

# 16<sup>TH</sup> ANNUAL REPORT

## 2010-11



**ODISHA HYDRO POWER CORPORATION LIMITED**  
(A Government of Odisha Undertaking)

JANPATH, BHOINAGAR, BHUBANESWAR ñ 751 022  
Tel.: 0674-2542922, Fax : 0674-2542102, Gram : HYDROPOWER  
Web site : [www.ohpcLtd.com](http://www.ohpcLtd.com), Email : [ohpc.co@gmail.com](mailto:ohpc.co@gmail.com) / [md@ohpcLtd.com](mailto:md@ohpcLtd.com)

## VISION

**To be a leading power utility in the energy sector through diversified energy portfolio with due care & concern to the environment.**

## MISSION

- **To develop water resources in the State and elsewhere in the Country while augmenting hydro power generating capacity by setting up new hydro power projects.**
- **To adopt state of the art technology for up gradation of the existing hydro power stations to achieve the highest level of efficiency.**
- **To establish and operate thermal power plants through joint ventures and also explore the opportunities to develop renewable energy resources viz- small hydro, wind, solar.**
- **To develop & operate coal mines allocated jointly in favour of OHPC and other public sector undertakings by the Ministry of Coal, Govt. of India.**
- **To improve productivity through effective planning and implementation of ERP system with development of robust & concurrent IT infrastructure.**
- **To professionalize the work force in line with the modern management / technical know how.**

# 16<sup>th</sup> ANNUAL REPORT 2010-11

## CONTENTS

	<b>Page No.</b>
Board of Directors.	04
Directorsí Report.	05
Comments of the C&AG of India and Replies of the Management.	14
Auditorsí Report.	20
Annual Accounts.	39
Cash Flow Statement.	64

## **BOARD OF DIRECTORS**

**G Mathivathanan, IAS**

Chairman

**Sahadev Khatua**

Managing Director

**Saurabh Garg, IAS**

**Hemant Sharma, IAS**

**D K Jena**

**Rajesh Sharma**

Director (HRD)

**Prof Devadutta Das**

**S C Bhadra**

**B B Singh Samant**

**M S Samantray**

Company Secretary

**P K Sahoo**

### **BANKERS**

**State Bank of India**

**Indian Overseas Bank**

**Union Bank of India**

**Punjab National Bank**

**Axix Bank**

**IDBI Bank**

### **STATUTORY AUDITORS**

**Chand & Co**

Chartered Accountants

### **BRANCH AUDITORS**

**Gudla & Associates**

Chartered Accountants

**Mishra, Badhai & Associates**

Chartered Accountants

**H Naik & Co**

Chartered Accountants

**G Ram & Co**

Chartered Accountants

### **COST AUDITORS**

**Niran & Co**

Cost Accountants

**K Panigrahi & Associates**

Chartered Accountants

**Bhabani Sankar Mohapatro & Co**

Chartered Accountants

## DIRECTORS' REPORT

To  
The Members,  
Orissa Hydro Power Corporation Ltd.,  
Bhubaneswar.

The Directors have the pleasure in presenting the 16<sup>th</sup> Annual Report of the Company together with the audited accounts for the year ended 31<sup>st</sup> March, 2011.

### 1. ENERGY SCENARIO OF THE COUNTRY :

The installed power generating capacity in the country as on 31<sup>st</sup> August, 2011 was 181558 MW excluding the captive generating units. The share of hydro power however remained at 38206 MW (21.04%). Power generation in the financial year 2010-11 was 811 billion units out of which hydro power constituted 114 billion units (14%).

The installed capacity of hydro power of the Eastern Region is 3882 MW. The installed capacity of OHPC is 2062 MW, which is 53.1% hydro power capacity of the Eastern Region.

### 2. PERFORMANCE HIGHLIGHTS OF OHPC :

The hydro power generating stations in the State were transferred to OHPC on 01.04.1996. The financial year 2010-11 is the 15<sup>th</sup> operating year for OHPC. The physical and financial results in brief for the year 2010-11 and the previous two years are placed hereunder:

#### (a) Power Generation :

Power Stations	Installed capacity (MW)	Design Energy (MU)	Generation (MU)			
			08-09	09-10	10-11	11-12 (Upto Sept, 11)
Hirakud HEP	275.5	684	818	574	686	415
Chiplima HEP	72	490	140	130	255	189
Balimela HEP	510.0	1183	1076	786	1286	803
Rengali HEP	250.0	525	882	549	270	521
Upper Kolab HEP	320.0	832	586	407	564	430
Upper Indravati HEP	600	1962	2301	1474	1696	1056
<b>Sub-total</b>	<b>2027.5</b>	<b>5676</b>	<b>5803</b>	<b>3920</b>	<b>4757</b>	<b>3414</b>
Machkund *	34.5*	262.5	243	286	269	100
(Orissa drawal)						
<b>Total</b>	<b>2062</b>	<b>5938.5</b>	<b>6046</b>	<b>4206</b>	<b>5026</b>	<b>3514</b>

The hydro power generation during 2010-11 is higher as compared to 2009-10 but lower than the design energy mainly due to poor monsoon.

- \* The present installed capacity of Machkund Joint H E Project is 114.75 MW. In addition to the 30 % share (34.5 MW) on payment of operation and maintenance cost, OHPC avails 20% (23 MW) additional power at a mutually agreed rate.

**(b) Sale of power (Million Units)**

<b>Power Stations</b>	<b>Design energy for sale</b>	<b>08-09</b>	<b>09-10</b>	<b>10-11</b>	<b>11-12 (Upto Sep, 11)</b>
Hirakud HEP	677	936	563	672	401
Chiplima HEP	485		128	250	185
Balimela HEP	1171	1052	767	1262	789
Rengali HEP	520	859	530	253	509
Upper Kolab HEP	824	571	399	553	421
Upper Indravati HEP	1942	2221	1415	1632	1012
<b>Sub-Total</b>	<b>5619</b>	<b>5639</b>	<b>3802</b>	<b>4622</b>	<b>3317</b>
Machkund (Orissa share)	262.5	243	286	269	100
<b>Total</b>	<b>5881.5</b>	<b>5882</b>	<b>4088</b>	<b>4891</b>	<b>3417</b>

**(c) Availability of the Power Stations (Percentage)**

<b>Power Stations</b>	<b>06-07</b>	<b>07-08</b>	<b>08-09</b>	<b>09-10</b>	<b>10-11</b>	<b>11-12 (Upto Sept11)</b>
Hirakud HEP	68.94	82.26	86.65	90.21	84.32	77.86
Chiplima HEP	53.21	46.08	68.52	85.25	92.5	95.02
Balimela HEP	88.74	89.51	86.84	86.15	81.05	85.27
Rengali HEP	70.65	86.47	75.44	70.20	90.37	94.08
Upper Kolab HEP	80.90	92.01	87.58	90.41	84.11	93.4
Upper Indravati HEP	89.00	90.24	89.17	95.07	91.17	95.04

The lower availability in some of the power stations is due to shutdown of the machines for repairs & maintenance / replacement of equipments or parts.

**(d) Financial Results: (Rs in crore)**

<b>Particulars</b>	<b>07-08</b>	<b>08-09</b>	<b>09-10</b>	<b>10-11</b>
Sale of power	386.04	329.16	296.16	338.72
Profit before depreciation and tax	254.43	139.05	161.78	174.54
Less: Deprn	117.33	118.96	129.04	127.61
Net profit / Loss before tax	137.10	20.09	32.74	46.93
Net Profit / Loss after tax	121.39	17.57	27.15	37.57

The unit wise profit / (loss) before tax during the year 2010-11 and the previous three years are shown below:

	<b>Profit / (Loss) (Rs in crore)</b>			
<b>Power Stations</b>	<b>07-08</b>	<b>08-09</b>	<b>09-10</b>	<b>10-11</b>
Hirakud HEP	(6.80)	(20.87)	(5.48)	1.32
Chiplima HEP			(6.32)	(0.46)
Balimela HEP	60.73	1.89	0.55	6.47
Rengali HEP	3.51	(4.76)	(9.06)	(8.21)
Upper Kolab HEP	(4.41)	(10.67)	(15.12)	(7.24)
Upper Indravati HEP	84.07	54.50	68.07	55.05
<b>Profit before tax</b>	<b>137.10</b>	<b>20.09</b>	<b>32.74</b>	<b>46.93</b>

The profit earned in the year 2007-08 was the highest since inception of OHPC. The profit in the year 2010-11 is higher than that of the previous two years but lower than 2007-08 mainly on account of lower generation due to poor monsoon.

**3. MACHKUND JOINT PROJECT:**

Machkund is a joint Project of the Govt. of Orissa and the Govt. of Andhra Pradesh. The management of Orissa share in the Project was transferred to OHPC on 01.04.1997. The 30% share in the O&M costs and the cost of power supplied beyond the 30% share are collected from GRIDCO and remitted to APGENCO. And, therefore the annual accounts of OHPC do not reflect the financial results of this joint Project.

**4. ACTIVITIES DURING THE YEAR 2011-12.**

- (i) The rainfall in the south of the State during the monsoon period July to Sept., 2011 has been far below the normal rainfall. Consequently, the reservoir level in the dams of Balimela, Upper Kolab & Upper Indravati have remained far below the Full Reservoir Level (FRL). Reservoir level position as on 1<sup>st</sup> October, 2011 and the previous two years are given below:-

Name of the Reservoir	Measuring Unit	FRL	MDDL	Reservoir level as on		
				01.10.09	01.10.10	01.10.11
Hirakud	Feet	630	590	623.02	629.81	630.00
Balimela	Feet	1516	1440	1464.60	1503.30	1466.30
Rengali	Metre	123.50	109.72	119.98	118.20	124.42
Upper Kolab	Metre	858	844	849.81	855.62	850.61
Upper Indravati	Metre	642	625	637.90	638.40	631.79
Machkund	Feet	2750	2685	2734.30	2744.60	2747.75

- (ii) Sale of power during the six months period ending September, 2011 compared to the corresponding period of the previous year vis-à-vis the target of the year 2011-12 is shown as under:

Power Stations	Sales Target fixed by CEA (MU)	Sale of Power (Million Units)		Sales Value (Rs. in Crores)	
		Current Year (04/11 to 09/11)	Previous Year (04/10 to 09/10)	Current Year (04/11 to 09/11)	Previous Year (04/10 to 09/10)
Hirakud HEP	665	409	454	31.32	35.36
Chiplima HEP	325	185	131	11.57	8.98
Balimela HEP	1171	789	651	48.31	34.63
Rengali HEP	446	509	188	27.37	14.85
Upper Kolab HEP	742	421	216	14.72	9.85
Upper Indravati HEP	1782	1012	837	80.24	70.43
<b>Total</b>	<b>5131</b>	<b>3325</b>	<b>2477</b>	<b>213.53</b>	<b>174.10</b>

The sale of power for the period April-September in 2011-12 is 134% of that in 2010-11.

## 5. TARIFF STRUCTURE:

The tariff of OHPC power stations is based on CERC Tariff Regulations, 2009 along with the corrective measures of the State Govt.

Broadly, the parameters of the tariff structure of OHPC are as under:



- (i) The effect of up-valuation of old hydro power stations (Rs. 766.20 crores) on the tariff has been kept in abeyance.
- (ii) Interest on debt servicing of the State Govt. is kept in abeyance.
- (iii) Return on Equity (RoE) is not allowed in respect of the assets of old power stations transferred to OHPC on 01.04.1996.
- (iv) Depreciation is calculated at pre-1992 norms of GoI. However, it covers principal repayments due for payment during the year.

OHPC provides the cheapest power and meets the peak load requirement of the State Grid. There has been very nominal increase in the tariff fixed by OERC during last 11 (eleven) years. Such a regulated tariff regime has put severe restrictions on OHPC to improve on its financial position, which can show considerable improvement once its tariff is liberated from the above said restrictions.

## 6. PROJECTS UNDER JOINT VENTURE

### (i) Orissa Thermal Power Corporation Ltd

OHPC and Orissa Mining Corporation Ltd. (OMC) have together floated a Joint Venture Company namely Orissa Thermal Power Corporation Limited (OTPCL) with 50:50 shareholding for setting up a thermal power plant of 2000 MW capacity. The initial works such as land acquisition, statutory clearances, water and fuel connection etc are under progress.

### (ii) Development of Baitarni West Coal Block (602MT)

The Ministry of Coal, GoI vide letter dtd 25.07.2007 allotted the Baitarni West Coal Block (602MT) through Govt dispensation route to three State PSUs namely, KSEB, GPCL & OHPC each having one third share. AJV Company namely Baitarni West Coal Company Ltd between the three allocatees has been incorporated.

The Mining Plan approval was received vide Ministry of Coal, Govt. of India letter dtd 07.10.2009. Developmental activities such as preparation of DPR, land acquisition, Statutory clearances, stake holding in the common rail-road corridor and other follow up activities for achievement of the milestones set out in the allotment letter are under progress.

## 7. RENOVATION & MODERNISATION:

- (i) Renovation & Modernisation of Unit-I, RHEP, Rengali has been started since 25<sup>th</sup> Nov,2009 and will be completed by February 2012.
- (ii) The PAC of the State Govt have accorded approval for taking up the R&M works of unit-5 & 6, HHEP, Burla.
- (iii) The renovation & modernization of the units of BHEP, Balimela in phases has been initiated.

**8. (a) MANPOWER:**

The employees position as on 01.10.2011 (executives and non-executives including regular, NMR and Contingent Khalasis but excluding 332 employees on deputation mostly from DOWR posted at UIHEP, (Khatiguda and Mukhiguda) is as under:

SI No	Units	Installed Capacity MW	Number of employees	Employees per MW
(As on 01.10.11)				
A.	Corporate Office	-	115	-
B.	Projects under operation:-			
(i)	Rengali HEP	250	473	1.89
(ii)	Upper Kolab	320	349	1.09
(iii)	Hirakud HEP	275.5	362	1.31
(iv)	Chiplima HEP	72	164	2.28
(v)	Balimela HEP	510	334	0.65
(vi)	UIHEP excluding deputationists at Khatiguda	600	627	1.05
(vii)	Machkund Joint Scheme (30% share)	34.5	59	1.71
	<b>Total</b>	<b>2062</b>	<b>2483</b>	<b>1.20</b>

Manpower has been rationalized to a substantial level.

**(b) Training & Development**

The Management provides continuous emphasis on manpower training and development activities. Refresher training to executives and non-executives of the power plants is being imparted at the OHPC training centre, an Institute recognized by the CEA. Employees are also sponsored for training conducted by reputed outside agencies. Seminars and workshops are being organized in-house for all categories of employees to keep them updated in the related areas.

**(c) Industrial Relations**

Industrial relations remained cordial and harmonious.

**9. SHARE CAPITAL:**

The authorised share capital of the Company is Rs. 1000 crores comprising of one crore equity shares of Rs. 1000/- each. Present paid up equity share capital is Rs. 320.80 crores.

**10. BOARD OF DIRECTORS:**

The following changes have occurred in the Board of Directors since the last Directors' Report.

<b>Name of the Directors</b>	<b>Date of appointment</b>	<b>Date of cessation of Directorship.</b>
G Mathivathanan, IAS, Chairman	21.05.2011	-
Sahadev Khatua, Managing Director	24.03.2011	-
Rajesh Sharma, Director (HRD)	23.05.2011	-
P K Jena, IAS, CMD	08.12.2008	24.03.2011
P K Jena, IAS, Chairman	24.03.2011	21.05.2011
S K Rath, Director (HRD)	28.12.2010	23.05.2011
S K Pattanayak, IRAS, Director (Finance)	29.10.2008	12.09.2011

**11. DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217(2AA) OF THE COMPANIES (AMENDMENT) ACT, 2000:**

The Directors wish to state that:

- (i) The annual accounts have been prepared in accordance with the applicable accounting standards along with proper explanations relating to material departures.
- (ii) Such accounting policies have been selected and applied which 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 or loss of the Company for that period.
- (iii) Proper and sufficient care has been taken for the 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 fraud and other irregularities.
- (iv) The annual accounts have been prepared on a going concern basis.

**12. AUDITORS:**

- (a) M/s. Chand & Co., Chartered Accountants, Bhubaneswar was appointed as the Statutory Auditors of the Company and 6 (six) Chartered Accountant firms were appointed as Branch Auditors for the hydro power stations by the C&AG for the year 2010-11.
- (b) M/s Niran & Co, Cost Accountants, Bhubaneswar was appointed as the Cost Auditors of the Company for the year 2010-11.

**13. AUDITORS' REPORTS:**

The Report of the Statutory Auditors and comments of the C&AG on the accounts of the Company for the year 2010-11 and the replies of the Management to the report / comments of the Auditors are enclosed to this report.

**14. AUDIT COMMITTEE:**

Pursuant to the provisions of Section 292A of the Companies Act, 1956, an Audit Committee has been constituted by the Board in their 37<sup>th</sup> meeting dtd.24.03.2001. The present composition of the Audit Committee is as follows:

S C Bhadra, Director	-	Chairman.
B B SinghSamant, Director	-	Member.
M S Samantray, Director	-	Member.
Director (Operation)	-	Member.

