



एनएचपीसी लिमिटेड

(भारत सरकार का उद्यम)

**NHPC Limited**

(A Government of India Enterprise)

फोन/Phone : \_\_\_\_\_

दिनांक/Date : \_\_\_\_\_ 28.05.2018

संदर्भ सं./Ref. No. NH/CS/199/

<p>Manager The Listing Department, <b>M/s BSE Limited,</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001</p> <p>मैनेजर लिस्टिंग विभाग, बीएसई लिमिटेड पि.जे. टावर्स, दलाल स्ट्रीट, मुंबई- 400 001 <b>Scrip Code: 533098</b></p>	<p>General Manager The Listing Department <b>M/s National Stock Exchange of India Limited,</b> Exchange Plaza, BandraKurla Complex, Bandra(E) Mumbai- 400051</p> <p>महा प्रबंधक लिस्टिंग विभाग, नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड एक्सचेंज प्लाजा, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (ई), मुंबई - 400 051 <b>Scrip Code: NHPC</b></p>
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**ISIN No. INE848E01016**

**Sub: Annual Audited Financial Results (Standalone and Consolidated) of NHPC Limited for the FY ended 31<sup>st</sup> March, 2018 and recommendation of Final Dividend for the FY 2017-18.**

**विषय: एनएचपीसी लिमिटेड के 31.03.2018 को समाप्त हुई वार्षिक के वित्तीय लेखा परीक्षित परिणाम (स्टैंडअलोन और कंसोलिडेटेड) और वित्त वर्ष 2017-18 के लिए अंतिम लाभांश की संस्तुति के सन्दर्भ में।**

Sirs/महोदय,

In continuation of our earlier letter dated May 18, 2018 on the cited subject. It is to inform that the Board of Directors of NHPC Limited in its meeting held today i.e. Monday, 28<sup>th</sup> May, 2018 (commenced at 3.00 P.M. and concluded at 6:30 P.M.) has considered and approved the audited standalone/consolidated financial results of the Company for the quarter and year ended on 31<sup>st</sup> March, 2018. A copy of the approved financial results along with auditors' report is enclosed herewith. It is to state that the Statutory Auditors of the Company have furnished Audit Report on the Standalone & Consolidated Financial Statements with unmodified opinion.

It is further to inform that Audited Financial Results, being unpublished Price Sensitive Information will be submitted to the Debenture Trustees for taking note of its contents and issuing their certificate, after the same is made public through stock exchanges. Therefore, the Certificate from Debenture Trustee(s) required to be furnished under Regulation 52(5) of SEBI LODR, 2015 will be submitted to Stock Exchanges on receipt of the same from the Debenture Trustee(s).

The Board of Directors in the above meeting has also recommended the payment of final dividend @ 2.8% of face value of ₹ 10/- per equity share (₹ 0.28 per share) on the paid up share capital of the Company for the FY 2017-18, subject to approval of the shareholders in the ensuing Annual General Meeting (AGM). This is in addition to the interim dividend of ₹ 1.12 per equity share already declared in the month of February, 2018 thereby making total dividend for the FY 2017-18 to ₹ 1.40 per equity share, on the face value of ₹ 10/- each. The final dividend for the FY 2017-18 of ₹ 0.28 per equity share, if declared at the ensuing AGM, will be paid to the shareholders within 30 days from the date of AGM.

धन्यवाद।

संगलन: ऊपरोक्त अनुसार

भवदीय,

  
(एम के मित्तल)

निदेशक (वित्त)

DIN-02889021

पंजीकृत कार्यालय : एन एच पी सी ऑफिस कॉम्प्लेक्स, सैक्टर-33, फरीदाबाद - 121003, हरियाणा

Regd. Office : NHPC Office Complex, Sector-33, Faridabad - 121 003, Haryana

CIN : L40101HR1975GOI032564; Website : www.nhpcindia.com; E-mail :

webmaster@nhpc.nic.in; Fax : 0129-2277941; EPABX No. : 0129-2588110/2588500



**NHPC LIMITED**  
(A Government of India Enterprise)  
SECTOR-33, FARIDABAD, HARYANA - 121 003

CIN: L40101HR1975GOI032564

**STATEMENT OF AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31ST MARCH 2018**

(₹ In Lacs)

