | 2005-06 to 2008-09                                  | Kolkata                                     |
|                                 | <b>Grand Total</b>     | <b>304.49</b>                        |                                                     |                                             |





10. The company has no accumulated losses as at the end of the financial year. The company has not incurred cash losses during the financial year covered by our audit or in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, bank or debenture holders.
12. In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the company based on the security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 is not applicable to the company.
15. In our opinion and as per the information and explanation given to us, the company has not given guarantees for loans taken by the others from banks or financial institutions during the year.
16. As per information & explanations given to us by the management, the term loans have been applied for the purpose for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we are of the opinion that there are no funds raised on short-term basis that have been used for long-term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
19. Proper security has been created in respect of tax free bonds issued by the company during the year.
20. During the year the company has issued tax free, secured, redeemable, non-convertible bonds in the nature of debenture and has disclosed the end use of the same in the financial statement and the same has been utilised for the purpose stated.



21. 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 we have not come across any instance of fraud on or by the company, and according to the information and explanations given to us, no fraud was noticed or reported during the year by the management.

For S. N. Nanda & Co.  
Chartered Accountants  
(FR No: 000685N)

*Bhavna Nanda*

(CA Bhavna Nanda)  
Partner  
M. No. 095275

For Singhi & Co.  
Chartered Accountants  
(FR No:302049E)

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For Gupta Gupta & Associates  
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*Ram Kumar Gupta*

(CA Ram Kumar Gupta)  
Partner  
M. No. 097382

For Tiwari & Associates  
Chartered Accountants  
(FR No: 002870N)

*Devender Magoo*

(CA Devender Magoo)  
Partner  
M. No. 085739

Place: New Delhi

Date: 30<sup>th</sup> day of May, 2014





## **INDEPENDENT AUDITORS' REPORT**

**To the Board of Directors  
NHPC Limited**

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of NHPC Limited ("the Company") and its subsidiaries (The Group), which comprise the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

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

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

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



## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the consolidated Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) In the case of the consolidated Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

## Emphasis of Matter

We draw attention to:

- a) Note No. 7 para 1 to financial statements, which describes about the reversal of excess pay drawn from the month of February and March 2014 to be recovered from below Board level Executives giving effect to the approval of Competent Authority that the pay scales shall be fitted w.e.f. 01.01.2007 after correcting the aberrations in pay scales fixed w.e.f. 01.01.1997. The confirmation of action of having implemented the directions of Competent Authority effecting recoveries w.e.f. 01.02.2014 is pending with the Ministry of Power (MoP).
- b) Note No. 11 para 2 financial statements read with Note No. 29 paras 12 and 17, which describes uncertainty about the outcome of the projects under survey and investigation stage. Expenditure incurred for conducting Survey & Investigation on such projects are being carried forward as these projects are under investigation/ pending clearance/ financial assistance with various authorities.
- c) Note No. 29 para 4 to the financial statements, which describes the uncertainty related to the outcome of the claims/ arbitration proceedings and lawsuit filed by/ against the Company on/ by contractors and others. In some of the cases the arbitration award has been decided against the company/ lost in lower courts and the company is pursuing the matter in higher courts. Management does not envisage any possible outflow in respect of decisions against the company other than those already provided for in the books of account.

Our opinion is not qualified in respect of these matters.

## Other Matter

We did not audit the financial statements of the following Subsidiaries and Joint Ventures of the Company and the details of the assets, revenues and net cash flows in respect of these subsidiaries and Joint Ventures to the extent to which they are reflected in the consolidated financial statements are given below:





(Rs. in Crores)

| Name                                                      | Total Assets | Total Revenue | Net Cash Flows |
|-----------------------------------------------------------|--------------|---------------|----------------|
| <b><u>Subsidiaries</u></b>                                |              |               |                |
| NHDC Ltd.                                                 | 7,762.53     | 2,115.43      | (1,434.36)     |
| Loktak Downstream Hydroelectric Power Corporation Limited | 142.92       | 4.31          | (56.81)        |
| <b><u>Joint Ventures</u></b>                              |              |               |                |
| National High Power Test Laboratory (P) Ltd.              | 107.17       | 0.00          | (24.40)        |
| National Power Exchange Ltd.                              | 6.91         | 0.67          | (0.86)         |
| Chenab Valley Power Projects (P) Ltd.                     | 512.09       | 11.25         | 42.25          |

These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, *except for National Power Exchange Ltd. whose unaudited financial statements (as certified by the Management of NHPC Ltd.) have been consolidated.* Our opinion, in so far as it relates to the amounts included in respect of the Subsidiaries and Joint Ventures, is based solely on the reports of the other auditors and certification by Management in respect of *National Power Exchange Ltd.* Our opinion is not qualified in respect of this matter.

For S. N. Nanda & Co.  
Chartered Accountants  
(FR No: 000685N)



(CA Bhavna Nanda)  
Partner  
M. No. 095275

For Singhi & Co.  
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(CA Devender Magoo)  
Partner  
M. No. 085739

Place: New Delhi  
Date: 30<sup>th</sup> day of May, 2014