Seven meetings of the Audit Committee were held during the year 2010-11 for selection of stock auditors for 2010-11, review of the accounts, report of the auditors and internal audit observations.

**15. PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956:**

NIL

**16. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Information in accordance with the provisions of Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars) Rules, 1998 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is Annexed to this report.

**17. CORPORATE GOVERNANCE:**

OHPC ensures strict compliance of the Corporate Governance Manual issued by the State Govt, Department of Public Enterprises and maintains transparency in all its business transactions.

**18. ACKNOWLEDGEMENT:**

The Directors acknowledge with deep appreciation the co-operation and guidance received from the Govt. of India, Govt. of Orissa, CEA, PFC, CERC, OERC, GRIDCO, Banks and other associated organizations.

The Directors express their sincere thanks to all the business associates, professional consultants, counsels for their continued patronage and assistance.

The Directors acknowledge with thanks the co-operation and constructive suggestions received from the C & AG, statutory & branch auditors and the cost auditors.

The Directors also wish to record their deep sense of appreciation for the sincere and dedicated services rendered by the employees of the Corporation.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Bhubaneswar  
Date: 29.10.2011

**G MATHIVATHANAN, IAS**  
CHAIRMAN

## ANNEXURE TO DIRECTORS' REPORT

### PARTICULARS UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988 FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011.

#### A. CONSERVATION OF ENERGY :

(a) **Energy Conservation measures taken and on hand**

With a view to assess and optimize the performance of Generating Stations, it is proposed to take-up energy audit of HHEP, Burla and BHEP, Balimela. Audit Firm has already been selected and forwarded to EIC-cum-PCEI and SDA, Orissa for approval. The energy audit of the above two Power Houses will be done as demonstration project of BEE. Necessary approval has been sought from BEE.

(b) **Additional investments and proposals if any, being implemented for reduction of consumption of energy.**

Investment requirement will be assessed and made after completion of Energy Audit by the Firm.

(c) **Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.**

Energy efficient devices equipments shall be installed in phased manner replacing the low performance ones after completion of Energy Audit.

#### B. TECHNOLOGY ABSORPTION:

**NIL**

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO DURING 2010-11 :

	(Rs. in lakhs)	
	<u>2010-11</u>	<u>2009-10</u>
(a) Earnings in foreign exchange	Nil	Nil
(b) Foreign Exchange Outgo		
(i) Value of imports directly made for capital expenditure and spare parts.	Nil	946.48
(ii) Expenditure in foreign currency for foreign visits.	Nil	Nil
(iii) Expenditure incurred in foreign currency on cash basis being payment made to consultants.	<u>Nil</u>	<u>111.65</u>
	<b>Nil</b>	<b>1058.13</b>

**Comments of the Comptroller and Auditor General of India  
under section 619(4) of the Companies Act, 1956 on the accounts of  
Orissa Hydro Power Corporation Limited for the year ended 31<sup>st</sup> March, 2011**

The preparation of financial statements of Orissa Hydro Power Corporation Limited for the year ended 31<sup>st</sup> March 2011 in accordance with financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 12 August, 2011.

I, on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of Orissa Hydro Power Corporation Limited for the year ended 31<sup>st</sup> March 2011. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619 (4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report:

Sl No.	Comments of the C & AG of India	Replies of the Management
<b>A.</b>	<b>Comments on profitability</b>	
	<b>Profit &amp; Loss Account</b>	
	<b>Income</b>	
	<b>Sale of Power: Rs. 338.72 crore</b>	
1.	The above is overstated by Rs. 1.07 crore due to accounting of excess energy charges in respect of Rengali Hydro Electricity Project for the months of May 2010 to August 2010 arising out of revision of Plant Availability Factor of the Months (PAFM) by State Load Despatch Centre (SLDC). This has also resulted in overstatement of Sundry Debtors and Profit for the year by Rs. 1.07 crore each.	There is no change in energy charges of RHEP from May 2010 to August 2010 in the revised bills raised to GRIDCO. Only the capacity charges of RHEP for the above mentioned months earlier raised for Rs. 6.1447676 crores based on the then prevailing norms and procedure has been revised to Rs. 5.0728138 crores on account of revisions of PAFM certificates as per procedure set out by Hon'ble OERC in order dtd. 02.11.2010 in case No. 65/2010-11. The excess amount approximately Rs. 1.07 crores billed towards capacity charges has been reduced from the energy bills of 2010-11 raised on GRIDCO.
	<b>Other Income (Schedule-9) : Rs. 56.15 crore</b>	
2.	The above does not include an amount of Rs. 2.76 crore being the energy charges bill raised on Chief Engineer (Irrigation), Upper Indravati Hydro Electric Project (UIHEP)	Steps have been initiated by the management for realization of the energy charges from the concerned parties. As a practice consistently

upto the month of March 2011 (Rs. 2.53 crore) and on BSNL (Rs. †0.23 crore). This has resulted in understatement of Sundry Debtors and Profit by Rs. 2.76 crore each.

### Expenditure

#### Employee and Other related cost (Schedule-12)

##### Terminal benefit: Rs. 57.50 crore.

- 3 The above is overstated by Rs.1.89 crore due to accounting of gratuity (Rs. †10.48 crore) in excess of expenses over the amount as per the actuarial valuation (Rs.8.59 crore). Similarly, the Company has accounted gratuity liability as Rs. †7.81 crore against actuarial valuation of Rs. 3.21 crore for the same. This has correspondingly resulted in understatement of Profit by Rs. †1.89 crore and overstatement of Current Liability and Loan and Advance (OHPC Gratuity Fund) by Rs. †4.60 crore each.

4. The above is understated by Rs. 21.28 crore due to non-provision of the liability as per actuarial valuation towards differential pension payable to 231 employees transferred from Government and subsequently absorbed in the Company. This has also resulted in understatement of Current Liabilities and Provisions and overstatement of Profit by Rs. †21.28 crore each.

followed, the realizations shall be accounted for in the years of receipt.

As per actuarial valuation vide demand note/ 346854/32750 dt.29.03.2011 of LIC, the total amount payable towards gratuity liability for the financial year 2010-11 amounts to Rs.9,18,42,669.00. The amount of Rs.8.59 crores as shown by LIC is for the accounts of LIC fund being maintained by LIC of India.

Out of the total payable, OHPC has paid Rs.1,37,00,000/- during the current financial year and balance payable amounting to Rs.7,81,42,669/- has been booked under liability head which has been paid on dt.15.04.2011 (2011-12).

Further, OHPC has paid an amount of Rs.1,29,56,347/- directly to the ex-employees retired from service before 01.04.2005. The details break up of Rs.10.48 crores is as under:

● Direct Payment	Rs.1,29,56,347/-
● Payment of premium to LIC	<u>Rs.9,18,42,669/</u>
	Rs.10,47,99,016/-

State Govt. order / notification with regard to the method of calculation and payment of differential pension liability has not yet been issued. However, based on the minutes of discussion dated 16.08.2010 in the DOE, OHPC had claimed the differential liability amounting to Rs.21.28 crs. in the Annual Revenue Requirement for the year 2011-12.

The OERC in its tariff order dated 18.03.2011 agreed in principle to pass the differential liability on the basis of actual payment made / to be made. Accordingly, the yearly liabilities on account of the differential pension shall be

**B. Comments on Financial Position**
**Balance Sheet, Application of funds**
**Fixed Assets**
**Capital Works-in-Progress (Schedule-5): Rs. 39.26 crore**
**Expenditure during construction: Rs. 14.58 crore**

5 The above is overstated by Rs. 2.85 crore due to capitalisation of R&M employee related costs, incurred for Potteru Hydro Electric Project after it was decided by the Board of Directors (15.12.2006) to dispose of the project. Since the expenditure so capitalised would not in any manner increase the future benefits of the projects beyond its previously assessed value, the said expenditure should have been charged to profit & loss Account. This has also resulted in understatement of Expenditure and overstatement of Profit by Rs. 2.85 crore each.

6. The above is understated by Rs. 6.50 crore due non-inclusion of materials purchased during March 2011 for Renovation & Modernisation of RHEP. This has also resulted in overstatement of Current Assets (Inventories) to the same extent.

**Current Assets, Loan & Advances (Schedule-7)**
**Sundry Debtors: Rs. 335.77 crore**

7. The above is overstated by Rs. 2.76 crore due to non-provision of the liability for excess energy charges refundable to GRIDCO for the year 2009-10 due to revision of bills as per revised Normative Annual Plant Availability Factor(NAPAF) fixed by OERC. This has also resulted in overstatement of Profit by Rs. 2.76 crore.

**Inventories: Rs. 53.38 crore.**

8. As per the report of physical stock verification of inventory of UIHEP (Khatiguda & Mukhiguda) as on 31.03.2011, non-moving items valuing Rs. 8.05 crore (Khatiguda ₹ 5.85

accounted for in the accounts and simultaneously claimed in the tariff after the State Govt. notification is issued in regard to the modalities of implementation.

Potteru SHEP is an independent unit of OHPC having its own capital & loan structure. The unit has not yet been commissioned. As per AS-10 clause No. 9.4, all revenue expenditure made upto commissioning will be treated as expenditure during construction (EDC). Accordingly, the expenditure on the project till date has been shown under capital work-in-progress.

The materials received on 08.03.2011 was temporarily kept in the preservation store has already been utilized for the Renovation & Modernization of Unit-I of RHEP and booked under capital work in progress.

The Capacity Charges for the FY 2009-10 in respect of UIHEP had been raised for an amount of Rs. 80.87 Crs. approximately at 85% NAPAF, provisionally fixed by Hon'ble OERC. After final fixation of NAPAF of UIHEP as 88% by Hon'ble OERC in its Order Dt. 02.11.2010 in Case No. 65/2010, the above Capacity Charge bills are revised to Rs. 78.11 crores at 88% NAPAF and is under reconciliation with GRIDCO. The effect of such revision shall be incorporated in the Profit & Loss A/c for the FY 2011-12.

The disposal of the identified scrap, unserviceable / un-usable materials through e-auction in respect of all the units including



core and Mukhiguda ñ Rs. 2.20 Crore) had been lying at site since long. However, the old stores have not yet been disposed of. As the stores are very old, necessary provision should have been made in the account towards depletion in their value.

9. During 2009-10, the Company created a fictitious Store reserve of Rs. 2.56 crore as per report of the Store Auditor by debiting to Inventory and crediting to Store Reserve Account though there was no surplus of stores. Further, a provision for Rs. 1.71 crore was created in the accounts for 2010-11 to write-off the materials lost due to theft and fire of earlier years and adjusted against the store reserve instead of giving effect to Profit and Loss account. This has resulted in overstatement of Inventory by Rs. 2.56 crore, store reserve by Rs. 0.85 crore and Profit by Rs. 1.71 crore.

**Current Liabilities & Provision (Schedule-8) Provision: Rs. 118.99 Crore.**

10. The above is understated by Rs. 2.03 crore due to non-creation of provision for peripheral development of units of the Company as approved by the Board of Directors in February 2006. This has also resulted in understatement of Prior Period Expenditure and overstatement of Accumulated Profit by Rs. †2.03 crore each.

11. The above is understated by Rs. 0.61 crore due to non-provision of the liability for the amount refundable to M/s OCC due to revision of energy charges bills recovered during

UIHEP is under process. This shall be accounted for on disposal of the materials.

Detailed analysis of inventory account of UIHEP, Khatiguda is being taken up to identify the surplus or shortfall in inventory. Salvaged materials from the fire included in the scrap list is under disposal through e-auction. Identification of the theft materials recovered by the police in different shape / form is taken up. As such, necessary accounting entries with regard to the inventories of UIHEP shall be made after the completion of the above during the year 2011-12.

The Board approved the policy for sanction of funds for peripheral development of the units vide item No.74/6(d) of the 74<sup>th</sup> meeting of the Board held on 22.02.2006, according to which 1% of the profit of the preceding year shall be earmarked as the ceiling for peripheral development works in a year.

The policy guideline prescribes the modalities for sanctioning funds for the peripheral development works.

It may be mentioned that no provision is made in the accounts towards any peripheral development works. Only on receipt of the proposals from the district administration, prior approval of the Board is taken before the sanction and release of funds in favour of the district administration.

As an accounting practice consistently followed, when the funds are released, it is kept under advance. On receipt of the utilization certificates, the same is booked to expenditure.

After adjustment of the dues receivable from OCC, net amount payable to OCC has been arrived at Rs.10.12 lakhs. On receipt of the

the construction of penstock UIHEP. This has also resulted in overstatement of Profit to the same extent.

### Provisions

#### Dam maintenance: Rs. 62.49 crore

- 12 The above is understated by Rs. 2.45 crore due to short-provision of the liability towards dam maintenance cost of UKHEP for the year 2009-10 claimed by DOWR in 2010-11. This has also resulted in overstatement of profit to the same extent.

relevant bills from OCC, the amount shall be released & accounted for.

The cost towards dam maintenance are provided on the basis of DOWR bills of previous year. The bills of DOWR for the year 2009-10 are not considered realistic. As such, the differential amount was not accounted for. However, the said bills for 2009-10 was provisionally taken for 2010-11.

### C. Comments on Disclosure Significant Accounting Policies (Schedule-16)

13. A reference is invited to item No.6.1 of Significant Accounting Policies wherein it is mentioned that revenue is recognised on the basis of bills raised on GRIDCO Ltd. However, in actual the Company has accounted for revenue of Rs 336.93 crore as against bills of Rs 338.53 crore raised on GRIDCO Ltd. for the year after considering rectification of PAFM by SLDC in respect of BHEP and year end adjustment on account of R&M of Unit-I of RHEP. This fact has not been disclosed.

The provisional monthly energy bills for the financial year 2010-11 of all power stations had been raised on GRIDCO, considering the provisional NAPAF of the generating units and tariff order of OERC applicable for OHPC for the financial year 2010-11. Based on the final NAPAF order of the Hon'ble OERC pronounced on 02.11.2010 with retrospective effect from 2009-10 and consequent revision of PAFM certificates by SLDC in respect of different power stations, it was necessitated to revise the energy bills of different power stations and provisionally accounted for in the accounts of 2010-11.

In the meanwhile, the energy bills of the units have been finalised and are under reconciliation with GRIDCO.

### D. Comments on Statutory Auditors' Report

14. A reference is invited to para No.15 of Annexure ñII of the Auditors' Report read with para No.3 of the Branch Auditor of Hirakud Hydro Electric Project (HHEP), Burla, wherein it is mentioned that there was a short provision of Rs. †10.24 crore towards dam maintenance cost. As per the bills raised by the Government, the total outstanding liability towards dam maintenance cost in respect of HHEP as on 31.03.2011 is worked out at Rs. †25.04 crore. As against this, the provision

The bills raised by DOWR towards OHPC share of dam maintenance cost do not represent the actual share of OHPC, rather it remains at higher level due to inclusion of costs not related solely for dam maintenance. Therefore, pending reconciliation with DOWR, the provision of Dam maintenance cost for the year 2010-11 have been provided based on the figures of last

as on 31.03.2011 stood at Rs. 19.84 crore {Schedule-8(b)(3)}. Thus, there is a short provision of Rs.5.20 crore, as against short provision of Rs.10.24 crore reported by the Statutory/ Branch Auditors. Thus, the comments of the St/ Branch Auditors are deficient to that extent.

year. After acceptance of the dam maintenance cost statement jointly prepared with the DoWR and related principles by DOWR, any shortfall or excess till the financial year 2010-11 shall be accounted for in the year 2011-12. In the last meeting on dtd.27.08.2011 held in the Office Chamber of Principal Secretary, DOWR, it has been decided for quick reconciliation & settlement of the dam maintenance cost of OHPC.

15. Reference is invited to the Para No. 2 of other comment of Annexure-II of Auditors' Report wherein it was mentioned that an amount of Rs. 3607.18 crore is due for payment towards water tax for drawal of water for non-consumptive use during the period 1996-97 to 2009-10 (January 2010) in respect of Rengali and Burla division. The qualification does not include Rs. ₹221.15 crore, claimed by DOWR towards water cess upto October 2010 for UKHEP, Bariniput Dam Division. The comment of statutory auditors is deficient to that extent.

Water cess towards drawal of water from Govt. water sources is applicable @ Rs.0.01 per KWH of hydro power generation w.e.f. October, 2010 as per the GoO gazette notification No.1571 dtd.01.10.2010. Such water cess levied on OHPC is re-imbursible by GRIDCO.

Any demand raised on OHPC prior to October 2010 an account of water tax are not recognized as per the notification dtd.29.01.2003 of GoO in the DoE which at para (xiv) provides that government would exempt watercess on the volume of water used by OHPC for generation of electricity.

16. Regarding Para No.1 of the Annexure-II to Auditors' Report relating to UKHEP, it is observed that pending receipt of bill for 2010-11, the unit had created provision of Rs. ₹3.56 crore based on the bill of the previous year. Therefore, the question of creation of excess provision amounting to Rs. ₹2.45 crore does not arise and the comment is deficient to that extent.

The provision towards dam maintenance for the year 2010-11 in UKHEP is kept at Rs. 3.56 crores.