PARTICULARS	Standalone				Consolidated	
	Quarter Ended		31.03.2017	Year Ended		31.03.2017
	31.03.2018	31.12.2017		31.03.2018	31.03.2017	
	Audited (Refer Note 18)	Unaudited	Audited (Refer Note 18)	Audited		
<b>1 Revenue</b>						
(a) Sales/ Revenue from operations *	113,690	149,793	136,244	693,403	727,117	862,313
(b) Other Income	29,753	56,883	24,255	149,100	145,767	150,276
<b>Total Revenue (a+b)</b>	<b>143,443</b>	<b>206,676</b>	<b>160,499</b>	<b>842,503</b>	<b>872,884</b>	<b>1,012,589</b>
<b>2 Expenses</b>						
(a) Generation Expenses	8,471	9,939	14,598	71,639	77,367	72,118
(b) Employee benefits	44,482	37,553	61,446	158,533	157,484	170,806
(c) Finance Costs	21,785	22,791	24,991	92,232	107,322	92,264
(d) Depreciation & amortization	35,490	34,692	35,271	140,589	138,840	147,910
(e) Other Expenses	24,979	23,873	37,894	98,918	115,810	112,016
<b>Total expenses (a+b+c+d+e)</b>	<b>135,207</b>	<b>128,848</b>	<b>174,200</b>	<b>561,911</b>	<b>596,823</b>	<b>595,114</b>
<b>3 Profit/(loss) before Exceptional items, Rate Regulated Activities, Tax &amp; Share of profit (1-2)</b>	<b>8,236</b>	<b>77,828</b>	<b>(13,701)</b>	<b>280,592</b>	<b>276,061</b>	<b>290,146</b>
<b>4 Exceptional items</b>	-	-	-	-	-	-
<b>5 Profit/(loss) before tax, Rate Regulated Activities &amp; Share of profit (3+4)</b>	<b>8,236</b>	<b>77,828</b>	<b>(13,701)</b>	<b>280,592</b>	<b>276,061</b>	<b>290,146</b>
<b>6 Share of net profit/(loss) from joint venture accounted for using equity method</b>	-	-	-	-	-	(8)
<b>7 Tax expense</b>						
a) Current Tax	6,996	14,947	177	63,468	70,656	82,302
b) Adjustments for Income Tax	(542)	(149)	(3,819)	(691)	(11,699)	(691)
c) Deferred Tax	3,371	11,333	6,457	13,932	8,944	4,674
<b>Total Tax expense (a+b+c)</b>	<b>9,825</b>	<b>26,131</b>	<b>2,815</b>	<b>76,709</b>	<b>67,901</b>	<b>86,285</b>
<b>8 Profit for the period before movements in Regulatory Deferral Account Balances</b>	<b>(1,589)</b>	<b>51,697</b>	<b>(16,516)</b>	<b>203,883</b>	<b>208,160</b>	<b>203,853</b>
<b>9 Movement in Regulatory Deferral Account Balances (Net of Tax)</b>	<b>20,531</b>	<b>17,096</b>	<b>33,358</b>	<b>71,982</b>	<b>71,399</b>	<b>73,617</b>
<b>10 Profit for the period from continuing operations (8+9)</b>	<b>18,942</b>	<b>68,793</b>	<b>16,842</b>	<b>275,865</b>	<b>279,559</b>	<b>277,470</b>
<b>11 Other Comprehensive Income (Net of Tax)</b>						
(i) Items that will not be reclassified to profit or loss	(64)	(1,083)	(715)	1,285	(629)	1,333
(ii) Items that will be reclassified to profit or loss	(345)	(769)	(439)	(697)	1,396	(697)
<b>12 Total Comprehensive Income for the period (10+11)</b>	<b>18,533</b>	<b>66,941</b>	<b>15,688</b>	<b>276,453</b>	<b>280,326</b>	<b>278,106</b>
<b>13 Net Profit attributable to</b>						
a) Owners of the company	18,942	68,793	16,842	275,865	279,559	250,390
b) Non-controlling interest	-	-	-	-	-	27,080
<b>14 Other comprehensive income attributable to</b>						
a) Owners of the company	(409)	(1,852)	(1,154)	588	767	613
b) Non-controlling interest	-	-	-	-	-	23
<b>15 Total comprehensive income attributable to</b>						
a) Owners of the company	18,533	66,941	15,688	276,453	280,326	251,003
b) Non-controlling interest	-	-	-	-	-	27,103
<b>16 Paid-up equity share capital (of Face Value ₹ 10/- per share)</b>	<b>1,025,932</b>	<b>1,025,932</b>	<b>1,025,932</b>	<b>1,025,932</b>	<b>1,025,932</b>	<b>1,025,932</b>
<b>17 Reserves excluding Revaluation Reserves</b>				<b>1,806,883</b>	<b>1,668,281</b>	<b>1,975,858</b>
<b>18 Net worth</b>				<b>2,832,815</b>	<b>2,694,213</b>	<b>3,001,790</b>
<b>19 Paid-up debt capital **</b>				<b>1,832,211</b>	<b>1,892,423</b>	<b>1,832,211</b>
<b>20 Capital redemption reserve</b>				<b>204,142</b>	<b>204,142</b>	<b>204,142</b>
<b>21 Debenture (Bond) redemption reserve</b>				<b>212,955</b>	<b>160,927</b>	<b>212,955</b>
<b>22 Earnings per share before movement in Regulatory Deferral Account Balances</b>						
Basic & Diluted EPS (in ₹)	(0.02)	0.50	(0.15)	1.99	1.88	1.72
<b>23 Earnings per share after movement in Regulatory Deferral Account Balances</b>						
Basic & Diluted EPS (in ₹)	0.18	0.67	0.16	2.69	2.53	2.44
<b>24 Debt equity ratio</b>				<b>0.65</b>	<b>0.70</b>	<b>0.61</b>
<b>25 Debt service coverage ratio (DSCR)</b>				<b>3.75</b>	<b>2.38</b>	<b>3.87</b>
<b>26 Interest service coverage ratio (ISCR)</b>				<b>9.76</b>	<b>8.19</b>	<b>10.09</b>

\* Net Sales includes proportionate amount of Advance against Depreciation written back.

\*\* Comprises long term debts including current maturities thereof.

