

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NHPC LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying Standalone Financial Statements of NHPC LIMITED ("the Company"), which comprise the Balance Sheet as at 31st March, 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these Standalone Financial Statements based on our audit. We have taken into account the provisions of the Act, the Accounting and Auditing Standards and matters which are required to be included in the Audit Report under the provisions of the Act and the Rules made there under.

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Financial Statements that give a true 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 whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of



the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Financial Statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, of the state of affairs of the Company as at 31st March, 2015, and its profit and its cash flows for the year ended on that date.

Emphasis of Matters

We draw attention to the following matters in the Notes to the Financial Statements:

- a) Para to Note No. 7 to Financial Statements, which describes about the stay from Hon'ble High Court of Delhi against the implementation of stoppage of Personal Pay Adjustment (fitment benefits) recovery from below Board Level Executives and also about the confirmation of directions of Competent Authority effecting such recoveries w.e.f. 01.02.2014 which is still pending with the Ministry of Power (MoP).
- b) Note No. 11 para 2 to Financial Statements read with Note No. 29 para 9, 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/or 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.
- d) Note No. 29 para 4(a) to the Financial Statements about the various balances which are subject to reconciliation / confirmation and respective consequential adjustments.
- e) Note No. 29 para 8 to the Financial Statements about the Kottibhel-1A project, the fate of which is pending adjudication before the Hon'ble Supreme Court of India.
- f) Note No. 29, para 23 read with Significant Accounting Policy No. 4 to the Financial Statements regarding earlier adoption (duly permitted) of Guidance Note on Accounting for Rate Regulated Activities issued by The Institute of Chartered Accountants of India.

Our opinion is not modified in respect of these matters.



Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central 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 the paragraph 3 and 4 of the Order, to the extent applicable.
2. The Comptroller and Auditor-General of India has issued directions indicating the areas to be examined in terms of sub-section (5) of section 143 of the Companies Act, 2013, the compliance of which is set out in Annexure II.
3. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid standalone Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) On the basis of the written representations received from the directors as on 31st March, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act; and
 - (f) 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 29 Para 1 to the 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 which were required to be transferred to the Investor Education and Protection Fund by the Company.



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

(CA Gaurav Nanda)
Partner
M. No. 500417



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

(CA R. K Gupta)
Partner
M. No. 085074

For S.N. Dhawan & Co.
Chartered Accountants
(FR No: FR No: 000050N)



(CA Suresh Seth)
Partner
M. No. 10577

For Ray and Ray
Chartered Accountants
(FR No: 301072E)



(CA Barun Kr. Ghosh)
Partner
M. No. 051028

Place: New Delhi
Date: 29th day of May 2015

Annexure I 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 fixed assets:

- (a) The company has maintained records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets, *except in case of land in certain units*, have been verified by the management /outside agencies. In our opinion, the frequency of such verification is reasonable having regard to the size of the company and nature of 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.

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 such verification is reasonable.
 - b) In our opinion and according to the information and explanation given to us, the procedures of physical verification followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
 - c) The company is maintaining proper records of inventories. The discrepancies noticed on physical verification, which were not material, have been properly dealt with in the books of account.
3. The company has not granted any loans, secured or unsecured to the companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. In view of this, sub-clauses (a) and (b) of clause (iii) of the order are not applicable.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of power and services. There is no continuing failure to correct major weaknesses in internal control system.
5. The company has not accepted any deposit from public within the meaning of sections 73 to 76 or any other provisions of the Companies Act, 2013 and rules framed there under.
6. The Company has made and maintained cost accounts and records 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 or complete.

7. In respect of statutory dues:

- a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of accounts in respect of, undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, duty of custom, duty of excise, value added tax, cess and any other material statutory dues have generally been regularly deposited with the appropriate authorities. We are informed that the Employees' 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 aforesaid statutory dues was in arrears, as at 31st March, 2015 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 following dues of income tax, sales tax and duty of custom have not been deposited on account of dispute.