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

For and on behalf of  
**BOARD OF DIRECTORS**

Sd/-

Place: Bhubaneswar (AMAR PATNAIK)  
Date: 28.10.2011 ACCOUNTANT GENERAL

Sd/-

(G MATHIVATHANAN, IAS)  
CHAIRMAN

**CHAND & CO.**  
Chartered Accountants

N-4/352, IRC Village, Bhubaneswar-751015  
Phone : +91-674-2551161, 2555070  
E-mail : chandandco@yahoo.co.in

## **AUDITORS' REPORT**

**To the member of,  
ORISSA HYDRO POWER CORPORATION LIMITED**

1. We have audited the attached Balance Sheet of **ORISSA HYDRO POWER CORPORATION LIMITED** as at March 31, 2011, and also the Profit & Loss Account for the year ended on that date annexed thereto and the cash flow statement for the period ended on that date, in which the accounts are incorporated from the Units audited by the Unit/Branch Auditors. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose Annexure-I statement on the matters specified in the paragraphs 4 and 5 of the said order, to the extent applicable to the company.
4. Further to our comments in the Annexure-I referred to above and subject to our separate comments in Annexure-II, we report that:
  - I. 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.
  - II. 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 these books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us. The Branch Auditor's Reports have been forward to us and have been appropriately dealt with;
  - III. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and with the audited returns from the branches;
  - IV. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in sub section (3C) of Section 211 of the companies Act 1956;

- V. In terms of Government of India, Ministry of Finance, Department of Company Affairs, Notification No. GSR 829 (E) dated 21<sup>st</sup> October, 2003, Government Companies are exempt from the applicability of provisions of Section 274 (1) (g) of the Companies Act, 1956.
- VI. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and notes on accounts thereon give the information required by the companies Act 1956, 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, 2011;
  - b) in the case of Profit & Loss Account, of the profit of the Company for the year ending on that date ; and
  - c) in the case of cash flow statement , of the cash flows for the year ended on that date .

For **CHAND & CO.**  
CHARTERED ACCOUNTANTS

**CA. J R MISHRA**  
PARTNER  
MEMBERSHIP NO.: 058587

Place : Bhubaneswar  
Dated : 12.08.2011

## **ANNEXURE - I TO THE AUDITORS' REPORT**

Referred to Paragraph 3 of our report of even date.

### **I. In respect of its fixed assets :**

- a. The unit has maintained proper records showing full particulars including quantitative details and situation of fixed assets as per branch auditor's report. However the fixed asset register has not been maintained properly and not up-to-date at corporate office to show the quantitative details and situation of fixed asset.
- b. As explained to us, and the information collected from the branch auditors report the fixed assets have not been physically verified (except HHEP,BHEP, CHEP UNIT) by the management during the year in a phased periodical manner. As no physical verification has been made by the management, no material discrepancies were noticed on such physical verification. So the effects of material discrepancies have been properly dealt with in books of accounts.
- c. Fixed assets disposed off during the year were not substantial, and there fore, do not affect the going concern assumption.

### **II. In respect of its inventories :**

- a. No inventories at corporate level. As per branch auditors report, inventories have been physically verified by the management at unit level at regular intervals during the year.
- b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories 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 has maintained proper records of inventories. As explained to us, the material discrepancies noticed by the stock auditor are dealt within the accounts.

- ### **III.**
- a) In respect of loans, secured or unsecured, the company has neither granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly sub-clauses (b),(c),(d),(e),(f),(g) of the order are not applicable.

- ### **IV.**
- In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of power and services.

- ### **V.**
- In respect of transactions covered under Section 301 of the Companies Act, 1956.

- a. In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements that needed to be entered into in the register maintained under Section 301 of the Companies Act, 1956.
- b. In our opinion and according to the information and explanations given to us, there are no transactions in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
- VI. In our opinion, as per information and explanation given to us, the Company has not accepted any deposits from the public during the year with in the meaning of sections 58A, 58AA or any other relevant provisions of the companies act,1956 and the rules framed there under.
- VII. In our opinion ,as per information and explanations given to us and after review of Internal Audit Report, the Internal Audit System of the company need to be strengthened to commensurate with its size and nature of its business. The area covered by the internal auditor need to be expanded to overcome the errors in accounting system.
- VIII. As per information and explanation given to us and according to the Unit Auditors Report, maintenance of cost records has been prescribed by the Central Government under section 209(1) (d ) of the Companies Act 1956 and such accounts and records have been made and maintained but in case of Upper Kolab ,Balimela and Upper Indravati are under preparation.
- IX. (a) As per information and explanation given to us and based on the Unit Auditors Report, the Corporation has been regular in depositing undisputed Statutory dues including Employeeís Provident Fund, Investor Education and Protection Fund, Wealth Tax, Service Tax, Income Tax, Custom Duties, Cesses, Sales tax and other statutory dues applicable to it during the year with appropriate authorities.
- (b) As per information and explanation given to us and based on the Unit Auditors Report, there are no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty and Cess outstanding at the end of the Financial Year, except in cases of UIHEP Mukhiguda where the following disputed amounts have not been deposited.

<b>Name of Unit</b>	<b>Nature of Dues</b>	<b>Disputed Amount (Rs)</b>	<b>Forum where dispute is pending</b>
UIHEP, Mukhiguda	Sales Tax	20,90,646.00	High Court, Orissa
UIHEP, Mukhiguda	EPF	9,84,220.00	High Court, Orissa

- X. The Company does not have accumulated losses as at 31.3.2011. And has not incurred any cash loss during the financial year covered by our audit or in the immediately preceding financial year.
- XI. As per information and explanation given to us and based on the Unit Auditors Report, the company has not defaulted in repayment of dues to financial institutions and banks.

- XII. As explained to us and as per the Unit Auditors' Reports the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- XIII. In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, clause 4(xiii) of the Companies (Auditors' Report) (Amendment) Order, 2004 is not applicable to the Company.
- XIV. As explained to us and as per the Unit Auditors' Reports the Company is not dealing or trading in shares, securities, debentures and other investments.
- XV. As explained to us the Company has given guarantee Rs.25.00 Crores in favour of Baitarani West Coal Company Limited by pledging fixed deposit in Oriental Bank of Commerce, Bhubaneswar. The terms and conditions thereof are not prejudicial to the interest of company.
- XVI. As explained to us no term loans have been raised by the company during the year. Therefore, clause 4(xvi) of the Companies (Auditors' Report) (Amendment) Order, 2004 is not applicable to the Company.
- XVII. According to the information and explanations given to us the funds raised on short-term basis have not been used for long term investment and vice versa.
- XVIII. During the year, 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.
- XIX. As the company has not issued any debentures during the year, clause 4(xix) of the Companies (Auditors' Report) (Amendment) Order, 2004 is not applicable to the Company
- XX. As the Company has not raised any money by way of public issue during the year, clause 4(xx) of the Companies (Auditors' Report) (Amendment) Order, 2004 is not applicable to the Company
- XXI. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year, that causes the financial statements to be materially misstated

For **CHAND & CO.**  
CHARTERED ACCOUNTANTS

**CA. J R MISHRA**  
PARTNER  
MEMBERSHIP NO.: 058587

Place : Bhubaneswar  
Dated : 12.08.2011



## ANNEXURE ñ II TO THE AUDITORS' REPORT

Observations of the Statutory Auditors	Replies of the Management
<p><b>Corporate Office</b></p> <p><b>1. Comments on Energy Sold to CSPDC Ltd.:</b></p> <p>As per minutes of meeting chaired by Chief Secretary, Govt. of Orissa held on 24<sup>th</sup> December, 2004 in pursuance of order dtd.16.12.2004 of Hon'ble High Court of MP, payment arrangement shall be through irrevocable Letter of Credit for one months' due. If payment is not made as above mode, MPSEB shall have to make direct payment within 30 days along with interest @ 15% per annum. In case payment is not made in aforesaid period, power supply is stopped and shall not resume till entire default amount is paid by MPSEB. But OHPC Ltd. had neither obtained any Letter of Credit nor stopped the power supply in cases of delayed payment .Also It had not charged any interest in direct payments made by MPSEB. No such step has been taken to realize the arrear amount, the interest amount and stop of power supply. So it has resulted in under statement of profit and sundry debtor to the extent of interest element.</p> <p>Again no reconciliation has been made with CSEB to get the energy sold @ actual cost of generation per unit. As a result the arrear amount due from CSEB is increasing. As per the decision the bill should be made to the CSEB at the actual cost of generation per unit and payment should be realized on that basis. However CSEB is not making payment as per the cost of generation per unit to the HHEP. During the period under audit (2010-11) 16.6075 MU has been sold to CSPDCL @ Rs. 1.1553 per unit at the actual cost of generation of HHEP for the year 2009-10. However payment is realized from the CSPDCL @ Rs.0.7594 per unit. Though no such dispute arises regarding quantity sold, reconciliation should be made regarding unit price for the sold unit. The energy bill raised to CSPDCL for the financial year 2011-11 is based on the unit cost for the financial year 2009-10. The unit cost for the financial year 2010-11 should be based on the unit cost for the financial year 2010-11. As a result the sales has been understated by the difference between 2010-11 unit cost and 2009-10 unit cost for actual sale in 2010-11.</p>	<p>The outstanding energy dues against CSPDCL comprises the differential amount between the audited unit cost of generation of HHEP for the years 2008-09 to 2010-11 and the unit cost generation for the year 2007-08 based on which bills are being cleared.</p> <p>OHPC has taken up with CSPDCL for payment of the outstanding dues.</p> <p>The bills for the supply of 5MW power in a year is raised based on the audited cost of generation of power of the previous year. The bills are revised through a supplementary bill as soon as the audited cost of generation data are available. Accordingly, the bills for 2010-11 has already been revised.</p>

A fresh agreement should be made with the CSEB, though the OHPC is following the terms and condition mentioned in the agreement with the MPSEB. OHPC is not following the detailed invoice and payment procedure for energy sold to the CSEB, as a result outstanding amount to be received from CSPDCL is increasing.

**2. Comments on realization of payments from GRIDCO, providing Rebate for Prompt Payment, and Charging surcharge for late payment :**

**Regarding Payment of Bill through LC:**

As per power purchase agreement with GRIDCO, clause no.11.1.3, payment shall be made through irrecoverable letter of credit (LC) opened in favour of OHPC Ltd. on mutually agreed branches of any nationalized bank at Bhubaneswar . The LC shall be established for an amount equivalent to one month average billing as per tariff approved by OERC. The amount of LC shall be reviewed quarterly in each financial year. If the average monthly billing during the corresponding period of previous financial year is more or less than the amount established in LC, the LC shall be enhanced/ reduced accordingly. The monthly energy invoices are only to be covered under payment through LC. If the amount of bill in any month is more than the amount of LC, OHPC will prepare two bills, one equal to the amount of LC and the other for the balance amount. The payment of the second bill shall be claimed directly from GRIDCO. However, the LC is standby only and GRIDCO shall have the first option for payment of the bill directly, failing which OHPC shall encash the LC for the billing amount.

However, the above procedure is not followed by the OHPC failing of which the outstanding amount to be received from GRIDCO is increased year by year and reached to Rs.335.77 crore by 31.03.11. Had the amount being collected and invested, OHPC would earn interest from bank and to the extent of that interest the profit is understated.

**Regarding Providing Rebate For Prompt Payment:**

As per power purchase agreement with GRIDCO, clause no.11.1.4, rebate of 2% will be allowed if the amount is paid within 7 days of presentation of bill. If payment is made after 7 days but within due date i.e. 30<sup>th</sup> day after presentation of bill rebate of 1% is allowed. As the old outstanding dues are reconciled up to 2008-09, so there is no dispute up to

The CSPDCL has been informed to depute one representative for a detailed discussion on the modalities of settlement of the dues.

GRIDCO has been making payments directly to OHPC. As such, LC backed by escrow has not been opened by GRIDCO.

As per the terms of Power Purchase Agreement (PPA) the payments made by GRIDCO is to be first apportioned towards current dues & balance towards arrears. Rebate is allowed @2% or 1%, when the current monthly bills are paid by GRIDCO

2008-09. The amount if any received from GRIDCO should be first deducted from old outstanding dues and after adjustment of old dues, the received amount should be treated as prompt payment. But OHPC Ltd does not follow such practice and any amount received from GRIDCO on current bills is treated as prompt payment and allowed rebate without adjustment of old out standings. So there is overstatement of administrative and general expenses, understatement of profit and sundry debtor of Rs.5.85 crore.

**Regarding Charging Surcharge for Late payment:**

As per power purchase agreement with GRIDCO, clause no.11.1.4, a surcharge is required to be calculated @ 1.25% Per month on the amount of the bill remaining unpaid beyond 60 days from the date of billing. However no surcharges have been calculated, though the bill amount of Rs.305.42 crore is remaining outstanding for a period exceeding six months. Non charging of surcharge amounts to understatement of profit and sundry debtor to that extend of surcharge.

**Third party sale on account of default in payment:**

As per power purchase agreement with GRIDCO, clause no.11.2 in the event the letter of credit contemplated in clause 11.1.3 is not opened or the letter of credit is not replenished or renewed before its expiry or direct payment or the dues was not made by GRIDCO, resulting an amount equivalent to the average bills of one month ( average of the previous six months ) remains outstanding (contravening the premises at (c) ) for a period exceeding 60 days, then OHPC shall restrict the right offered to GRIDCO at premises (B) of this agreement, to the capacity and dispatch output of the power station wholly or partially as the case may be and shall be at liberty to undertake third party sale of its power either in full or in part, with due approval of GoO and OERC. GRIDCO shall have no objection for such third party sale.

In the case of third party sale, extra revenue earned, if any over and above the revenue that could have been earned by sale of power to GRIDCO will be adjusted against outstanding dues of GRIDCO. Resumption of supply to GRIDCO is subject to the decision of GoO/ OERC.However no such step has been taken for third party sale on account of default in payment from GRIDCO.

within 7(seven) days or 30(thirty) days respectively. As such, there is no overstatement of expenses and understatement of profit of Rs. 5.85 crores.

As per the 87<sup>th</sup> Board dtd. 30.06.2008 the DPS and rebate is effective from 01.04.2008. Since the outstandings pertains prior to 01.04.2008, no DPS is charged.

The current monthly energy bills of OHPC has been regularly paid by GRIDCO. The modalities of payment of the old outstanding dues as on 31.03.2011 is under finalization by mutual discussion.

**3. Non Compliance of AS-22 Accounting for Taxes on Income:**

The above accounting standard is applicable to the organization but the organization is not make any deferred tax asset or differed tax liabilities .In notes on accounts no-27 reason of non compliance shows that there is no certainty that the taxable income available in the next few years. Above reason is not compliance with the requirements of AS-22, the result of such non compliance and the effect on financial statement is not quantifiable.

As per income tax return filed, the company has a carry forward un-absorbed depreciation of Rs.282.63 Crores till the assessment year 2010-11. The tariff for sale of energy to GRIDCO fixed by the OERC is based on the corrective measures according to which the depreciation is limited to pre-1992 norms of the Govt of India, subject to coverage of repayment of principal instalments due during the year and further, there is no return on the equity component of the hydro power stations in operation as on the date of transfer of the assets i.e. 01.04.1996. As such, there has been no taxable income of OHPC under the IT Act except the minimum alternate tax (MAT) till financial year 2010-11 and further, there is no certainty that taxable income will be available in the next few years. Therefore, no deferred tax under AS-22 has been shown in the accounts for the year 2010-11.

**4. Non availability of Balance confirmation certificate:**

Balance confirmation certificate for unsecured loans, sundry debtor, sundry creditors, advance to supplier, advance to other, payable to other, claims receivable have not been obtained neither in corporate office nor at units.

Balance confirmation letters were sent to the current parties for receivables & payable barring old balances. However, no confirmation has been received from the parties. Reconciliation of debtors with GRIDCO is under process.

**5. Comments on Payment of D.A arrear for the period 01.01.10 to 31.03.10 :**

During the year under audit (2010-11) OHPC has paid DA arrear for the period 01.01.10 to 31.03.10. However such payment has been booked as current year expenses instead of prior year expenses. So the current year expenses have been overstated by that amount and prior year expenses has been understated by that amount. Payment of DA arrear includes Rs.5, 93,667/- of corporate office. DA arrear of unit can not be quantified.

The circular relating to revision of DA was issued by the State Govt on 14.05.2010 and the revision order of OHPC was issued on 21.05.2010. Such revisions are being consistently accounted for in the year it is declared. As such, the arrear payments has been accounted for in the year 2010-11.

**6. Comments on Payment of D.A arrear for the period 01.01.11 to 31.03.11:**

During the year under audit (2010-11) OHPC has not made provision for payment of DA arrear for the period 01.01.11 to 31.03.11. So the current year profit has been overstated by that amount and liability has been understated by that amount. DA arrear includes Rs.4, 47,561/- of corporate office. DA arrear of unit can not be quantified.

The circular relating to revision of DA was issued by the State Govt on 21.04.2011 and the revision order of OHPC was issued on 26.04.2011. Such revisions are being consistently accounted for in the year the payment arise. As such, the arrear payments are accounted for in the current year 2011-12.