## STATEMENT OF ASSETS AND LIABILITIES

(€ in Lacs)

PARTICULARS	Standalone		Consolidated	
	As at 31st March, 2018 (Audited)	As at 31st March, 2017 (Audited)	As at 31st March, 2018 (Audited)	As at 31st March, 2017 (Audited)
<b>ASSETS</b>				
<b>(1) NON-CURRENT ASSETS</b>				
a) Property, Plant and Equipment	1,906,644	2,003,858	1,925,406	2,023,844
b) Capital Work In Progress	1,881,396	1,735,013	1,908,712	1,758,759
c) Investment Property	449	449	449	449
d) Intangible Assets	92,338	93,414	191,869	198,420
e) Investments accounted for using the equity method			62,147	50,057
<b>f) Financial Assets</b>				
i) Investments	220,956	210,032	50,329	51,941
ii) Trade Receivables	18,445	-	30,657	27,582
iii) Loans	33,988	36,096	36,041	38,187
iv) Others	191,523	186,383	584,495	618,662
g) Non Current Tax Assets (Net)	16,367	7,368	21,453	11,549
h) Other Non Current Assets	127,963	112,574	129,998	114,358
<b>TOTAL NON CURRENT ASSETS</b>	<b>4,490,069</b>	<b>4,385,187</b>	<b>4,941,556</b>	<b>4,893,808</b>
<b>(2) CURRENT ASSETS</b>				
a) Inventories	9,577	9,164	10,468	10,080
<b>b) Financial Assets</b>				
i) Trade Receivables	109,707	149,290	134,604	185,401
ii) Cash & Cash Equivalents	696	5,989	2,054	7,357
iii) Bank balances other than Cash & Cash Equivalents	146,543	147,325	329,852	339,889
iv) Loans	4,680	4,384	5,145	3,143
v) Others	191,942	185,825	216,809	223,817
c) Current Tax Assets (Net)	40	5,593	40	7,830
d) Other Current Assets	34,218	47,521	35,944	55,346
<b>TOTAL CURRENT ASSETS</b>	<b>497,403</b>	<b>555,091</b>	<b>734,916</b>	<b>832,863</b>
<b>(3) Regulatory Deferral Account Debit Balances</b>	<b>360,046</b>	<b>290,432</b>	<b>362,291</b>	<b>291,042</b>
<b>TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT DEBIT BALANCES</b>	<b>5,347,518</b>	<b>5,230,710</b>	<b>6,038,763</b>	<b>6,017,713</b>
<b>PARTICULARS</b>	<b>As at 31st March, 2018 (Audited)</b>	<b>As at 31st March, 2017 (Audited)</b>	<b>As at 31st March, 2018 (Audited)</b>	<b>As at 31st March, 2017 (Audited)</b>
<b>EQUITY AND LIABILITIES</b>				
<b>(1) EQUITY</b>				
a) Equity Share Capital	1,025,932	1,025,932	1,025,932	1,025,932
b) Other Equity	1,806,883	1,668,281	1,975,858	1,875,550
<b>TOTAL EQUITY</b>	<b>2,832,815</b>	<b>2,694,213</b>	<b>3,001,790</b>	<b>2,901,482</b>
<b>(2) Non Controlling Interest</b>			<b>293,491</b>	<b>338,224</b>
<b>(3) LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
<b>e) Financial Liabilities</b>				
i) Borrowings	1,672,820	1,724,564	1,672,820	1,724,564
ii) Other financial liabilities	3,847	2,563	3,987	2,584
b) Provisions	2,547	48,693	4,066	50,558
c) Deferred Tax Liabilities (Net)	107,664	93,849	171,087	166,529
d) Other non-current Liabilities	162,500	147,247	285,337	277,796
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>1,949,378</b>	<b>2,016,916</b>	<b>2,137,297</b>	<b>2,222,031</b>
<b>(4) CURRENT LIABILITIES</b>				
<b>a) Financial Liabilities</b>				
i) Borrowings	27,999	30,250	27,999	30,250
ii) Trade Payables				
Total outstanding dues of micro enterprises and small enterprises	529	428	797	632
Total outstanding dues of Creditors other than micro enterprises and small enterprises	16,626	14,280	17,581	15,127
iii) Other financial liabilities	277,881	254,963	283,226	257,567
b) Other Current Liabilities	66,986	70,665	75,486	79,162
c) Provisions	175,304	148,995	200,385	173,238
d) Current Tax Liabilities (Net)	-	-	711	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>565,325</b>	<b>519,581</b>	<b>606,185</b>	<b>555,976</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>5,347,518</b>	<b>5,230,710</b>	<b>6,038,763</b>	<b>6,017,713</b>

## Notes:

- 1 The above results have been reviewed by the Audit Committee and approved by the Board of Directors of the Company in the respective meetings held on 28th May, 2018 and are based on the Financial Statements Audited by Joint Statutory Auditors.
- 2 The Subsidiary and Joint Venture Companies considered in the Consolidated Financial Results are as follows:-

Name of Companies	Ownership	
	31.03.2018	31.03.2017
<b>a) Subsidiary Companies:-</b>		
(i) NHDC Limited	51.08%	51.08%
(ii) Loktak Downstream Hydroelectric Corporation Limited	74.00%	74.00%
(iii) Bundelkhand Saur Urja Ltd. *	99.99%	99.99%
<b>b) Joint Venture Companies:-</b>		
(i) Chenab Valley Power Projects Pvt. Limited #	55.39%	49.78%
(ii) National High Power Test Laboratory Private Limited *	20.00%	20.00%

\* Unaudited Annual Financial Statements

# During the year, the company has further invested Rs. 12236 Lacs in Chenab Valley Power Projects Pvt. Limited as a result of which the company's shareholding increased to 55.39%. However, Chenab Valley Power Projects Pvt. Limited continues to be a Joint Venture owing to control exercised jointly with other Joint Venturer, pursuant to the Joint Venture Agreement.