(Rs. in Crores)

Name of the Statute	Nature of the dues	Amount	Year to which it pertains	Forum where dispute is pending
Income tax Act, 1961	Income tax	0.07	2007-08	ITO, Dehradun
		0.01	2008-09	
		0.02	2009-10	
HP VAT Act 2005	Sales tax	5.78	2005-06 to 2009-10	HP VAT Tribunal Dharmshala Camp Shimla.
J & K General Sales Tax Act 1962	Sales tax	245.61	1994-95	Sales Tax Appellate Tribunal, Srinagar
J & K General Sales Tax Act 1962	Sales tax	0.2156	2010-11	CTO, Baramulla
Customs Act, 1962	Custom Duty	2.01	2004-2005	HC, Kolkata (last heard on 28.02.2005)
WB VAT Act, 2005:	Sales Tax	0.14	2006-07	Sr. Joint Commissioner, Sales Tax, Siliguri
		0.76	2007-08	
		0.43	2008-09	
		0.07	2009-10	
		0.15	2010-11	

- c) As per the records of the company and according to information and explanations given to us, no amount is required to be transferred to Investor Education and Protection Fund (IEPF) in accordance with the provisions of section 205C of the Companies Act, 1956 read with the IEPF (Awareness and Protection of Investors) Rules, 2001.
8. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year covered by our audit and in the immediately preceding financial year.
9. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
10. In our opinion and according to the information and the explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.



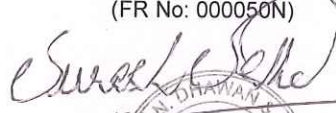

11. In our opinion and according to the information and the explanations given to us, and on overall examination of the Balance Sheet of the Company, we report that term loans have been applied for the purpose for which they were obtained.
12. In course of our examination of the books and records of 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.

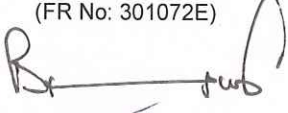


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Partner
M. No. 051028


Place: New Delhi

Date: 29th day of May 2015

Annexure II referred to in Paragraph 2 under the heading 'Report on Other Legal & Regulatory Requirements' of our report of even date

S.No.	Direction	Our Report	Action taken thereon	Impact on Accounts & Financial Statements of the Company
1	If the Company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including Committed & General Reserves) may be examined including the mode and present stage of disinvestment process.	NHPC have received a letter No. 11/11/2013-NHPC dated 03-07-2014 from Ministry of Power, Government of India referring to Ministry of Finance's letter No. 4(4)/2014-DD11 dated 01.07.2014 seeking comments of NHPC on draft Cabinet Committee on Economic Affairs (CCEA) for disinvestment of 11.36% paid-up capital of NHPC Ltd. out of Government of India shareholding of 85.96%. However, this disinvestment process was advised by Ministry of Power vide its letter dated 13.11.2014 to be kept on hold till at least some projects go on stream.	No Action Required	NIL
2	Please report whether there are any cases of waiver/write off of debts/loans/interest etc., if yes, the reasons there for and the amount involved.	There are 2 cases where claims amounting to Rs. 51,572/- being irrecoverable, have been written off.	Amount debited to Profit & Loss A/c	Profit reduced by Rs. 51,572/-.
3	Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.	The company is maintaining proper records for inventories. As informed, the company has not received any assets from Govt. or other authorities.	No Action Required	NIL
4	A report on age-wise analysis of pending legal/arbitration cases including the reasons of pendency and existence/effectiveness of a monitoring mechanism for expenditure on all legal cases (foreign and local) may be given.	Age-wise analysis of legal/arbitration cases are as follows: 0-1 year : 51 cases 1-2 year : 67 cases 2-3year : 90 cases 3-4year : 78 cases 4-5 year : 98 cases 5-year & above : 283 cases Total : 667 cases The reason for pendency of such cases under arbitration/courts is that hearings not yet completed, calling for further details and additional documents by the arbitrators/ courts, non-fixation of dates for hearing, granting of stay by court etc. There is no laid down procedure for large legal expenses (Foreign or local). However, the expenditure on all legal cases is proposed for approval of the competent authority every year and the same is incurred within the budget sanctioned by the competent authority.	The cases where company is expecting probable outflow, necessary provision has been created in the books as per AS-29. For remaining cases where either there is no probable outflow or a reliable estimate of amount of the obligation cannot be made, amount involved has been shown under contingent liability in Note no. 29, Para 1 to Financial Statements.	By virtue of provision, consequential effect has been given to respective heads of accounts. (Refer to Note No. 29, Para 1 to Financial Statements)

For S. N. Nanda & Co.
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