**7. Comments on change in PAFM certificates.**

In case of RHEP, SLDC has revised the PAFM certificates from Apr-09 to Nov-10. So the annual capacity charges included in the sale bill of RHEP to GRIDCO need to be revised. As per the revised bill the annual capacity charges for 2009-10 need to be reduced for Rs.0.4299 crore. However no accounting treatment has been given for the above revised bill. This has resulted overstatement of debtor and profit, and understatement of prior year expenses for RS. 0.4299 crore.

The reconciliation of energy bills on account of revised PAFM certificates is in process and shall be accounted for in the accounts of 2011-12.

**8. Comments on non-provision of Water cess.:**

As per extra ordinary issue of Govt of Orissa, in the department of Revenue & Disaster management gazette notification No. 1571 dtd. 01.10.10 that the water cess towards drawal of water from govt. water sources has to be paid @ 0.01/kwh of generation of hydro power w.e.f Oct-2010 as per the Orissa Irrigation (amendment) Rules 2010. As per the said notification, watercess has to be paid @ Rs.0.01/kwh of generation of hydro power w.e.f Oct-2010. However in case of UIHEP no liability has been created for the payment of water cess amounting RS. 56,58,700/- showing understatement of liability & claims receivable of that amount.

In case of UIHEP, no bill towards water cess has been received from DOWR Deptt.. Further, unlike other units, the ownership of dam of UIHEP is with OHPC. As such liability for cess in respect of UIHEP has not been accounted for in the year 2010-11.

**9. Comments on non-provision of SLDC:**

No provision has been made for the payment of SLDC charges for the month of Mar-2011 amounting Rs. 14,93,777/- So the current liabilities and current asset has been understated by that amount.

SLDC charges are reimbursed by GRIDCO. The monthly SLDC charges are paid by OHPC and booked under the accounts head claims receivable. The amount received from GRIDCO is adjusted against claims receivable. There is no effect on the profit / loss account and balance sheet.

**10. Comments on payment of interest on outstanding govt. loan in case of UIHEP:**

As per DOE notification No- R&R-i-15/2009/81. En, Bhubaneswar, dtd. 06.01.2010, Interest @ 7% should be charged and paid from the FY 2006-07 on the outstanding state government investment in UIHEP. The state government investment in UIHEP is Rs.630 crore and the interest @ 7% from FY 2006-07 comes to Rs.220.5 Crore. However no liability has been created for the payment of above interest amount resulting overstatement of profit and understatement of profit by that amount.

In OERC tariff order dtd. 20.03.2011 for the year 2010-11, it has been stated that in response to the Notification dtd. 06.01.2010 of GoO, the Commission in its letter dtd. 27.01.2010 has advised the State Government that the effects of up-valuation of asset and moratorium on debt services of State Govt. loan may be kept in abeyance till end of FY 2012-13 i.e. end of control period of Business Plan instead of 2010-11 as approved by the State Govt. in their Notification dtd. 06.01.2010. Accordingly, OERC has not considered interest on Govt. loan in the Annual Revenue Requirement (ARR) of OHPC for 2010-11. As such, no provision towards interest on state Govt. loan for UIHEP is made in the accounts.

**11. Comments on Actuaries valuation report:**

The liability for pension, leave, and gratuity has been provided in accounts based on the actuaries valuation report prepared taking in to consideration As-15. However the actuaries valuation report in case of gratuity shows that the report is not certification under AS-15. So the liability towards gratuity may be changed if the report certification will be under AS-15.

The actuarial liability towards gratuity has been calculated by LIC under As-15 as per their certificate. However, as a principle LIC do not give certification of assets & liabilities under AS-15.

The liability towards leave encashment as on 31.03.11 as per actuaries valuation report is Rs.34, 33, 56,245/-. However the liability taken as Rs.34, 11, 34,221/- showing understatement of liability of Rs.22, 22,024/- and overstatement of profit for that amount.

The differential liability amount shall be accounted for the year 2011-12.

The employee liability valued should include the liability of whole time directors as whole time directors are coming under the employee category as per AS-15. However the liability towards retirement benefit for the whole time director has not been calculated resulting understatement of liability and overstatement of profit to that extent.

During year 2010-11, there was one whole time Director who is on deputation. The liability towards retirement benefits shall be accounted for as and when the claim is received from the parent Deptt. as per the practice followed consistently for the deputationists.

**12. Comments on payment of interest on bank loan:**

During the year 2010-11 an amount of Rs. 5, 56,276/- has been paid as interest on bank loan of Rs.20 crore from PNB.

The temporary loan of Rs. 20 crores made by OHPC is in lieu of pre-mature encashment of

Such loan amount was used to create an FD in OBC and against that FD bank guarantee of Rs.25 crore has been provided on behalf of BWCCL. As the entire loan is used for the purpose of bank guarantee on behalf of BWCCL, the interest element on bank loan should be recovered from BWCCL. However the interest element has been shown as expenditure in the OHPC account, resulting into understatement of profit and current asset to the extent of interest amount.

fixed deposits. The loss on account of interest income due to pre-mature encashment of fixed deposits amounting to Rs.20 crore is more than the nominal payment of interest @ 7.21% amounting to Rs. 5.56 lakhs.

Further, providing counter guarantee is the responsibility of the promoters who otherwise had to provide Rs. 25 crores each towards margin for the BG of Rs. 75 crores provided by an infant company like BWCCL.

**13. Regarding Non-provision of unserviceable stores and spares:**

The current assets, loan and advances includes unserviceable/ obsolete /damages/ non-moving stores and spares valuing Rs. 94.11 lakhs identified in the physical verification report of the year 2009-10 in respect of Rengali, Burla and Balimela power house. Though the materials are of no use and awaiting disposal, no provision was made for such unserviceable stores, which correspondingly resulted in overstatement of profits to that extent.

The process of disposal of unserviceable / scrap materials through e-auction has already started which will be accounted for in the year 2011-12.

As per internal Audit Report of UIHEP for the half year ending September, 2008, old items of stores valuing Rs. 5.64 crore had been lying for over 20 years. However the old stores have not yet been disposed. As the stores are very old, necessary provision should have been made in the accounts towards depletion in their value.

**14. Comments on Current Assets, Loans and Advances:**

An amount of Rs.1.83 Crore outstanding against suppliers/ contractors of Hirakud Power System, Burla pertaining to Orissa State Electricity Board. As the recovery of the above amount is remote in view of age of transaction and non-availability of supporting documents, a suitable provision should have been made in accounts. So, it has resulted in overstatement of Loans and advances and profit and understatement of provisions by Rs.1.83 crore.

The outstanding balance due from contractors / suppliers pertain to erstwhile OSEB period. After due analysis and reconciliation which is under process, necessary accounting treatment shall be done.

**15. Comments on Provisions for Dam Maintenance:**

As against the claims of Rs.56.19 Crore by Department of Water Resource of the Government of Orissa for Dam maintenance during 1996-97 to 2008-09, the Company made

The bills raised by DOWR towards OHPC share of dam maintenance cost do not represent the actual share of OHPC, rather it remains at

a provision of Rs.30.88 crore resulting in understatement of provisions for Dam Maintenance and overstatement of accumulated profit by Rs. 25.31 crore. During the year 2009-10 and 2010-11 a provision of Rs. 14.14 crore and 17.77 crore has been made for dam maintenance. However the claim for the year 2009-10 and 2010-11 made by the Department of Water Resources of the Government of Orissa for Dam Maintenance has not been produced before us. So we are not able to quantify short provision for dam maintenance for the year 2009-10 and 2010-11.

**16. Comments on Non-provisions for Old and unusable Stores and Spares:**

Non-provision for old unusable stores and spares valuing Rs.1.01 crore lying from 1950 to 2000 has resulted in overstatement of inventory and understatement of provisions by Rs.1.01 crore.

**17. Regarding transfer of right of use of 20% of the power developed on Machhkund project:**

As per 1946 agreement for consideration of the transfer of 20%, the Govt. of Madras shall pay annually to the Govt. of Orissa for 30 years commencing from the date of operation of the power plant an amount calculated at the rate of Rs.20.00 per KW on 20% of actual maximum demand recorded at power house during each financial year. After expiry of 30 years the terms of payments shall be liable to revision in such manner as may be mutually agreed upon between the two Govt. However no such revision agreement has been made though the payment term has been exceeded for 30years.

**18. Water drawal by Rathi Steels and Power Project Limited**

- i) With reference to letter no IRR-11-WRC-16/05 24105/WR Dt.02.08.2005 it is observed that an agreement is required to be made between the above party and the local authority of WRD authority in accordance with the Orissa Irrigation Rules for supply of water by OHPC Ltd. from Pond-II to Rathi Steels. in No cases OHPC shall supply 1000 CUM/HR water to the above party , how ever no such agreement is found and the year of drawal of water is not recorded

higher level due to inclusion of costs not related solely for dam maintenance. Therefore, pending reconciliation with DOWR, the provision of Dam maintenance cost for the year 2010-11 have been provided based on the figures of previous year. After acceptance of the dam maintenance cost statement jointly prepared with the DOWR and related principles by DOWR, any shortfall or excess till the financial year 2010-11 shall be accounted for.

The process of disposal of old & unusable spares through e-auction has already started which will be accounted for in the year 2011-12.

Machhkund HEP is a joint project governed by the Agreement entered into by the Govt. of AP & Govt. of Orissa. The process of acquiring 20% share in the project and revision of the Agreement is under process.

HHEP, Burla has received Rs. 15 lakhs in the year 2008-09 and CHEP, Chiplima has received Rs. 15 lakhs in 2009-10 from the party. Bills towards yearly escalation of 10% has been raised by CHEP, Chiplima in June, 2010.

Detailed analysis of the date of drawal of water, amount dues, amount paid and balance due from the party are under process. This will be accounted for on completion of the reconciliation.



- ii) It was also mentioned in the letter that the company (Rathi Steels) shall indicate OHPC clearly the point of take of from Pond No-II, the cross section of their take off with detail level and obtain clearances from OHPC authorities. However no such documentary evidence has been found regarding clearance given by OHPC authority.
- iii) It was also mentioned in the letter that the company (Rathi Steels) shall compensate OHPC for the loss incurred by the way of use of this water @ Rs.3 per unit of power for 0.5 MU annually which amounts to Rs.15 lakh/year. There shall be an escalation of 10% on the above rate annually. However the Chiplima unit has only received Rs.15 lakh during the financial year 2009-10. Though the year of agreement and year of drawal of water is not known it is difficult to quantify the amount which has not been received for the drawal of water.
- iv) It was also mentioned that the above arrangement is availed for a period of 5 years from the date of agreement. As the date of agreement is not known it is difficult to know about the validation of agreement at present date.

**19. Comments on Potteru Hydro Electric Project:**

As per decision of Board in 79<sup>th</sup> meeting held on dtd.15.12.2006 decided to dispose off the said project. In the light of above decision the proposal of sale is under consideration to State Govt. The company has neither ascertained the market value of this asset nor disclosed the fact in the accounts. Hence provision for loss if any due to reduction in the market value of asset, has not provided for. To that extent asset has been overstated in the Balance Sheet and profit has been overstated in the Profit & Loss Account.

The expenditure incurred on Potteru Small HEP comprising Rs. 23.59 crores by the State Govt. and the balance by OHPC is shown under the head work-in-progress. After receipt of the State Govt. approval and subsequent disposal, appropriate accounting action shall be taken.

**20. Comments on inclusion of estimated value of work in fixed asset:**

The fixed asset is overstated by Rs. 6.60 crore due to inclusion of the estimated value of work pending for execution in respect of Unit-7 and 8 of Balimela Hydro Electric Project. This has resulted in overstatement of fixed assets and current liability by Rs. 6.60 crore. This should have been shown under contingent liability.

A part of the estimated liabilities of Rs. 6.60 Cr capitalized has already been settled. The balance liabilities shall be accounted for as soon as settled.

## OTHER COMMENTS

- |  |  |
|--|--|
| <p>1. Sundry creditors for supply of materials includes a sum of Rs. 8.25 crore lying at Hirakud Hydro Electricity Project. Out of the same Rs. 8.22 crore has been lying in the accounts prior to 1999-2000. The Party wise liability was not available. There was no reconciliation with the parties.</p> <p>2. The Company received (January 2010) a claim of Rs. 3607.18 crore from Executive Engineer, Rengali and Burla Dam Divisions towards water tax for drawl of water for non consumptive use for Power Generation. The claim was raised for the period from 1996-97 to 2009-10 (up to January 2010) the Company made no provision for liability anticipating exemption from the State Government basing on their intimation (January 2003). In the absence of specific exemption from the State Government, the substantial claim of water tax in respect of above two generating units has material impact on their accounts and needs to be suitable disclosed.</p> <p>3. <b>Regarding consolidation of TB:</b><br/>OHPC is not preparing consolidated Trial Balance for all the units and corporate office. As a result individual account head can not be reconciled.</p> <p>4. <b>Comment on reconciliation of Account Head :</b><br/>At corporate office following account head need to be reconciled to show the actual balance in each account head.</p> | <p>Detailed scrutiny of the records are under process and the same shall be accounted for after details are ascertained.</p> <p>The water cess has been made applicable by State Govt effective from 01.10.2010. Prior to that there was no water tax or cess leviable on OHPC.</p> <p>Generally, consolidated trial balance is not required for preparation of consolidated profit &amp; loss account and balance sheet. However, consolidation of the trial balance shall be prepared in the year 2011-12.</p> <p>The balances under these heads are under reconciliation, the effect of which shall be accounted for in the year 2011-12.</p> |
|--|--|

Account Code	HEAD OF ACCOUNT	CLOSING BALANCE (Rs.)	REMARK
151200	H.G.C. BURLA	18773833 4 Dr	Shown separately in TB with same previous amount but no treatment during the year
152000	MACHKUND	69039 Cr	Amount remained same.
152100	OHPC PF Trusts	48592778 Cr	Amount shown is not as per ledger from trust
161301	PRD-GPF (Govt) with AG	422105 Cr	Need to be reconciled
161332	PRD-GPF (OHPC Trust)	85027 Cr	Need to be reconciled
161416	Others payable	21506946 Cr	Need to be reconciled
161604	For Arrear Salary	610034 Cr	Provision made for Rs. 71,72,572/- but closing shown as Rs.6100134. Need to be reconciled.
161700	Payable to APGENCO on MACHKUND account.	49896413 Cr	Payable to APGENCO on Machkund account and receivable from GRIDCO on Machkund account need to be reconciled. Both the account head should show same balance.
221911	OHPC Gratuity fund	4298813 Dr.	Need to be NIL

## Hirakud Hydro Electric Project, Burla

### 1. Elimination of 132 KV transformers destroyed due to short-circuit from FAR:

In the year 2001-02 one 132 KV. 12.5 MVA transformer was burnt due to short ñcircuit in the tank & was beyond repairable. No depreciation is being provided on the asset, but it appears in the fixed assets register. It is suggested to write it off at the earliest.

No depreciation has been provided since the date it was burnt. The asset is placed under the scrap list prepared by MECON and will be removed from the fixed assets register after its disposal, which is in process.

#### Store accounting:

The unit has not maintained stores ledger in stores but bin cards, stores receipt register, store issue vouchers and stores receipt vouchers are maintained. Likewise in finance, PSL is not maintained but stores issue vouchers and store receipt vouchers register are maintained. Steps are being taken by the unit for maintaining stores ledger and priced stores ledger in computer.

The unit has started maintaining the stores ledger in stores and priced stores ledger in the finance wing in computerized form.

### 2. Opening outstanding advance:

The old opening balance which are lying since the erstwhile OSEB period as well as during the time of merger of divisions, are neither reconciled nor any suitable provision made for the irrecoverable portion of such advance.

Analysis of the claims receivable are under process and shall be accounted for after details are ascertained.

### 3. Short provision for Dam maintenance cost to the extent of Rs. 10, 23,64,410/-

Like the last year the unit has provided Rs.3,70,99,786/- during the year as provision for Dam maintenance cost on an ad-hoc basis instead of providing 33.33% of the amount (as normally followed by the unit ) submitted by Executive Engineer, Hirakud main Dam Division, Burla. The bill for 2009-10 & 2010-11 is Rs. 53, 00, 37,076/- and 33.33% of this comes to Rs.17, 65, 63,982/-. The total provision made for 2009-10 & 2010-11 is of Rs. 7,41,99,572/-. Hence there is a short provision to the extent of Rs. 10,23,64,410/- As explained to us discussion is on with Water Resource Department, Government of Orissa for finalization of actual Dam Maintenance sharing cost.

The bills raised by DOWR towards OHPC share of dam maintenance cost remains at higher level due to inclusion of costs not related solely for dam maintenance. Therefore, pending reconciliation with DOWR, the provisions of Dam maintenance cost for the year 2010-11 have been provided based on the figures of previous year. After acceptance of the dam maintenance cost statement and related principles by DOWR, any shortfall or excess till the financial year 2010-11 shall be accounted for.

### 4. Loss of inventory by theft /-

Inventory of stores and spares as on 31<sup>st</sup> March, 2011 included book value of stores Rs. 4, 15,350/- which were thefts from the Central Stores and Equipment stores on 08/08/2008. The effect of loss due to theft is as below.

Cost of damages	Rs.4, 15,350/-
Insurance Claim received	Rs.2, 18,344/-
Net loss due to theft	Rs.1, 97,006/-

The theft materials recovered in different shape is in police custody and efforts are being made to identify the materials. The actual loss shall be appropriately accounted for after getting clearance from the police.