- 3 In view of the seasonal nature of business, the financial results of the current quarter may not be comparable with quarter ended 31st December, 2017.
- 4 During the year ended on 31.03.2018, company has commissioned 50 MW Solar Power Project in Tamilnadu, of which 25 MW has been commissioned on 01.02.2018 and balance 25 MW on 23.03.2018.
- 5 Electricity generation is the principal business activity of the Company. Other operations viz., Contracts, Project Management and Consultancy works do not form a reportable segment as per the Ind AS - 108 on 'Operating Segment'. The company is having a single geographical segment as all its power stations are located within the country.
- 6 Regulatory Income amounting to Rs.20531 Lacs and Rs. 71982 Lacs for the quarter and year ended 31.03.2018 respectively (Corresponding previous quarter Rs. 33358 Lacs and previous year Rs. 71399 Lacs) have been recognized in terms of Ind AS 114-Regulatory Deferral Accounts in respect of following:-  
 (i) Subsansiri Lower Project, where construction activities have been interrupted w.e.f. 16.12.2011 due to protest of anti-dam activists and pending receipt of report of the committee constituted by Ministry of Environment, Forest and Climate change in reference to the judgment given by National Green Tribunal (NGT) on 16.10.2017, amounting to Rs. 12032 Lacs and Rs.47482 Lacs for the quarter and year ended 31.03.2018 respectively (Corresponding previous quarter Rs. 13629 Lacs and previous year Rs. 51671 Lacs).  
 (ii) Expenditure recognised due to recommendations of 3rd PRC for Pay Revision of CPSUs amounting to Rs. 8410 Lacs and Rs. 24290 Lacs for the quarter and year ended on 31.03.2018 respectively which is recoverable through tariff (Corresponding previous quarter Rs. 19978 Lacs and previous year Rs. 19978 Lacs).  
 (iii) Exchange differences on Foreign Currency Monetary items charged to Statement of Profit & Loss as per Ind AS but recoverable through tariff as a part of capital cost of the project, amounting to Rs. 89 Lacs and Rs. 210 Lacs for the quarter and year ended 31.03.2018 respectively. (Corresponding previous quarter Rs. (-) 250 Lacs and previous year Rs.(-) 250 Lacs).
- 7 (i) Pending approval of tariff for the period 2014-19 by the Central Electricity Regulatory Commission (CERC) as per notification No.L-1/144/2013/CERC dt 21st February 2014 as well as approval of revised cost estimate, sales have been recognised provisionally as per tariff notified by CERC for the period 2009-14 in respect of Sewa-II, Chamera-III, TLDP-III and Parbati-III Power stations. However, pending 'truing up' of the capital cost for the tariff period 2014-19, sales have been reduced by Rs. 625 Lacs and Rs. 5837 Lacs on estimated basis during the quarter and year ended 31.03.2018 respectively (corresponding previous quarter Rs. 1664 Lacs and previous year Rs. 9483 Lacs) as an abundant precaution. Further, pending approval of revised cost estimate, sales in respect of TLDP-IV power station has been recognised as per the tariff order issued by CERC based on original cost estimate.
- (ii) Sales includes Rs. 5916 Lacs and Rs. 23663 Lacs for the quarter and year ended on 31.03.2018 respectively (corresponding previous quarter Rs. 19287 Lacs and previous year Rs. 19287 Lacs) on account of deferred tax materialized relating to the tariff period upto 31st March, 2009 in terms of Regulation 49 of Tariff Regulation issued vide CERC Notification No. L-1/144/2013-CERC dated 21.02.2014. Consequently, deferred tax liability has increased by Rs. 2145 Lacs and Rs. 13750 Lacs for the quarter and year ended 31.03.2018 respectively (corresponding previous quarter Rs. 12612 Lacs and previous year Rs.12612 Lacs)
- (iii) CERC Regulations for the tariff period 2014-19 provide for recovery of income tax from beneficiaries by way of grossing up of Return on Equity with effective tax rate of the respective financial year based on the actual tax paid during the year on the generation income. Accordingly, out of deferred tax liability created on generating income, an amount of Rs (-) 69479 Lacs and Rs (-) 51999 Lacs for the quarter and year ended 31.03.2018 respectively (Corresponding previous quarter Rs. 54439 Lacs and previous year Rs. 43698 Lacs) is accounted for as deferred tax adjustment against deferred tax liability as the same would get adjusted in effective tax rate in future years.
- (iv) Based on deliberations and subsequent developments in the course of hearing in CERC during the current year on the tariff proposal of all 4 units of Parbati-III Power Station, Management expected that keeping in view the current water availability and pending commissioning of Parbati-II Project currently under construction, revenue of 4th Unit recognised on estimated basis may not be realisable. Accordingly, unbilled revenue of Rs 24486 lacs recognised upto FY 2016-17 has been reversed in the books of accounts during the 2nd quarter of FY 2017-18 on account of change in estimates.
- (v) Due to agitation of Gorkha Land supporters in the state of West Bengal, TLDP-III Power Station was under shutdown from 12.07.2017 to 15.09.2017 and TLDP-IV Power Station was under shutdown from 13.07.2017 to 14.09.2017. Impact of shutdown of these Power Stations has resulted in non-recognition of revenue towards Annual Fixed Charges to the tune of Rs 8819 Lacs in respect of TLDP-III Power Station and Rs 4890 Lacs in respect of TLDP-IV Power Station for the quarter ended 30.09.2017 and year ended 31.03.2018.
- 8 CERC (Terms & Conditions of Tariff) Regulations provide for levy of late payment surcharge by generating company in case of delay in payment by customers beyond 60 days from the date of presentation of bill. Amount due but not recognised on account of surcharge during the quarter and year ended 31.03.2018 is Rs. 3213 Lacs and Rs.9957 Lacs respectively (cumulative amount till 31.03.2018 is Rs. 18842 Lacs) due to significant uncertainty in ultimate collection from the beneficiaries.

- 9 Other income for the quarter and year ended 31.03.2018 includes late payment surcharge of Rs.15442 Lacs Rs. 38504 Lacs respectively recognised in respect of two of the beneficiaries.
- 10 Employee benefits expense for the quarter and year ended 31.03.2018 includes Rs. 8580 Lacs and Rs. 26677 Lacs respectively (Corresponding previous quarter Rs. 20517 Lacs and year Rs. 20517 Lacs) which is provided in the books of accounts towards expected hike in Employee Benefits based on 3rd Pay Revision Committee recommendations.
- 11 During the quarter, the company has paid an interim dividend @11.20% of the face value of Rs. 10 per share (Rs. 1.12 per equity share) for the financial year 2017-18. The Board of Directors has recommended final dividend @ 2.80 % of the face value of Rs. 10 per share (Rs. 0.28 per equity share) for the financial year 2017-18. Total dividend (including interim dividend) is 14% of the face value of Rs. 10/- per share i.e. Rs 1.40 per equity share.
- 12 All Non-Convertible Debt Securities of the Company are Secured by way of Pari-passu charges over certain immovable and movable assets of the Company. The available Asset Coverage complies the requirement of terms of various issues/offer documents.
- 13 The Company has Credit Rating 'AAA' with Stable outlook, assigned by Domestic Credit Rating Agencies for all listed bonds, outstanding as on 31.03.2018. Further, Moody's has upgraded International rating of NHPC from Baa3 positive to Baa2 stable on 16.11.2017 and S&P has maintained International Rating BBB(-) with Stable Outlook, equivalent to Sovereign Rating of India.
- 14 The company has paid Principal and Interest of Non-Convertible Debt Securities (NCDs) on due dates as per offer documents. Details of previous due dates of payment of Principal and Interest of NCDs are as below:-

Sr. No.	Particulars	Previous due date	
		Principal	Interest
(i)	BONDS-O Series	31-Mar-18	31-Mar-18
(ii)	BONDS-P Series	1-Feb-18	28-Feb-18
(iii)	BONDS-Q Series	12-Mar-18	12-Mar-18
(iv)	BONDS-R-1 Series	11-Feb-18	11-Feb-18
(v)	BONDS-R-2 Series	11-Feb-18	11-Feb-18
(vi)	BONDS-R-3 Series	Not yet due	11-Feb-18
(vii)	BONDS-S-1 Series	26-Nov-17	26-Nov-17
(viii)	BONDS-S-2 Series	Not yet due	26-Nov-17
(ix)	BONDS-T Series	Not yet due	14-Jul-17
(x)	TAX FREE BONDS-1A Series	Not yet due	1-Apr-17
(xi)	TAX FREE BONDS-1B Series	Not yet due	1-Apr-17
(xii)	TAX FREE BONDS-2A Series	Not yet due	1-Apr-17
(xiii)	TAX FREE BONDS-2B Series	Not yet due	1-Apr-17
(xiv)	TAX FREE BONDS-3A Series	Not yet due	1-Apr-17
(xv)	TAX FREE BONDS-3B Series	Not yet due	1-Apr-17
(xvi)	BONDS-U Series	Not yet due	27-Jun-17
(xvii)	BONDS-U1 Series	Not yet due	27-Jun-17
(xviii)	BONDS-V1 Series	24-Jan-18	24-Jan-18

- 15 Formula used for computation of Ratio:  
 1. 'Debt Service Coverage Ratio' (DSCR) = [Profit before Interest, Depreciation and Tax]/[Principal repayment, excluding payment under put option+Interest]  
 2. 'Interest Service Coverage Ratio' (ISCR) = [Profit before Interest, Depreciation and Tax]/ Interest.

Amount of interest and principal repayments considered in above formula pertain to loans taken for operational power stations.

- 16 Statutory Auditors have included the following matters in Audit Report on the accounts for the year ended 31.03.2018 under "Emphasis of Matter" paragraph, without modifying their opinion in respect of these matters:
- (i) Provisions against the expenditure incurred for conducting survey & investigation of projects are being carried forward pending clearances with various authorities,
- (ii) Uncertainty related to the outcome of the claims/ arbitration proceedings and lawsuit filed by/ against the Company on/ by contractors and others,
- (iii) Certain risks and uncertainties might affect the future recovery of Regulatory Deferral Account Balances being created in respect of additional expenditure on Subansiri Lower Project,
- Matters referred under para (i) and (ii) above were included by the Statutory Auditors under " Emphasis of Matter" paragraph in the Audit Report for the year ended 31.03.2017 as well.

Response of the Management to the above points presented in "Emphasis of Matter" is as under:-

- (i) In the opinion of the management, the projects on which survey & investigation expenditure is incurred are still active and accordingly, the expenditure incurred is being carried forward. However, Provision wherever considered necessary has been made in the books,
- (ii) Management has assessed and provided for the probable outflow wherever required as per provisions of Ind AS, and
- (iii) Rate regulated assets created at this project shall be tested for impairment during FY 2018-19 and impairment loss, if any, shall be recognised accordingly.
- 17 The audited accounts are subject to review by Comptroller and Auditor General of India under section 143 (6) of the Companies Act, 2013.
- 18 Figures of the quarter ended 31.03.2018 and 31.03.2017 are the balancing figures between audited figures in respect of the full financial year and the published year to date figures upto the third quarter of the relevant financial year.
- 19 Figures for the previous periods have been re-grouped/re-arranged wherever necessary.