The unit has not recognized any loss of theft arising out of the above. The full amount of insurance claim received has been recognized as income during the year. Due to this, both the value of stores and profit have been overstated to the extent of Rs.4, 15,315/-.

**5. Non provision for old and unusable stores and spares:**

As per the Stock Audit Report for the Year 2010-11, Non-Provision for non-moving and old unusable stores and spares valuing Rs.200.57 lakhs lying from 1950 to 2010, has resulted in overstatement of inventory and understatement of provision by Rs.200.57 lakhs. Till date no reconciliation of the same has been done by the unit.

Most of the items are in the MECON list which is under the process of disposal through auction. It will be accounted for after disposal.

**6. Regarding other Misc. Assets:**

Other Misc. Assets shows the same balance as it was in 2009-10. The amount should be proportionately written off and charged to Profit & loss resulting overstatement of profit to that extent.

Analysis of the amount is under process and shall be accounted for in 2011-12.

**Chipilima Hydro Electric Project:**

**1. Regarding transfer of 132KV transmission line to OPTCL.**

132KV transmission line from Chiplima to Burla has been transferred to OPTCL on 23<sup>rd</sup> Dec,2010 as per the OERC order. Though the asset has been transferred at NIL cost, yet no accounting entry has been made. The WDV of the asset on the date of transfer was Rs. 351850. Consequently the loss of the year has been understated to the extent of Rs.351850 and the value of the fixed assets have been overstated by Rs.3, 51,850/-

This will be appropriately accounted for in 2011-12.

**2. Regarding terminal liability Pension and gratuity.**

The terminal liability pension shows balance of Rs1, 86,473/- which should be nil. Similarly terminal liability gratuity shows balance of Rs.4, 09,336/- which should be nil. The above account head need to be reconciled.

This has been already rectified in the accounts of 2011-12.

**Balimela Hydro Electric Project:**

**1. Regarding payment of electricity duty of Rs.13.61 lakhs.:**

The unit has shown payment of the above amount to be made to Govt. of Orissa for the period from 04/1996 to 05/2001 as contingent liability. As explained, after ascertaining the

Electricity Duty (E.D) of Rs. 13.61 laks for the period from 4/96 to 5/01 of BHEP, Balimela shall be paid to Govt. of Orissa after ascertaining

status of payment of ED by Gridco & Southco the payment will be made to Govt. of Orissa. However no such liability has been created for payment of ED. This resulting Understatement of liability of that amount.

the status of payment of ED by GRIDCO & SOUTHCO for the said period

### Upper Kolab Hydro Electric project

#### 1. Regarding provision for Dam maintenance:

During the year 2010-11 provision of Rs.3, 55, 77,140/- has been made for Dam maintenance. The provision for Dam maintenance for 2009-10 was Rs.1,11,13,013/- .The provision made for 2010-11 shows excess provision of Rs. 2,44,64,127/- in the absence of actual claim made by the Department of Water Resources, Govt of Orissa.

The provision for dam maintenance for 2009-10 was accounted for on the basis of provision for 2008-09 as the bills for 2009-10 was not received. The amount of the bills for 2009-10 was considered in the accounts of 2010-11 since the bills for 2010-11 was not received.

#### 2. Regarding other Misc. Assets:

Other Misc. Assets amounting Rs. 1437652/- shows the same balance as it was in 2009-10. The amount should be proportionately written off and charged to Profit & loss resulting overstatement of profit to that extent.

The amount is under analysis and shall be appropriately accounted for in 2011-12.

#### 3. Regarding Terminal liability leave:

The liability shown under Terminal liability leave is not in accordance with the liability shown as per Actuaries Valuation Report .During the year the unit has shown Rs.5,36,43,402/- as terminal liability leave, where as Actuaries Valuation Report for the unit shows Rs 5,54,73,773/- resulting understatement of liability of Rs.18,30,371/-.

This has been accounted for in the year 2011-12.

### Upper Indravati Hydro Electric Project

#### 1. Regarding Terminal liability leave:

The liability shown under Terminal liability leave is not in accordance with the liability shown as per Actuaries Valuation Report .During the year the unit has shown Rs.6,42,67,615/- as terminal liability leave, where as Actuaries Valuation Report for the unit shows Rs.6,46,59,268/- resulting understatement of liability of Rs.3,91,653/-.

This has been accounted for in the year 2011-12.

#### 2. Regarding Adjustment of Debtor. :

As per notes on account vide point no. 7, during the year SOUTHCO. has claimed Rs.3,77,96,442/- towards electricity charges for power consumed which are taken into account and adjusted during the year against outstanding dues of GRIDCO. However no such adjustment has been made during the year against outstanding dues of GRIDCO resulting overstatement of Sundry debtor to the above amount.

It is not adjustment but payment made directly to Southco. Inadvertently, the amount is shown in the notes as adjustment.

3. Claims receivable, other miscellaneous assets, Advance to suppliers, Advance to others, departmental advances, deposit with others, security deposit from contractor, EMD from contractor/ supplier, other security deposit, retention money, deposit from water resource, outstanding liabilities, others payable are subject to reconciliation and confirmation of the parties. No provision has been created for many old balances included in the above items the effect of which on the accounts is not ascertainable. Further age wise analyses of above account are not available. Since these balances are lying for several years, the reconciliation work may be entrusted to an outside agency for early completion of work.
4. Current assets include advance to contractors, having credit balance and sales tax deduction account having debit balance need reconciliation and confirmations from parties.
5. The unit has not raised any bills towards rent, electricity and water charges in respect of unauthorized occupation of 497 Nos. of quarters at Mukhiguda. In the absence of meter reading and relevant records its effect on accounts is not ascertainable.
- During the year some of the old outstanding accounts are reconciled and adjusted. The remaining outstanding old balances are under reconciliation which will be accounted for on completion of the reconciliation.
- Current assets include advance to contractors having credit balance is carried forward since 1996-97 and contractors payable having debit balance is also carried forward from 2003-04. For reconciliation, subsidiary ledger accounts of contractors are being analysed since 1996-97 in order to ascertain closing balance as on 31.03.2011. On completion of the analysis and reconciliation, confirmations shall be obtained.
- At present 497 quarters are unauthorizedly occupied by outsiders. Eviction has not been possible due to local problem. Electricity & water lines have been disconnected. However, management is taking up the matter with local administration for sorting out the problem.

For **Chand & Co**  
CHARTERED ACCOUNTANTS

For and on behalf of  
**BOARD OF DIRECTORS**

Place : Bhubaneswar  
Date : 12.08.2011

Sd/-  
(**CA. J R MISHRA**)  
**PARTNER**  
MEMBERSHIP NO. 058587

Sd/-  
(**G MATHIVATHANAN, IAS**)  
CHAIRMAN

# ORISSA HYDRO POWER CORPORATION LIMITED

BHUBANESWAR

## BALANCE SHEET AS AT 31ST MARCH, 2011

	Sch No.	As at 31st March, 2011 (Rs.)	As at 31st March, 2011 (Rs.)	As at 31st March, 2010 (Rs.)	As at 31st March, 2010 (Rs.)
<b>I. SOURCES OF FUNDS :</b>					
<i>1. Shareholder's fund</i>					
a. Capital Account	1	3,208,007,000		3,208,007,000	
b. Reserve & surplus	2	<u>5,980,279,365</u>	9,188,286,365	<u>5,621,651,587</u>	8,829,658,587
<i>2. Loan funds :</i>					
Unsecured Loans	3	18,326,914,467	18,326,914,467	18,499,883,775	18,499,883,775
<b>TOTAL :</b>	†	†	<b>27,515,200,832</b>	†	<b>27,329,542,362</b>
<b>II. APPLICATION OF FUNDS :</b>					
<i>1. Fixed Assets :</i>					
a. Gross Block	4	30,761,056,183		30,458,423,712	
b. Less : Depreciation		<u>14,195,299,874</u>		<u>12,920,691,953</u>	
c. Net Block		16,565,756,309	16,565,756,309	17,537,731,760	17,537,731,760
d. Capital Work-in-Progress	5		392,651,911		487,961,975
<i>2. Investments :</i>	6		159,447,000		129,440,000
<i>3. Current assets, loans and advances :</i>					
a. Inventories	7	533,759,769		538,157,835	
b. Sundry debtors		3,357,725,963		3,583,625,906	
c. Cash & bank balances		8,168,121,402		6,629,114,667	
d. Other current assets		278,787,363		302,920,107	
e. Loans and advances		<u>782,807,135</u>		<u>678,093,528</u>	
		<b>13,121,201,632</b>	†	<b>11,731,912,045</b>	
<b>Less :</b>					
<i>Current liabilities and provisions :</i>					
a. Liabilities	8	1,535,336,650		1,646,964,704	
b. Provisions		<u>1,189,929,370</u>		<u>910,538,713</u>	
		<b>2,725,266,020</b>	†	<b>2,557,503,417</b>	
Net current assets			10,395,935,612		9,174,408,628
<i>4. Misc. expenditure to the extent not written off or adjusted</i>			1,410,000		0
<b>TOTAL :</b>	†	†	<b>27,515,200,832</b>	†	<b>27,329,542,362</b>
<i>Notes on accounts</i>	16				
(Schedule 1 to 16 form part of Accounts)					

As per our report of even date

For **Chand & Co**

**CA. J R Mishra**  
Partner  
M.No. 058587

**P K Kar**  
DGM (Finance)

**P K Sahoo**  
Company Secretary

**S K Pattanayak**  
Director (Finance)

**S Khatua**  
Managing Director

**PROFIT & LOSS ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011**

†	Sch. No.	Year ended 31st March,2011 (Rs.)	Year ended 31st March,2010 (Rs.)
<b>INCOME :</b>			
Sale of power		3,387,154,785	2,961,589,629
Other income	9	561,497,533	707,406,721
<b>TOTAL :</b>	†	<b><u>3,948,652,318</u></b>	<b><u>3,668,996,350</u></b>
<b>EXPENDITURE :</b>			
Repair & Maintenance expenses	10	337,000,271	228,794,876
Operational expenses	11	65,198,736	31,368,223
Employee & other related cost	12	1,515,669,205	1,618,529,334
Administrative & General expenses	13	196,501,598	220,696,770
Interest & financial charges	14	82,656,822	103,071,186
Depreciation	4	1,276,063,713	1,290,394,282
Loss on sale of assets		50	70,650
<b>Less: Expenditure during construction</b>	<b>15</b>	<b><u>-10,751,002</u></b>	<b><u>370,979</u></b>
<b>TOTAL :</b>	†	<b><u>3,462,339,393</u></b>	<b><u>3,493,296,300</u></b>
Profit for the year		486,312,925	175,700,051
Prior period adjustment		-17,037,245	151,706,600
Profit before tax		469,275,680	327,406,651
Less provision for Taxation(MAT)		93,526,249	55,636,631
Provision for FBT		0	0
Provision for Wealth Tax		13,750	36,067
Earlier Years Adjustment		0	259,685
Total Tax Provision		93,539,999	55,932,383
Profit afterTax		375,735,681	271,474,268
Add : Balance Profit brought from last year		4,406,008,665	4,134,534,397
<b>Balance transferred to Balance Sheet</b>	†	<b><u>4,781,744,346</u></b>	<b><u>4,406,008,665</u></b>
<i>Notes on accounts</i>	16		

(Schedule 1 to 16 form part of Accounts)

As per our report of even date

 For **Chand & Co**  
Chartered Accountants

**CA. J R Mishra**  
Partner  
M.No. 058587

**P K Kar**  
DGM (Finance)

**P K Sahoo**  
Company Secretary

**S K Pattanayak**  
Director (Finance)

**S Khatua**  
Managing Director



**SCHEDULE -1 : CAPITAL ACCOUNT**

Sl.No.	PARTICULARS	As at 31st March,2011 (Rs.)	As at 31st March,2010 (Rs.)
	<b>Authorised Capital :</b>		
	1,00,00,000 Equity Shares of Rs.1000/- each	10,000,000,000	10,000,000,000
	<b>Issued, Subscribed and paid-up :</b>		
	32,08,007 Equity Shares of Rs.1000/- each fully paid-up.	3,208,007,000	3,208,007,000
	<b>TOTAL :</b>	<b>3,208,007,000</b>	<b>3,208,007,000</b>
	<b><u>SCHEDULE - 2 : RESERVE &amp; SURPLUS</u></b>		
1	Capital Reserve	190,000,000	190,000,000
2	Profit & Loss Account	4,781,744,346	4,406,008,665
3	Dam Sharing Reserve (UIHEP)	1,000,000,000	1,000,000,000
4	Stock Reserve Account(UIHEP,Mukhiguda)	8,535,019	25,642,922
	<b>TOTAL :</b>	<b>5,980,279,365</b>	<b>5,621,651,587</b>
1	<b><u>SCHEDULE- 3 : UNSECURED LOANS</u></b>		
	<b>Power Finance Corporation Loan</b> (Guarantee by Govt. of Orissa to P.F.C.)	892,874,467	1,065,843,775
2	<b>State Govt. Loan-2(A)-UIHEP</b> No interest accrues from 1.4.2001. Convertible partly into equity & loan after Govt approval.	8,214,690,000	8,214,690,000
3	<b>State Govt. Loan-2(B)-UIHEP</b> Interest free perpetual loan	1,321,400,000	1,321,400,000
4	<b>State Govt. Loan-3-POTTERU</b> No interest accrues from 1.4.2001.	235,950,000	235,950,000
5	<b>Interest Free Convertible Bond-1</b> .Convertible to equity after Govt. Approval.	3,831,000,000	3,831,000,000
6	<b>Interest Free Convertible Bond-2</b> Convertible to Debenture after Govt. Approval.	3,831,000,000	3,831,000,000
	<b>TOTAL :</b>	<b>18,326,914,467</b>	<b>18,499,883,775</b>

**SCHEDULE -4 : FIXED ASSETS & DEPRECIATION**

Sl. Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 31st March, 2010 (Rs.)	Addition during the year (Rs.)	Discarded/Sold/Adj. during the yr. Year (Rs.)	As at 31st March, 2011 (Rs.)	As at 31st March, 2010 (Rs.)	Add during the Year (Rs.)	Sale/ Adjustment during the (Rs.)	As at 31st March, 2011 (Rs.)	As at 31st March, 2010 (Rs.)
1 Land	903,484,396	13,317,264	0	916,801,660	0	0	0	916,801,660	903,484,396
2 Power House Civil Work	5,770,995,384	1,206,650	0	5,772,202,034	2,625,512,983	187,207,087	30,841	2,959,451,123	3,145,482,401
3 Power House Elect.-Mech. Work	22,348,519,904	284,262,827	0	22,632,782,731	9,721,318,468	1,045,252,519	560,573	11,865,651,171	12,627,201,436
4 Civil Building	1,139,644,176	1,776,041	0	1,141,420,217	388,109,810	32,906,955	15,057	720,388,395	751,534,366
5 Vehicles	65,574,866	0	1,851,001	63,723,865	54,101,760	1,865,187	-1,832,422	9,589,340	11,473,106
6 Furniture & Fixtures	8,609,867	254,135	0	8,864,002	5,692,183	525,629	-8,220	2,654,410	2,917,684
7 Office Equipments	28,803,456	3,070,675	144,124	31,730,007	21,789,211	1,440,877	-132,333	8,632,252	7,014,245
8 Misc. Assets	49,063,976	55,097	0	49,119,073	20,133,022	2,301,472	31,313	26,653,266	28,930,954
9 Electrical Instalation	80,559,227	680,904	0	81,240,131	66,734,892	2,441,351	-120,601	12,184,489	13,824,335
10 Water Supply Instalation	56,555,212.	4,000	0	56,559,212	12,527,942	1,808,781	0	42,222,489	44,027,270
11 Training Centre Equipment	6,613,248	0	0	6,613,248	4,771,682	313,855	0	1,527,711	1,841,566
<b>Total :</b>	<b>30,458,423,712</b>	<b>304,627,593</b>	<b>1,995,125</b>	<b>30,761,056,183</b>	<b>12,920,691,953</b>	<b>1,276,063,713</b>	<b>-1,455,792</b>	<b>14,195,299,874</b>	<b>17,537,731,760</b>
<b>Previous year balance</b>	<b>30,333,184,275</b>	<b>128,996,945</b>	<b>3,757,508</b>	<b>30,458,423,712</b>	<b>11,634,736,970</b>	<b>1,290,394,282</b>	<b>-4,439,299</b>	<b>17,537,731,760</b>	<b>18,698,447,306</b>

**SCHEDULE - 5 : CAPITAL WORK - IN- PROGRESS**

Sl. No.	PARTICULARS	As at	As at
		31st March,2011	31st March,2010
		Rs.	Rs.
1	Land	303,111	303,111
2	Building	56,529,723	56,529,723
3	Road,Bridge,Culvert & Other Civil Works	11,035,039	12,379,028
4	Water Supply Installation	109,804	104,510,150
5	Plant & Machinery ( Construction )	115,619,005	116,124,005
6	Hydr. Works, Dams,Tunnels & Pen Stock	49,061,341	48,544,703
7	Substation Equipments	6,434,350	6,521,735
8	Transmission Lines	397,226	397,226
9	Vehicles	663,140	663,140
10	Furniture & Fixture	137,685	137,685
11	Office Equipments	443,751	443,751
12	Electrical Installations	200,689	200,689
13	Telephone, Telex & Fax Machine	186,633	0
14	Miscellaneous assets	14,326	14,326
15	Advances for Capital expenses	4,097,008	5,410,604
16	Expenditure during Construction (as per schedule-15)	145,802,103	135,782,099
17	Other Civil Works	1,616,977	
†	<b>TOTAL</b>	<b>392,651,911</b>	<b>487,961,975</b>

**SCHEDULE - 6 : INVESTMENTS**

	Investment ( OTPCL & BWCCCL)	159,447,000	129,440,000
†	<b>TOTAL</b>	<b>159,447,000</b>	<b>129,440,000</b>

**SCHEDULE - 7 : CURRENT ASSETS, LOANS & ADVANCES**

PARTICULARS	As at 31st March, 2011		As at 31st March, 2010	
	Rs.	Rs.	Rs.	Rs.
<b>a. Inventories:</b>				
1. Operation Project		533,759,769†		538,157,835
<b>Sub-total :</b>		<u>†533,759,769†</u>		<u>538,157,835</u>
<b>b. Sundry Debtors :</b>				
1. for Sale of Power (Unsecured)		3,355,643,344		3,581,308,305
(a) Debts exceeding six months : Considered good	3,056,042,084		3,104,786,440	
(b) Other debts, considered good	299,601,260		476,521,865	
2. for others		2,082,619		2,317,601
<b>Sub-total :</b>	†	<u>3,357,725,963†</u>		<u>3,583,625,906</u>
<b>c. Cash &amp; Bank Balances</b>				
1. Cash in hand		211,532		181,080
2. Staff imprest		0		9,702
3. Postal orders & stamps		4,381		22,261
4. Remittance in Transit		49,887,400		862,157
5. Balance at Banks		8,118,018,089		6,628,039,467
<b>Sub-total :</b>		<u>8,168,121,402</u>		<u>6,629,114,667</u>
<b>d. Other Current Assets :</b>				
1. Claims Receivable		26,618,670		30,605,421
2. Prepaid expenses		8,030,198		9,926,155
3. Interest accrued but not due on bank deposits		204,994,996		221,177,960
4. Interest Accrued on Other Loan		0		473,699
5. Interest Accrued on Gridco Bond		0		0
6. Other Misc. Assets		1,776,953		1,829,597
7. Other Receivable From Staff		25,446		65,280
8. Receivable from GRIDCO on Machhkund a/c.		36,664,782		38,248,642
9. Interest Receivable on bank deposits		676,318		593,353
<b>Sub-total :</b>		<u>278,787,363†</u>		<u>302,920,107</u>
<b>e. Loans &amp; Advances :</b>				
1. Staff		20,598,024		34,080,677
2. Suppliers/Contractors		77,885,507		60,136,061
3. Others		59,680,358		35,338,587
4. Deposit with Others		30,712,477		27,722,826
5. Advance Income Tax(TDS)		211,485,603		210,828,428
6. OHPC Gratuity Fund		14,298,813		14,495,249
7. Adv. Wealth Tax		134,625		120,875
8. To OHPC Pension Fund		0		0
9. Adv. Income Tax(FBT)		19,355,545		19,355,545
10. OHPC Rehabilitation Assistance Trust Fund		10,000		10,000
11. Advance Income Tax(MAT)		348,646,183		276,005,280
<b>Sub-total :</b>		<u>782,807,135†</u>		<u>678,093,528</u>
<b>Grand Total :</b>		<u>13,121,201,632</u>		<u>11,731,912,044</u>

**SCHEDULE - 8 : CURRENT LIABILITIES & PROVISIONS**

PARTICULARS	As at 31st March,2011 Rs.	As at 31st March,2010 Rs.
<b>a. Liabilities</b>		
1. Sundry Creditors :		
(i) for supply of material	96,906,072	89,702,779
(ii) for works	54,581,339	74,151,083
(iii) for others	2,231,950	635,270
<b>Sub-Total :</b>	<b>153,719,361</b>	<b>164,489,132</b>
2. Deposits from others :		
(i) security deposit from Contractor/Supplier	35,719,903	38,583,237
(ii) EMD from Contractor/Supplier	9,977,196	8,659,077
(iii) security deposit from employees	610,768	601,556
(iv) other security deposit	3,045,652	3,094,424
(v) Retention Money	52,603,900	82,291,298
(vi) Deposit from Department of Water Resources,GoO	0	3,013,000
<b>Sub-Total :</b>	<b>101,957,419</b>	<b>136,242,592</b>
3. Employees Liabilities	873,841,374	979,886,411
4. Liabilities to others	292,665,436	276,978,899
5. Interest. accrued but not due on PFC Loan	15,897,553	11,426,559
6. Machhakund Joint Project	65,946	65,946
7. OHPC PF Trust	47,293,148	25,351,858
8. Payble to APGENCO on Machhkund a/c	49,896,413	52,523,307
<b>Sub-Total :</b>	<b>1,279,659,870</b>	<b>1,346,232,980</b>
<b>Total of (a) :</b>	<b>1,535,336,650</b>	<b>1,646,964,704</b>
<b>b. Provisions</b>		
1. Arrear salary	108,112,661	124,479,035
2. Bonus	298,080	508,000
3. Dam maintenance	624,903,154	447,225,929
4. Others	42,192,299	17,442,572
5. Fringe benefit tax	19,142,935	19,142,935
6. Wealth tax	134,625	120,875
7. Income tax(MAT)	395,145,616	301,619,367
<b>Total of (b) :</b>	<b>1,189,929,370</b>	<b>910,538,713</b>
<b>GRAND TOTAL (a+b) :</b>	<b>2,725,266,020</b>	<b>2,557,503,417</b>

**SCHEDULE - 9 : OTHER INCOME**

Sl.† No.	PARTICULARS†	Year ended 31st March,2011 Rs.	Year ended 31st March,2010 Rs.
1	Sale of tender paper	2,445,379	3,173,030
2	House rent recovered	1,769,204	1,145,917
3	Vehicle charges recovered	340,814	624,333
4	Electricity charges recovered - Employees	2,393,404	2,232,935
5	Electricity charges recovered - Contractors	6,051,839	5,222,819
6	Guest house charges	133,198	138,805
7	Sale of scrap	1,126,460	614,462
8	Other miscellaneous receipts	2,193,028	6,484,889
9	Recovery from Penalties	273,894	0
10	Cash discount (PFC interest)	911,639	1,679,178
11	Interest on Employees advances	28,827	208,528
12	Interest on Others	530,998,171	659,687,577
13	Receipt from RTI	588	0
14	Interest on Advance to Supplier/Contractor	159,078	473,699
15	Interest on Debenture & Bond(8.50% GRIDCO Bond)	3,313	16,021,919
16	Insurance Claim Receipts	697,622	9,698,630
17	Foreign Exchange Fluctuation Gain	11,940,655	0
18	Forfeiture of EMD / SD	30,420	0
†	<b>TOTAL</b>	<b>561,497,533</b>	<b>707,406,721</b>

**SCHEDULE - 10 : REPAIR & MAINTENANCE EXPENSES**

1	R&M to Plant and Machineries	37,716,459	39,427,918
2	R&M to Buildings	27,106,714	12,093,057
3	R&M to Civil Works	57,380,641	23,653,849
4	R&M to Hydraulic Works	202,869,411	148,605,106
5	R&M to Line Cables Networks	2,214,902	1,552,844
6	R&M to Vehicles	2,499,219	1,182,560
7	R&M to Furniture & Fixtures	273,390	49,251
8	R&M to Office Equipments	1,117,644	1,259,745
9	R&M to Electrical Installations	2,304,502	872,095
10	R&M to Water Supply Installations	1,943,081	98,451
11	R&M to Misc Assets	233,228	0
12	R&M to Substation Equipment	1,239,496	0
10	R&M to Training Centre Equipment	101,584	0
†	<b>TOTAL :</b>	<b>337,000,271</b>	<b>228,794,876</b>

**SCHEDULE - 11 OPERATION EXPENSES**

Sl.No. PARTICULARS	Year ended 31st March,2011 Rs.	Year ended 31st March,2010 Rs.
1. Power and fuel	9,185,177	9,078,148
2. Insurance charges(Power House & Dam)	12,362,689	8,191,904
3. Oil, Lubricant & Consumables	13,730,772	6,771,021
4. Transportation Charges	84,476	17,164
5. Hire charges of vehicles/machineries	8,460,506	6,994,356
6. Refreshment(Operation)	29,298	19,762
7. Other Operation expenses	2,756,351	295,868
8. Water Cess	2,748	0
9. Watch & Ward of Power House	18,586,719	0
† <b>T O T A L :</b>	<b><u>65,198,736</u></b>	<b><u>31,368,223</u></b>

**SCHEDULE - 12 : EMPLOYEE & OTHER RELATED COST**

1. Salary & Allowances	418,491,727	361,262,317
2. Wages & Allowances	392,778,571	339,139,580
3. Over time	604,945	765,620
4. Bonus	715,024	2,810,326
5. Employer's contribution to PF	42,933,118	36,188,496
6. Terminal benefits	575,029,551	800,047,677
7. Employees welfare expenses	51,959,692	44,321,584
8. Others	33,156,577	33,993,734
† <b>T O T A L :</b>	<b><u>1,515,669,205</u></b>	<b><u>1,618,529,334</u></b>

**SCHEDULE - 13 : ADMINISTRATIVE & GENERAL EXPENSES**

Sl. No.†	PARTICULARS†	Year ended 31st March,2011 Rs.	Year ended 31st March,2010 Rs.
1	Rent,rates and taxes	4,065,870	3,087,643
2	Fees & subscriptions	2,088,783	2,369,375
3	Insurance charges	353,916	427,961
4	Communication expenses	2,147,461	2,388,915
5	Traveling & conveyance expenses	17,215,735	17,776,385
6	Printing & stationery	2,786,798	2,230,251
7	Bank charges	259,355	246,502
8	Electricity & water charges	51,696,628	60,187,398
9	Legal expenses	1,006,220	1,651,162
10	Professional & consultancy charges	3,366,771	1,141,691
11	Audit fees & expenses	1,651,688	1,200,262
12	Advertisement & Publicity	5,289,323	4,723,445
13	Training,Seminar & Conference	2,366,533	6,485,006
14	Office upkeep & Maintenance	790,382	682,229
15	Watch & ward charges	12,251,490	23,047,806
16	Repair & Maintenance others	27,939	79,837
17	Recruitment expenses	120,405	430,349
18	Meeting expenses	423,340	509,175
19	Transit house expenses	330,888	325,366
20	Electrical Accessories	75,290	13,870
21	Donation	46,960	0
22	Other misc expenses	20,184,845	36,149,606
23	Rebate on sales realisation	58,494,228	43,728,565
24	Foreign Exchange Fluctuation Loss	0	11,813,970
25	Peripheral Development Expenses	9,460,750	0
†	<b>TOTAL :</b>	<b><u>196,501,598</u></b>	<b><u>220,696,770</u></b>

**SCHEDULE - 14 : INTEREST & FINANCIAL CHARGES †**

1	Interest on Bank Loan	556,276	0
2	Interest on PFC Loan	71,273,096	76,259,186
3	Guarantee Commission	10,812,000	26,812,000
4	Interest on others	15,450	0
†	<b>TOTAL :</b>	<b><u>82,656,822</u></b>	<b><u>103,071,186</u></b>



**SCHEDULE - 15: EXPENDITURE DURING CONSTRUCTION**

Sl. No.	PARTICULARS	Year ended 31st March,2011 Rs.	Year ended 31st March,2010 Rs.
1.	<b>Repair &amp; Maintenance expenses</b>	<b>258,120</b>	<b>213,633</b>
2.	<b>Operational Expenses</b>	<b>165,711</b>	<b>202,732</b>
3.	<b>Employees &amp; Other related expenses :</b>		
	Salary & Allowances	2,316,108	2,969,456
	Contributions	126,583	61,685
	Bonus	0	0
	Terminal Benefit	5,317,012	-6,339,342
	Others	61,583	20,256
	<b>Sub-total :</b>	<b><u>7,821,286</u></b>	<b><u>-3,287,945</u></b>
4.	<b>Administrative &amp; General expenses :</b>		
	Rent,rates and taxes	15,000	15,400
	Insurance charges	0	35,261
	Communication expenses	13,824	10,876
	Traveling & conveyance expenses	264,051	194,407
	Printing & stationery	3,294	3,387
	Bank charges	1,217	4,036
	Electricity & water charges	306,910	317,602
	Legal expenses	2,030	4,750
	Audit Fees & Expenses	0	30,000
	Professional & consultancy charges	0	0
	Advertisement & Publicity	0	9,200
	Office upkeep & Maintenance	2,910	3,500
	Watch & ward charges	1,891,895	1,822,941
	Meeting expenses	0	0
	Transit house expenses	0	0
5.	Other misc expenses	4,754	52,024
	<b>Sub-total :</b>	<b><u>2,505,885</u></b>	<b><u>2,503,384</u></b>
	<b>Interest &amp; financial charges :</b>		
	Interest on PFC Loan	0	0
6.	Guarantee Commission	0	0
	<b>Sub-total :</b>	<b><u>0</u></b>	<b><u>0</u></b>
	<b>TOTAL</b>	<b><u>10,751,002</u></b>	<b><u>-368,196</u></b>
7.	Receipts & recoveries on capital account	0	2,783
8.	<b>Net Exp. During Construction</b>	<b><u>10,751,002</u></b>	<b><u>-370,979</u></b>
9	Add: 1) Opening Balance of Exp.During Consn.	135,782,099	136,153,078
	2) Adjustment during construction	-730,998	
10.	<b>TOTAL</b>	<b><u>145,802,103</u></b>	<b><u>135,782,099</u></b>
	<b>Less Capitalised during the year</b>	<b><u>0</u></b>	<b><u>0</u></b>
	<b>GRAND TOTAL : (transferred to Sch.5)</b>	<b><u>145,802,103</u></b>	<b><u>135,782,099</u></b>

## ORISSA HYDRO POWER CORPORATION LTD

### *SCHEDULE-16*

#### **Accounting policies and Notes on Accounts forming a part of the accounts :**

#### **A. SIGNIFICANT ACCOUNTING POLICIES :**

##### **1. BASIS OF ACCOUNTING :**

- 1.1 The financial statements have been prepared under the historical cost convention method in accordance with the generally accepted accounting principles, the provisions of Companies Act, 1956 and the mandatory accounting standards.
- 1.2 The Company follows Mercantile System of Accounting and recognizes significant items of income and expenditure on accrual basis except those with significant uncertainties.
- 1.3 The liabilities, which could not be ascertained at the time of transfer of Assets & Liabilities by Government of Orissa on 01.04.1996 are accounted for as and when settled.

##### **2. FIXED ASSETS AND CAPITAL WORK-IN-PROGRESS :**

- 2.1 Fixed assets are stated at historical cost less depreciation. Cost of acquisition is inclusive of freight, duties and taxes wherever applicable. Fixed assets, which were transferred by Government of Orissa on 01.04.1996 under transfer scheme, are stated at transfer price.
- 2.2 Financing cost directly identifiable to a particular asset is added to the cost of such asset. Financing cost other than the above and direct revenue expenditure incurred during construction period on new projects is treated as expenditure during construction and is allocated to relevant fixed assets at the time of capitalization.
- 2.3 The grants-in-aid received against capital expenditure of projects are adjusted at the time of capitalization of assets on completion of respective projects.

##### **3. INVESTMENTS :**

Investment are stated at cost and are on held to maturity basis.

##### **4. INVENTORIES :**

Inventories of stores, spares and consumables are valued on the basis of transfer price in respect of inventories transferred from Government and at cost in case of inventories procured thereafter.

##### **5. FOREIGN EXCHANGE TRANSACTIONS :**

- 5.1 Transactions involving foreign currency are settled and accounted for at the exchange rates prevailing on the date of the transactions.
- 5.2 Monetary items denominated in foreign currency are translated at the exchange rate prevailing on the last day of the accounting year.
- 5.3 The Foreign Exchange fluctuation loss / gain in respect of the foreign currency loan relating to Projects after capitalization is debited / credited to Profit & Loss account.

## **6. RECOGNITION OF REVENUE :**

- 6.1 Revenue is recognized on the basis of the bills raised on GRIDCO in accordance with Orissa Electricity Regulatory Commission's tariff order. In case of energy sales to CSPDCL, bills are raised on the unit cost of generation of HHEP.
- 6.2 Interest on delayed payment of energy bills by GRIDCO is accounted for on the basis of actual realization.
- 6.3 The value of waste and scrap is accounted for on actual realization basis.
- 6.4 Receipts of insurance claims and interest on house building loan to employees are accounted for on cash basis.
- 6.5 The ownership of the dam and appurtenant works of Upper Indravati Hydro Electric Project remains with OHPC. Pending acceptance, share of the Department of Water Resources, Govt. of Orissa towards 50% Operation and Maintenance cost of the dam has not been recognized as revenue as per AS-9.
- 6.6 As consistently followed, since inception of the corporation, cash discounts received from PFC on timely repayment of loan is considered as other income and accounted for on cash basis which is distributed to units as per their sales ratio.
- 6.7 Interest on investments is accounted for on accrual basis.
- 6.8 Electricity Duty & Water Cess reimbursed from GRIDCO is accounted for on accrual basis.