For and on behalf of the Board of Directors of  
NHPC Ltd.

  
(MAHESH KUMAR MITTAL)  
DIRECTOR (FINANCE)  
DIN - 02889021

Place : New Delhi  
Date 28.05.2018

S. N. Dhawan & Co LLP  
Chartered Accountants  
410, Ansal Bhawan

16, Kasturba Gandhi Marg  
New Delhi -110 001

Ray & Ray  
Chartered Accountants  
Webel Bhavan, Ground Floor

Block EP & GP, Salt Lake, Sector V  
Kolkata – 700 091

Arora Vohra & Co.  
Chartered Accountants  
Chaitanya Complex  
Prem Bhawan, Residency Road  
Jammu Tawi – 180001  
Jammu & Kashmir

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF NHPC LIMITED

#### Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of **NHPC LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended and a summary of the significant accounting policies and other explanatory information.

#### Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

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

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable



assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

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

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2018, its profit (financial performance including other comprehensive income), its cash flows and changes in equity for the year ended on that date.

### Emphasis of Matter

We draw attention to the following matters in the Notes to the standalone Ind AS financial statements:

- i) Note no. 2.2 para 2 to the standalone Ind AS financial statements regarding expenditure incurred for conducting survey and investigation on projects either provided for on account of uncertainty about the outcome or being carried forward pending clearance with various authorities.
- ii) Note No. 34 para 1 to the standalone Ind AS financial statements, regarding the uncertainty related to the outcome of the claims/ arbitration proceedings and lawsuits filed by/ against the Company on/ by contractors and others. In some of the cases the arbitration award has been decided against the Company/ lost in lower courts and the Company is pursuing the matter in higher courts.
- iii) Note No. 34 para 22A to the standalone Ind AS financial statements, regarding Subansiri Lower Project where the construction activities at site have been interrupted w.e.f. 16.12.2011 due to protest by anti-dam activists and the case is pending before the National Green Tribunal. Certain risks and uncertainties might affect the future recovery of Regulatory Deferral Account Balances being created in respect of additional expenditure on this project.

Our opinion is not modified in respect of these matters.





## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in the paragraphs 3 and 4 of the Order.
2. The Comptroller and Auditor General of India has issued directions indicating the areas to be examined in terms of sub-section (5) of Section 143 of the Act, the compliance of which is set out in "Annexure B".
3. As required by Section 143 (3) of the Act, we report that:
  - a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c) the Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
  - d) in our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act read with relevant rules issued thereunder.
  - e) being a Government Company, pursuant to the Notification No. GSR 463(E) dated 5th June, 2015 issued by the Ministry of Corporate Affairs, Government of India, provisions of sub-section (2) of Section 164 of the Act, are not applicable to the Company;
  - f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure C"; and
  - g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. the Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 34 Para 1 to the standalone Ind AS financial statements;
    - ii. the Company has made provision, as required under the applicable law or Indian Accounting Standards, for material foreseeable losses, if any, on long-term contracts. The Company did not have any derivative contracts;

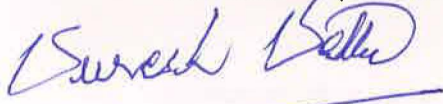


iii. there has been no delay in transferring amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S. N. Dhawan & Co LLP  
Chartered Accountants  
FRN 000050N/N500045

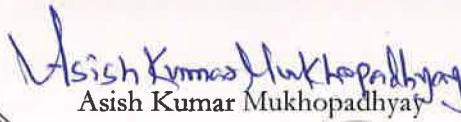
For Ray & Ray  
Chartered Accountants  
FRN 301072 E

For Arora Vohra & Co.  
Chartered Accountants  
FRN 09487N

  
Suresh Seth  
Partner


M. No. 010577



  
Asish Kumar Mukhopadhyay  
Partner

M. No. 056359



  
Rajat Mengi  
Partner

M. No. 08987



Place: New Delhi  
Date: May 28, 2018

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

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Property, Plant and Equipment.

(b) The Property, Plant and Equipment, except in case of land in certain units, have been physically verified by the management / outside agencies. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and nature of its assets. As per the information given to us by the management, no material discrepancies as compared to book records were noticed in respect of Property, Plant and Equipment physically verified during the year.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company except for the following.

Total no of cases	Type of asset	Gross block as at 31.03.2018	Net block as at 31.03.2018	Remarks
6	Freehold land (129.79 Hectare)	Rs. 0.53 Crore	Rs. 0.53 Crore	The Company is taking appropriate steps for execution of title/lease deed.
8	Leasehold Land (870.87 Hectare)	Rs. 306.08 Crore	Rs.245.01 Crore	

- ii. The inventories have been physically verified during the year by the management / outside agencies. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on physical verification of inventories as compared to book records were not material and the same have been properly dealt with in the books of account.
- iii. According to the information and explanations given to us by the Management, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act, except unsecured loan granted during the year to one Company, in respect of which:
- in our opinion the terms and conditions of grant of such loans are not, *prima facie*, prejudicial to the interest of the Company.
  - the schedule of repayment of principal and payment of interest has been stipulated and the repayment of the principal amount and the interest are regular.
  - there is no overdue amount in respect of such loan granted to the Company.