## **7. DEPRECIATION :**

- 7.1 Upto financial Year 2002-03, the Corporation was providing depreciation at the rates prescribed by the Electricity (Supply) Act, 1948. However, consequent upon the enactment of the Electricity Act, 2003 and repeal of the Electricity (Supply) Act, 1948, depreciation is provided on straight line method as per the rates prescribed under schedule XIV of the Companies Act, 1956.
- 7.2 The Companies Act, 1956 does not provide any specific rate of depreciation for Dam & associated civil structures. In respect of civil structures, only two rates of depreciation have been prescribed i.e 1.63% for the non factory buildings and 3.34% for the factory buildings. Considering the nature, propensity of wear and tear, the depreciation rate specified for the factory buildings is considered appropriate for the dam. Accordingly, depreciation @ 3.34% has been taken for the block of assets of the dam of UIHEP.
- 7.3 Depreciation is provided on prorata basis in the year in which the assets become available for use.
- 7.4 Assets costing Rs. 5000/- or less individually are depreciated fully in the year in which they are put to use.
- 7.5 Expenditure on software is recognized as revenue expenditure and charged to P&L account under A&G expenses which has been followed consistently.

## **8. RETIREMENT BENEFITS :**

- 8.1 Liability towards Pension and Leave Encashment as at the end of the year is provided on the basis of actuarial valuation in accordance with AS-15 issued by the Institute of Chartered Accountants of India.

8.2 For meeting the service gratuity liability, the Corporation has taken a group gratuity insurance policy with LIC of India. Gratuity provision is made on the basis of actuarial valuation made by LIC of India.

8.3. The pension and service gratuity liabilities of ex-Hirakud Dam Project employees are accounted for on cash basis.

#### **9. ALLOCATION OF CORPORATE OFFICE INCOME :**

Corporate Office income over expenditure is allocated among the generating units on the basis of sales turn over ratio.

#### **10. BORROWING COST :**

Borrowing costs that are attributable to the acquisition, construction / renovation, modernization and uprating of fixed assets upto the date of commercial operation are capitalized as part of cost of such assets. Other borrowing costs are recognized as an expense in the period in which they are incurred.

#### **11. MISCELLANEOUS :**

11.1 Liabilities for Goods in transit / capital works executed but not certified are not provided for, pending inspection & acceptance by the Corporation.

11.2 Prior Period Expenses / income of items of Rs.20000/- and below are charged to respective heads of account.

#### **B. NOTES ON ACCOUNTS :**

1. Land consists of those transferred from the erstwhile OSEB / State Govt. to the Corporation with effect from 1st April 1996 and procurement of Industrial land from IDCO for construction of training centre. In case of UIHEP, land consists of transfer value of land and reservoir from State Govt. as on 01.04.1996 and subsequent additions at cost after 01.04.1996 to the date of Balance Sheet. In case of Balimela HEP, leasehold lands are still in the name of OSEB. The title deeds of all the lands are yet to be registered in favour of the Company. The Company is in the process of identifying leasehold and freehold land separately.

2. The consolidated financial statement has been prepared in accordance with Accounting Standard-21 and generally accepted accounting principles. Inadvertent omissions or errors will be rectified in the accounts of the succeeding year.

3.1 The fixed assets registers are maintained on the basis of transfer price of the assets from State Govt. and at cost in respect of the assets procured after the date of transfer.

3.2 The value of fixed assets does not include the value of building and equipment gifted by DFID for the OHPC Training Centre.

3.3 The value of fixed assets includes cost of machinery & vehicles declared surplus / obsolete for which necessary verification and fixing of upset price is in Process. Necessary accounting treatment will be made in the subsequent period after final disposal of the same.

3.4 One 132/66 KV, 12.5 MVA transformer in Burla, which were burnt during 2001-02 and on which no depreciation has been provided shall be written off after determination of loss and possible recoveries which is under process.

4.1 The value of inventory of Hirakud HEP as on 31<sup>st</sup> March, 2011 includes the cost of spares theft in the year, amounting to Rs.4,15,350/-. Out of the said amount Rs.2,18,344/- has been received from insurance company as full and final settlement of the claim and the balance amount of Rs.1,97,006/- shall be written off after due approval of the competent authority.

4.2 Inventory of stores and spares included in book value of Rs.2.29 Crores, (now Rs.2.32 Crores) which are not partly available due to theft in Civil Stores of both Khatiguda & Mukhiguda on different dates and fire occurred in the Civil Stores at Khatiguda on 29.03.2002. The effect of loss due to theft & fire are as follows:

	<b>Theft at Khatiguda Stores (Rs.)</b>	<b>Theft at Mukhiguda Stores (Rs.)</b>	<b>Fire at Khatiguda Stores (Rs.)</b>	<b>Total (Rs.)</b>
Cost of damages	13,75,332.49	3,02,360.54	2,15,24,728.91	2,32,02,421.94
Recoveries of stores		28,848.32	60,12,228.81	60,41,077.13
Recovery through forfeit of EMD / SD	24,704.00	28,738.00	-	53,442.00
<b>Net loss</b>	<b>13,50,628.49</b>	<b>2,44,774.22</b>	<b>1,55,12,500.10</b>	<b>1,71,07,902.81</b>

A money suit was filed vide Misc. case No. 8/2009 in the court of Civil Judge, Senior Division, Dharmagarh for recovery of the loss by theft at Mukhiguda Stores against the then Xíñ Security Services, Bhubaneswar. The decree was ordered on 16.09.2009 and the security deposit of Rs.28,738/- of the said firm was forfeited & adjusted against the balance amount of loss caused by theft. Steps are being taken for write off the stock of Rs.1,71,07,902.81 due to theft & fire. However, necessary provision for net loss of Rs.1,71,07,902.81 is made in this year by adjustment against the Other Reserve Account (Inventory) of Rs.2,56,42,922/-.

4.3 During the year, only indigenous spares has been consumed. The percentage of consumption of imported spares to total consumption is nil.

5. No interest during the year on the Govt. loans pertaining to UIHEP, Potteru Small HEP and on the bonds issued to the State Govt. are provided in the accounts as per decision of Govt. vide DoE notification dated 29.01.2003 and observation of OERC vide para 133 of the generation tariff notification dtd. 20.03.2010 for the year 2010-11.

6. 50% of the estimated project cost towards Dam and Appurtenant works i.e. Rs.232.14 Cr. was allocated to power and the balance 50% i.e. Rs.232.14 Cr. to DOWR. Out of this, DOWR had contributed Rs.132.14 Cr. as on the date of transfer of UIHEP to OHPC (01.04.1996) which was treated as an interest free loan to OHPC. The balance amount of Rs.100 Cr. was to be paid by DOWR to OHPC. Out of this Rs.100 Crs. an amount of Rs. 25.00 crores was received from DOWR in 1998-99 and balance amount of Rs.75.00 Crores has been adjusted as per letter No. 3520/24.03.03 of Chief Engineer, W.R. Deptt., Orissa during 2007-08 against the provisions towards Dam Maintenance.

7. The Govt. of India, MoF, Deptt. of Expenditure had released a grant of Rs.19 Crores for RM & U of unit 3 & 4 Burla under APDP scheme to GoO. The GoO has released the said amount to OHPC as investment

in share capital. As the said amount was to be passed on to OHPC in the same form as sanctioned by GoI, the State Govt. has been moved to treat Rs.19 Crore as grant instead of share capital. Pending receipt of confirmation of the State Govt., the amount has been shown in the Balance Sheet as capital reserve.

8. (a) The sale of energy compared to the design energy for sale during the year is as under :

<b>Power stations</b>	<b>Actual sale of energy (in MU)</b>	<b>Design energy for sale (in MU)</b>
UIHEP, Mukhiguda	1632.496	1942.38
RHEP, Rengali	252.950	519.75
BHEP, Balimela	1261.858	1171.17
UKHEP, Upper Kolab	553.112	823.68
HHEP, Burla	672.081	677.16
CHEP, Chiplima	250.016	485.10
<b>Total</b>	<b>4622.513</b>	<b>5619.24</b>

- (b) As per the OERC tariff order dt 20.3.2010, the tariff for the year 2010-11 for energy sold to GRIDCO is as follows.

<b>Name of Power Station</b>	<b>Energy charge Rate (P/U)</b>	<b>Capacity charges (Rs. Crs.)</b>
RHEP	34.545	17.955
UKHEP	16.584	13.660
BHEP	29.201	34.20
HHEP	44.775	30.32
UIHEP	37.793	73.410
CHEP	23.490	11.395

- (c) The sale of energy includes 16.6075 MU to CSPDCL @Rs.1.1553 per unit at the actual cost of generation of HHEP for the year 2009-10, as per the decision of the meeting of high level Committee held on 24.12.2004 under the Chairmanship of the Chief Secretary, GoO in pursuance of the order of the Hon'ble High Court of Madhya Pradesh.
- (d) The energy sold to GRIDCO has been reconciled both for quantity & value till 2008-09 except HHEP, Burla and wherever required, necessary rectification entries have been passed by the respective units. However, energy sold to GRIDCO both for quantity and value during 2009-10 and 2010-11 are subject to reconciliation.
- (e) A sum of Rs.5,84,94,228/- is allowed as rebate in 2010-11 to GRIDCO on cash basis on receipt of payments within 7 days of raising the bills 2010-11. This is shown under A&G Expenses under Schedule-13.
9. Pending acceptance of the bills by DOWR, 50% of the dam maintenance cost of UIHEP for the year 2010-11 amounting to Rs.11,30,30,198/- has not been recognized as revenue in accordance with AS-9.

10. Details of ÷Prior Period Adjustmentsí (Net).	(Rs.)	
Head of A/C	<u>As at 31.03.2011</u>	<u>As at 31.03.2010</u>
Repair & Maintenance	(-)32,89,404	8,69,477
Operational expenses	38,63,862	4,27,953
Employee Cost (-)	1,24,29,218	34,43,050
Admn. & General expenses	(-)55,71,696	3,89,480
Depreciation	5,16,937	(-)17,321
Sale of Power	3,69,59,764	(-)15,45,27,227
Interest charge	0	(-) 22,92,012
Income from Deposit works	(-)30,13,000	0
<b>Total</b>	<b><u>1,70,37,245</u></b>	<b><u>(-) 15,17,06,600</u></b>

11. Remuneration to Auditors. (Rs.)

<u>Statutory Auditors</u>	2010-11	2009-10
Statutory Audit Fees	3,00,000	2,00,000
Tax Audit Fees	40,000	29,000
Audit Expenses	2,63,689	2,69,757
<u>Cost Auditor</u>		
Audit Fees	75,000	50,000
Audit Expenses	60,000	47,562

12. Expenses in respect of employees who are in receipt of remuneration of not less than Rs.24,00,000/- per annum and employed throughout the year or Rs.2,00,000/- per month and employed for part of the year is Nil.

13. Employee cost includes Salary and Allowances paid to the whole time Directors as detailed below:

	Current Year (in Rs.)	Previous Year (in Rs.)
Salaries & Allowances	10,81,358	1862249
Sitting Fees paid to non-Functional Directors	1,97,265	2,14,844

14. Foreign currency transactions :

Particulars	2010-11(Rs.)	2009-10(Rs.)
Expenditure incurred in foreign currency on cash basis being payment made to consultants.	Nil	1,11,64,800
Value of Imports calculated on CIF basis being components, spare parts and construction materials through LC.	Nil	9,46,48,675
Traveling expenses	Nil	NIL

**15. (a) Contingent liabilities :**

	(Rs. in crores)	
	<b>As at 31.03.2011</b>	<b>As at 31.03.2010</b>
(a) Estimated amount of contracts to be executed on capital account (net of advances and LCs opened.	NIL	NIL
(b) Claims against the Company not acknowledged as debt:		
i) Stamp duty on bonds of Rs.766.20 crores issued to GoO on account of up- valuation of assets kept in abeyance.	5.75	5.75
ii) Claims of Gridco / Southco on UKHEP.	NIL	NIL
iii) EPF & Sales Tax liability of UIHEP, Khatiguda	0.29	0.31
iv) Claims of the contractor M/s Trafalgar House Constrction (T) Satyam Sankaranarayan Joint Venture	65.57	65.57
v) Workman compensation pending before the Hon'ible High Court of Orissa. (CHEP)	0.06	0.06
vi) An arbitration proceeding is pending between OHPC & Satyam Sankar Narayan for a claim of 65.57 Crores by the Contractor against OHPC. Due to uncertainty of the claim amount no provision has been made in accounts (UIHEP).		
(b) OHPC lodged a claim of Rs. 135.87 Crore on the contractor M/s Trafalgar House Construction (T) Satyam Sankaranarayan Joint Venture and simultaneously, the contractor also lodged claim of Rs. 65.57 Crores on OHPC. Since the arbitration is in process, no provision is made for the above disputed amount.		
(c) Electricity Duty(E.D) of Rs. 13.61 lacs for the period from 4/96 to 5/01 of BHEP, Balimela shall be paid to Govt. of Orissa after ascertaining the status of payment of ED by GRIDCO & SOUTHCO for the said period.		
(d) BHEP, Balimela has deposited Rs.40,000/- under protest during the year against the assessed Entry Tax of Rs.1,13,852/- for the year 2000-01. Against this demand, the unit filed an appeal before the commissioner of Commercial Taxes, Cuttack.		
(e) In Balimela HEP, an amount of Rs.66393181/- has been received by encashment of Bank Guarantee of LMZ through RTGS from ICICI Kolkata on account of liquidated damages during the financial year 2009-10 & kept under the head liability to others as the same is under subjudice.		
16. OHPC has lodged a insurance claim of Rs.36.05 crores with M/S United India Insurance Co Ltd on account of loss due to flood disaster on 28/29.7.91 at UIHEP, Mukhiguda. Against this claim OHPC has received an interim payment of Rs. 5.00 crores in two spells i.e. Rs. 3.50 crores in May 95 and Rs. 1.50 crores in Feb 98 and shown as income in the respective years. The insurance company intimated OHPC on 21.9.2005 the final net settlement value of Rs. 95.98 lacs which was not accepted by OHPC. OHPC invoked the arbitration clause and refer to the decision of an arbitrator for settlement. In the process of Arbitration, the Honorable Arbitrators in the interim order dtd.26.07.2009 directed the Insurance Company to pay Rs.95.58 lacs. The said amount received from the Insurance Company during the year has been shown as income in the year 2009-10. The arbitration is in process.		



17. The Tax Recovery Officer (TRO), Income Tax Department, Sambalpur had raised a demand of Rs.4.48 crs towards TDS in respect of supply and erection of plant & machinery of RM&U of Unit 1&2, Burla which was disputed by OHPC. Pending settlement of the dispute now in appeal before Hon'ble High Court of Orissa, Cuttack the above amount has been deposited with Income Tax Authorities in the year 1996-97 to 2003-04. As per the order of the CIT (A), Sambalpur dtd. 08.11.2005 and 04.04.2006, the ITO, Sambalpur rectified the mistake for Rs.0.33 lakhs and issued refund order of Rs.0.58 lakhs. After adjustment of said amount, the balance amount of Rs.3.57 Crs. has been shown under the head advance income tax (TDS).
18. Liabilities towards Pension, Gratuity and Leave Encashment have been provided in the accounts based on the actuarial valuation and in accordance with AS-15 issued by the Institute of Chartered Accountants of India.

Sl. No.	Particulars	For 2010-11 (Rs.)	As at 31.03.2011 (Rs.)
1	Pension	41,17,39,715	400,71,71,639
2	Leave Encashment	2,52,05,385	34,33,56,245
3.	Gratuity	10,47,99,016	7,81,42,669

As against the aforesaid liabilities towards Pension, an amount of Rs.3,60,08,31,757/- has been paid to the OHPC Pension Fund till 31.03.2011. Accordingly the balance amount of Rs.40,63,39,882/- has been included in Schedule-8 under the head employee liabilities.

As regards gratuity liability, the corporation has taken a group gratuity Insurance Policy with L.I.C of India w.e.f. 01.01.2005. During the year under audit, OHPC has paid Rs.9,18,42,669/- to the Gratuity trust fund towards premium and Rs.1,29,56,347/- has been paid directly to employees through OHPC fund.

Pension liability in respect of deputationists for their service in OHPC has not been ascertained. The payments that may be made by OHPC on receipt of claims for the deputationists shall be accounted for on cash basis.

19. Other income includes:-

Interest of Rs. 53,09,98,171/- on short term deposits with the Banks which includes Rs.5,28,81,203/- as TDS.

- 20.(a) Sundry Debtors of Rs.335.56 Crs. as on 31.03.2011 for sale of power consists of debts outstanding as under which are considered good.