- iv. In our opinion and according to information and explanations given to us the Company has, in respect of loans, investments, guarantees, and security, complied with the provisions of section 185 and 186 of the Act.
- v. The Company has not accepted any deposits within the meaning of sections 73 to 76 or any other relevant provisions of the Act other than overdue earnest money deposits and security deposits. However, Management is of the view that overdue earnest money deposits and security deposits of suppliers/contractors appearing in the books are in the nature of retention money for performance of contracts for supply of goods and services and accordingly, not to be treated as deemed deposits by virtue of amendment in rule 2, sub rule (1), clause (c) of the Companies (Acceptance of Deposits) Amendment Rules 2016. Accordingly, clarification/exemption has been sought by the Management vide its letter no. NH/CS/433 dated 25th January, 2018 from the Ministry of Corporate Affairs (MCA) regarding applicability of MCA notification no. G.S.R. 639(E) dated 29.06.2016 to such security deposits/ retention money.
- vi. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of Company's products/services and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained.
- vii. a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, goods and service tax, cess and any other material statutory dues have generally been regularly deposited with the appropriate authorities. We are informed that the Employees' State Insurance Scheme is not applicable to the Company. According to the information and explanations given to us, no undisputed demand payable in respect of aforesaid statutory dues was in arrears, as at 31<sup>st</sup> March, 2018 for a period of more than six months from the date they became payable.
- b) According to the information and explanations given to us and as per the records of the Company, the following dues of income tax, sales tax/VAT, goods and service tax, duty of customs, service tax, property tax & consumption tax have not been deposited on account of dispute.

Name of Statute	Nature of Duties	Amount (Rs. in Crores)	Financial Year to which it pertains	Deposit under Protest (Rs. in Crores)	Forum at which case is pending
Income Tax Act, 1961	Income Tax	7.07	2012-13	1.41	CIT (A) Faridabad
Sales Tax Acts/VAT Acts	Sales Tax/VAT	277.57	1994-95	0.22	J & K Sales Tax Appellate Tribunal



		5.26	2005-06 to 2009-10		Assistant Excise & Taxation Commissioner, Kullu
		15.29	2004-05 to 2011-12	15.29	West Bengal Taxation Tribunal, Kolkata
		5.16	2013-14		Commercial Tax Department J&K
		1.4	2006-07 to 2009-10		St. Joint Commissioner Siliguri Circle
		2.74	2012-13		Joint Commissioner, Siliguri
Finance Act, 1996	Service Tax	26.07	2012-13		CESTAT, Kolkata
		0.04	Jan, 2008		Service Tax Department, Patna
Custom Act, 1962	Duty of Custom	2.2	1986-87		Kolkata High Court
The Jammu & Kashmir Urban Immovable Property Tax Act, 1962	Property Tax	0.05	01.04.1991 to 31.03.1997		Tax Tribunal
		0.15	01.04.1997 to 31.03.2002		Tax Tribunal
Water(Prevention and Control of Pollution) Act, 1974	Water Cess	67.93	2015-16 to 2017-18		High Court of Uttarakhand, Nainital
Uttarakhand Green Energy Cess Act, 2014	Green Energy Cess	33.19	2015-16 to 2017-18		High Court of Uttarakhand, Nainital



WB State Tax on Consumption of Use of Goods Act, 2001	Consumption Tax	0.06	2003-04 to 2005-06		Kolkata High Court
BOCW Act, 1996	BOCW Cess	9.24	2010-11	9.24	Labour Officer cum cess assessment officer
West Bengal Tax on Entry of Goods into Local Areas Act, 2012	Entry Tax	0.87	2012-13 to 2017-18		Senior Joint Commissioner, Siliguri
West Bengal Tax on Entry of Goods into Local Areas Act, 2012	Entry Tax	0.17	2003-2006		Senior Joint Commissioner, Siliguri

- viii. Based on our audit procedures and as per the information and explanations given to us by the management, the Company has not defaulted in repayment of loans or borrowings to any financial institution, bank, government and dues to debenture holders.
- ix. In our opinion and as per the information and explanations given to us by the management, the Company has applied the money raised during the year by way of debt instruments and term loans for the purpose for which they were raised. The Company has not raised any money by way of initial public offer/ further public offer during the year.
- x. Based on our audit procedures and as per the information and explanations given to us by the management, no fraud by the Company or any fraud on the Company, by any person including its officers/ employees, has been noticed or reported during the year.
- xi. In view of exemption given in terms of Notification No. G.S.R. 463(E) dated 05<sup>th</sup> June 2015 issued by the Ministry of Corporate Affairs, Government of India, the provisions of Section 197 read with schedule V of the Act regarding managerial remuneration, are not applicable to the Company.
- xii. According to the information and explanations given to us by the management, the Company is not a Nidhi Company. Therefore, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. According to the information and explanations given to us by the management and on the basis of our examination of the records of the Company, transactions with related parties are in compliance with the provisions of section 177 and 188 of the Act, wherever applicable and the details of such transactions have been disclosed in the notes to the financial statements as required by the applicable accounting standards.

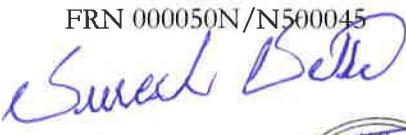


- xiv. Based on our audit procedures and as per the information and explanations given to us by the management, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Therefore, the provisions of clause 3(xiv) of the Order are not applicable to the Company.
- xv. In our opinion and as per the information and explanations given to us by the management, the Company has not entered into any non-cash transactions with directors or persons connected with them. Therefore, the provisions of clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under section 15 IA of the Reserve Bank of India Act, 1934. Therefore, the provisions of clause 3(xvi) of the Order are not applicable to the Company.