	(Amt. in Crs.)		
	GRIDCO	CSPDCL	TOTAL
a) For a period of exceeding six months	303.91	1.51	305.42
b) For a period of less than six months	29.83	0.31	30.14
<b>Total</b>	<b>333.74</b>	<b>1.82</b>	<b>335.56</b>

- (b) According to the decision of the OHPC Board in their 105<sup>th</sup> meeting dated 11.03.2011 the outstanding receivables Rs.309.10 crores and the present value of the interest accruing over a period of 10 (ten) years effective from 01.10.2010 works out to Rs.435.38 crores which is to be paid by GRIDCO to OHPC in 84 (eight four) equated monthly installments (EMI) each of Rs.5.18 crores starting from April 2011.

However, no EMI has yet been released by GRIDCO. The issue is being taken up with GRIDCO for release of the over due EMIs.

- (c) The outstanding against CSEB/CSPDCL is on account of supply of energy from HHEP, Burla equivalent to 5 MW. As per the decision of the joint meeting dtd. 24.12.2004 chaired by the Chief Secretary, the bills on CSEB/CSPDCL for a year are raised based on the audited unit cost of generation of the previous year and subsequently after the audited accounts are available the bills are revised and supplementary bill raised.

The comparative statement of the OERC tariff, audited unit cost of generation based on which bills are raised on CSEB/CSPDCL and the rate at which CSEB/ CSPDCL has made payments are as under:

Years	OERC tariff Rs./unit	Rate @ which Bills raised by OHPC Rs./Units	Rate at which CSEB / CSPDCL has made payment
<u>Hirakud &amp; Chiplima</u>			
2007-08	0.5479	0.7594	0.7594
2008-09	0.5211	0.9326	0.7594
2009-10	0.6496	1.1553	0.7594
<u>Only Hirakud</u>			
2010-11	0.8954	0.1005	0.7594
(revised bill to be raised)			

In addition, bills towards system operation and market operation charges raised by ERLDC on OHPC has been claimed from CSPDCL which has not yet been paid. Since both are State Govt undertakings arrangements are being made to resolve the issues by mutual discussion.

21. The Corporation has not received any information from suppliers regarding their status under Micro, Small & Medium Enterprises Development Act 2006. Resultantly disclosure if any relating to amount unpaid as at the year end together with interest paid/payable as required under the said Act have not been given.
22. Figures shown under Sundry Creditors and Advances are subject to confirmation.
23. The details of installed capacity, generation and net sale of power during the year are as under :

Power Stations	Installed Capacity (MW)	Gross Generation (MU.)	Sale of Power (MU.)	Auxiliary consumption (MU.)	Transformation loss & internal consumption
CHEP	72.00	254.717	250.016	0.516	4.185
HHEP	275.50	685.686	672.083	3.133	10.470
RHEP	250.00	270.099	252.958	1.268	15.873
UKHEP	320.00	564.068	553.112	3.450	7.506
BHEP	510.00	1285.694	1261.858	6.399	17.437
UIHEP	600.00	1696.193	1632.496	2.824	60.873
<b>Total</b>	<b>2027.50</b>	<b>4756.457</b>	<b>4622.523</b>	<b>17.590</b>	<b>116.344</b>
<b>Previous year</b>	<b>2027.50</b>	<b>3919.689</b>	<b>3802.009</b>	<b>14.301</b>	<b>103.379</b>

## 24. Power Station wise financial results before Tax.

(Rs. in Crores)

Power Stations	Sales	Other Income	Share of H O income over exp.	Total Income	Total Exp.	Net Profit
CHEP	18.37	0.08	2.11	20.56	21.02	-0.46
HHEP	61.81	0.19	6.86	68.86	67.54	1.32
RHEP	27.83	0.47	3.21	31.51	39.72	-8.21
UKHEP	22.79	0.03	2.63	25.45	32.69	-7.24
BHEP	69.42	1.41	8.00	78.83	72.36	6.47
UIHEP	138.50	0.73	15.96	155.19	100.14	55.05
<b>Total 2010-11</b>	<b>338.72</b>	<b>2.91</b>	<b>38.77</b>	<b>380.40</b>	<b>333.47</b>	<b>46.93</b>
<b>Total 2009-10</b>	<b>296.16</b>	<b>2.89</b>	<b>53.78</b>	<b>352.83</b>	<b>320.09</b>	<b>32.74</b>

25. The share of Government of Orissa in Machhkund joint hydro electric Project was transferred to OHPC vide Department of Energy, Govt. of Orissa Notification No.6052, dt.29.03.97 with effect from 01.04.1997. The erstwhile OSEB now GRIDCO and APSEB now APGENCO are the beneficiaries of this project. The old disputes between GRIDCO and APGENCO prior to 1.4.1997 have been settled.

APGENCO has raised a provisional bill of Rs.7,30,21,724/- on OHPC for the year 2010-11, which comprises of:

	(Rs.)
30% share of O&M cost	6,46,54,340
Royalty payable to Govt. of Orissa	3,16,000
Cost of Power beyond 30% share	80,51,384
<b>TOTAL</b>	<b>7,30,21,724</b>

Against the said bill this office has remitted Rs. 2,28,09,311/- to APGENCO for the F.Y. 2010-11 and an amount of Rs.4,98,96,413/- and Rs.3,16,000/- have been shown as payable to APGENCO & State Govt respectively in Schedule-8.

As against the above provisional bill of Rs.7,30,21,724/- OHPC has received Rs.3,60,40,942/- from GRIDCO during 2010-11 for F.Y.2010-11. As such, the balance amount of Rs.3,66,64,782/- is shown as receivable from GRIDCO in Schedule-7.

Pending quantification of assets and liabilities transferred to OHPC, the above receipts and payments are not shown in the profit and loss account.

26. The Company is exclusively engaged in the business of generation of hydro power in the state of Orissa, which is considered to constitute one single segment as per ĩAS-17í.
27. As per income tax return filed, the company has a carry forward un-absorbed depreciation of Rs.282.63 Crores till the assessment year 2010-11. The tariff for sale of energy to GRIDCO fixed by the OERC is

based on the corrective measures according to which the depreciation is limited to pre-1992 norms of the Govt of India, subject to coverage of repayment of principal installments due during the year and further, there is no return on the equity component of the hydro power stations in operation as on the date of transfer of the assets i.e. 01.04.1996. As such, there has been no taxable income of OHPC under the IT Act except the minimum alternate tax (MAT) till financial year 2010-11. On release of the funds earmarked for the joint venture entities namely OTPCL and BWCCL which are presently under implementation, payment towards R&M of unit-I of RHEP which is in progress and R&M of unit-5 & 6 of HHEP which will be taken up shortly for implementation, there shall be substantial reduction in short term deposits with consequential loss of interest income. In addition, depreciation shall be higher due to capital additions for the R&M. Further, substantial expenditure on the repairs & maintenance of the old hydro power projects has been estimated which is a charge against revenue. There was hydrology failure in the years 2009-10 and 2010-11 and there is no certainty of a good monsoon in the forth coming future years.

In view of the above, there is no certainty that taxable income will be available in the next few years. Therefore, no deferred tax under AS-22 has been shown in the accounts for the year 2010-11.

28. The assets are carried in the books at historical cost which are lower than the recoverable amount and consequently there is no impairment of assets under AS-28.
29. The State Govt. has provided Govt. Guarantee for availing long term loan from PFC for different projects of OHPC. Guarantee Commission @ 0.5 % on the maximum amount guaranteed are provided in accounts. However, pursuant to the Govt. of Orissa, Finance Deptt. Resolution No.23663 dtd. 04.06.2003, guarantee commission has been paid to the State Govt. at the rate of 0.5% on the outstanding loan amount at the beginning of the year effective from 01.04.2003.
- 30.(a) According to the terms and conditions of the letter of allotment of Baitarni west Coal Block in favour of OHPC jointly with GPCL, KSEB. OHPC has pledged fixed deposit of Rs.25 Cr. towards its one third share in favour of Oriental Bank of Commerce (OBC) for facilitating the SBI to provide Bank Guarantee of Rs.75 Cr. in favour of Ministry of Coal, Govt. of India in respect of BWCCL.
- (b) The investment made in the JV Companies OTPCL & BWCCL are as under :

<b>JV Company</b>	<b>Amount paid as on 31.03.2011 (Rs.)</b>	<b>Amount shown as investment to the extent share certificates received (Rs.)</b>	<b>Balance Advance to Others (Rs.)</b>
OTPCL	5,94,47,000	5,94,47,000	Nil
BWCCL	10,00,92,037	10,00,00,000	92,037

The advance against BWCCL is under reconciliation.

31. Pursuant to the implementation of the revised scale of pay of the 6<sup>th</sup> Pay Commission approved by Govt. of Orissa, the OHPC Board in its 91<sup>st</sup> meeting held on 19.02.2009 approved the revised pay structure of the non-executive employees w.e.f. 01.04.2005 and the executives w.e.f. 01.01.2006. As per Govt. of Orissa, Finance Deptt. Resolution dated 16<sup>th</sup> & 26<sup>th</sup> Dec'2008 and OHPC Board decision in its 92<sup>nd</sup> Meeting held on 20.03.2009, 30% of the arrear salary and wages being the last installment to be released in 2011-12 has been accordingly provided in the accounts of 2010-11.

32. Pending calculation of liquidated damage for supply & erection for unit 7 & 8 of BHEP, Balimela and subsequent effect on capitalization of projects, OHPC has encashed the Bank Guarantee of M/s OJSE Power Machines, Russia and realized Rs.66393181/- from the Bank in April 2009. The party has gone for Arbitration against the encashment of Bank Guarantee. As such the amount so encashed is accounted for under the hand liability to others till settlement of the Arbitration.
33. Previous year figures / opening balances have been regrouped or rearranged / re-cast wherever necessary.
34. Figures have been rounded off to the nearest rupee.

As per our report of even date

For **Chand & Co**  
Chartered Accountants

**CA. J R Mishra**  
Partner  
M.No. 058587

**P K Kar**  
DGM (Finance) Company Secretary

**P K Sahoo**

**S K Pattanayak**  
Director (Finance)

**S Khatua**  
Managing Director

**ANNEXURE-1 TO SCHEDULE-16  
BALANCE SHEET ABSTRACT AND THE COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details:**

 Registration No. 

	0	3	9	6	3
--	---	---	---	---	---

 State Code 

1	5
---	---

(Refer Code List)

**Balance Sheet Date**

3	1
---	---

0	3
---	---

1	1
---	---

  
**Date                      Month                      Year**
**II. Capital raised during the year (Amount in Rs. thousands)**
**Public Issue**

			N	I	L				
--	--	--	---	---	---	--	--	--	--

**Right Issue**

			N	I	L				
--	--	--	---	---	---	--	--	--	--

**Bonus Issue**

			N	I	L				
--	--	--	---	---	---	--	--	--	--

**Private Placement**

			N	I	L				
--	--	--	---	---	---	--	--	--	--

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. thousands)**
**Total Liabilities**

	2	7	5	1	5	2	0	1
--	---	---	---	---	---	---	---	---

**Total Assets**

	2	7	5	1	5	2	0	1
--	---	---	---	---	---	---	---	---

**Sources of Funds**
**Paid-up-Capital**

		3	2	0	8	0	0	7
--	--	---	---	---	---	---	---	---

**Reserve & Surplus**

		5	9	8	0	2	7	9
--	--	---	---	---	---	---	---	---

**Secured Loans**

			N	I	L				
--	--	--	---	---	---	--	--	--	--

**Unsecured Loans**

	1	8	3	2	6	9	1	5
--	---	---	---	---	---	---	---	---

\* Includes Dam Sharing Reserve of Rs.100,00,00 thousands.

**Application of Funds**
**Net Fixed Assets**

	1	6	9	5	8	4	0	8
--	---	---	---	---	---	---	---	---

 #

**Investments**

			1	5	9	4	4	7
--	--	--	---	---	---	---	---	---

**Net Current Assets**

	1	0	3	9	5	9	3	6
--	---	---	---	---	---	---	---	---

**Misc. Expenditure**

						1	4	1	0
--	--	--	--	--	--	---	---	---	---

**Accumulated Losses**

			N	I	L				
--	--	--	---	---	---	--	--	--	--

 # includes capital work-in-progress of **Rs.392652/-** thousands.

**IV. Performance of Company (Amount in Rs. thousands)**
**Turnover**

		3	9	4	8	6	5	2
--	--	---	---	---	---	---	---	---

 \$

**Total Expenditure**

		3	4	7	9	3	7	6
--	--	---	---	---	---	---	---	---

 \$\$

± Profit/Loss before Tax

+				4	6	9	2	7	6
---	--	--	--	---	---	---	---	---	---

± Profit/Loss after Tax

+				3	7	5	7	3	6
---	--	--	--	---	---	---	---	---	---

(Please tick appropriate box, + for profit, - for loss)



Earning per share in Rs.

						1	1	7
--	--	--	--	--	--	---	---	---

Dividend Rate %

0	0
---	---

\$ Includes other income of **Rs.561497/-** thousands.

\$\$ Includes Prior Period Adjustment of Rs.17037/- thousands

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No.

			4	0	0	.	0	1
--	--	--	---	---	---	---	---	---

(ITC Code)

Product Description

G	E	N	E	R	A	T	I	O	N		O	F		H	Y	D	R	O
---	---	---	---	---	---	---	---	---	---	--	---	---	--	---	---	---	---	---

P	O	W	E	R														
---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Item Code No.

--	--	--	--	--	--	--	--	--

(ITC Code)

Product Description

C	O	N	S	T	U	C	T	I	O	N		O	F		H	Y	D	R	O
---	---	---	---	---	---	---	---	---	---	---	--	---	---	--	---	---	---	---	---

P	O	W	E	R		P	R	O	J	E	C	T	S						
---	---	---	---	---	--	---	---	---	---	---	---	---	---	--	--	--	--	--	--

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Item Code No.

			N	I	L			
--	--	--	---	---	---	--	--	--

(ITC Code)

Product Description

G	E	N	E	R	A	T	I	O	N		O	F		T	H	E	R	M	A	L
---	---	---	---	---	---	---	---	---	---	--	---	---	--	---	---	---	---	---	---	---

P	O	W	E	R																
---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

**Note :** For ITC Code of products, please refer to the publication India Trade Classification based on harmonized commodity description and coding system by Ministry of Commerce, Directorate General of Commercial Intelligence & Statistics, Calcutta-700001.

As per our report of even date

For **Chand & Co**

Chartered Accountants

**CA. J R Mishra**  
Partner  
M.No. 058587

**P K Kar**  
DGM (Finance)

**P K Sahoo**  
Company Secretary

**S K Pattanayak**  
Director (Finance)

**S Khatua**  
Managing Director

**CASH FLOW STATEMENT**

PARTICULARS	As at 31st March,2011 Rs.	As at 31st March,2010 Rs.
<b>1. Cash flows operating activities :</b>		
Net profit before taxation and extraordinary item	469,275,680	327,406,651
Adjustment for :		
Depreciation	1,274,607,921	1,285,954,983
Loss on sale of assets	50	70,650
Provision for Income tax	-93,539,999	-55,932,383
Interest income	-532,101,028	-678,070,901
Interest expens	<u>82,656,822</u>	<u>103,071,186</u>
Operating profit before working capital charges	<b>1,200,899,446</b>	<b>982,500,186</b>
Decrease in inventories	4,398,066	-152,572,726
Decrease in sundry debtors	225,899,943	98,392,479
Decrease in other trade receivables	7,476,081	-31,417,397
Increase in loans & advances	-104,713,607	-104,744,188
Decrease in sundry creditor	-10,769,771	-19,039,097
Increase in other payable	174,061,379	-1,086,632,744
Cash generated from operations	<b>1,497,251,538</b>	<b>-313,513,487</b>
Cash flow before extraordinary item	<u>1,497,251,538</u>	<u>-313,513,487</u>
Misc. Expenses	<u>-1,410,000</u>	<u>2,993,407</u>
<i>Net cash from operating activities</i>	1,495,841,538	-310,520,080
<b>2. Cash flows from investing activities :</b>		
Purchase of fixed assets	-207,322,454	-209,367,919
Interest received	548,757,690	746,036,582
Redemption of GRIDCO BOND	0	200,000,000
Investment in J/V	-30,007,000	-16,691,865
<i>Net cash from investing activities</i>	311,428,236	719,976,798
<b>3. Cash flow from financing activities :</b>		
Stock Reserve Account(UIHEP,Mukhiguda)	-17,107,903	25,642,922
Net Loan Repayment To PFC	-172,969,308	-478,259,224
Interest paid	<u>-78,185,828</u>	<u>-115,057,068</u>
<i>Net cash used in financing activities</i>	<u>-268,263,039</u>	<u>-567,673,370</u>
<b>4. Net increase in cash and cash equivalents (1+2+3)</b>	1,539,006,735	-158,216,652
<b>5. Cash and cash equivalent at beginning of period</b>	6,629,114,667	6,787,331,319
<b>6. Cash and cash equivalent at end of period</b>	<u>8,168,121,402</u>	<u>† 6,629,114,667</u>

As per our report of even date

 For **Chand & Co**

Chartered Accountants

CA. J R Mishra  
Partner  
M.No. 058587

P K Kar  
DGM (Finance) Company Secretary

S K Pattanayak  
Director (Finance)

S Khatua  
Managing Director