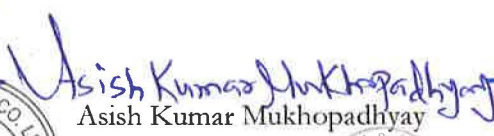
For S. N. Dhawan & Co LLP  
Chartered Accountants  
FRN 000050N/N500045

For Ray & Ray  
Chartered Accountants  
FRN 301072 E

For Arora Vohra & Co.  
Chartered Accountants  
FRN 09487N

  
Suresh Seth  
Partner  
M. No. 010577



  
Asish Kumar Mukhopadhyay  
Partner  
M. No. 056359



  
Rajat Mengi  
Partner  
M. No. 089871



**Place:** New Delhi

**Date:** May 28, 2018

**Annexure B referred to in paragraph 2 under the heading “Report on Other Legal and Regulatory Requirements” of our Report of even date.**

Sl. No.	Directions	Reply
1	Whether the company has clear title/lease deeds for freehold and leasehold land respectively? If not, please state the area of freehold and leasehold land for which title/lease deeds are not available.	All freehold and leasehold lands have clear titles/lease deeds except for 129.79 hectares and 870.87 hectares respectively.
2	Whether there are any cases of waiver/write off of debts/loans/interest etc. If yes, the reasons thereof and amount involved.	There is one case where Rs 0.07 crores has been written off with the approval of Competent Authority.
3	Whether proper records are maintained for inventories lying with third parties & assets received as gift/grant(s) from Government or other authorities.	In our opinion, the company is maintaining proper records for inventories lying with third parties. As informed, the Company has not received any assets as gift/grant(s) from Government or other authorities.

For S. N. Dhawan & Co LLP  
Chartered Accountants  
FRN 000050N/N560045

For Ray & Ray  
Chartered Accountants  
FRN 301072 E

For Arora Vohra & Co.  
Chartered Accountants  
FRN 09487N

*Suresh Seth*

Suresh Seth  
Partner  
M. No. 010577



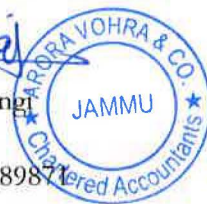
*Asish Kumar Mukhopadhyay*

Asish Kumar Mukhopadhyay  
Partner  
M. No. 056359



*Rajat Mengi*

Rajat Mengi  
Partner  
M. No. 08987



Place: New Delhi  
Date: May 28, 2018



**Annexure C referred to in paragraph 3(f) under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date:-**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of **NHPC LIMITED** (“the Company”) as of 31<sup>st</sup> March, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

**Management’s Responsibility for Internal Financial Controls**

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

**Auditor’s Responsibility**

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

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

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



### Meaning of Internal Financial Controls Over Financial Reporting

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

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For S. N. Dhawan & Co LLP  
Chartered Accountants  
FRN 000050N/N500045

For Ray & Ray  
Chartered Accountants  
FRN 301072 E

For Arora Vohra & Co.  
Chartered Accountants  
FRN 09487N

*Suresh Seth*

Suresh Seth  
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Asish Kumar Mukhopadhyay  
Partner  
M. No. 056359



*Rajat Mengi*

Rajat Mengi  
Partner  
M. No. 089871



**Place:** New Delhi

**Date:** May 28, 2018

S. N. Dhawan & Co LLP  
Chartered Accountants  
41 O, Ansal Bhawan

16, Kasturba Gandhi Marg  
New Delhi - 110 001

Ray & Ray  
Chartered Accountants  
Webel Bhavan, Ground Floor

Block EP & GP, Salt Lake, Sector V  
Kolkata - 700 091

Arora Vohra & Co.  
Chartered Accountants  
Chaitanya Complex  
Prem Bhawan, Residency Road  
Jammu Tawi - 180001  
Jammu & Kashmir

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NHPC LIMITED

### Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of **NHPC LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and joint ventures comprising the Consolidated Balance Sheet as at 31st March, 2018, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Cash flows and the Consolidated Statement of Changes in Equity, for the year then ended and a summary of the significant accounting policies and other explanatory information.

#### Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group and its joint ventures in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with relevant rules issued thereunder. The respective Board of Directors of the companies included in the Group and its joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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



An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports and the financial statements/financial information certified by the Management referred to in sub-paragraphs (a) & (b) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the consolidated state of affairs (financial position) of the Group and its joint ventures as at 31st March, 2018, their consolidated profit (financial performance including other comprehensive income), their consolidated cash flows and consolidated changes in equity for the year ended on that date.

### Emphasis of Matter

We draw attention to the following matters in the Notes to the consolidated Ind AS financial statements:

- a) Note no. 2.2 para 2 to the consolidated Ind AS financial statements regarding expenditure incurred for conducting survey and investigation on projects either provided for on account of uncertainty about the outcome or being carried forward pending clearance with various authorities.
- b) Note No. 34 para 2 to the consolidated Ind AS financial statements, regarding the uncertainty related to the outcome of the claims/ arbitration proceedings and lawsuits filed by/ against the Company on/ by contractors and others. In some of the cases the arbitration award has been decided against the Company/ lost in lower courts and the Company is pursuing the matter in higher courts.
- c) Note No. 34 para 23A to the consolidated Ind AS financial statements, regarding Subansiri Lower Project where the construction activities at site have been interrupted w.e.f. 16.12.2011 due to protest by anti-dam activists and the case is pending before the National Green Tribunal. Certain risks and uncertainties might affect the future recovery of Regulatory Deferral Account Balances being created in respect of additional expenditure on this project.

Our opinion is not modified in respect of these matters.



## Other Matters

- a) i) We did not audit the Ind AS financial statements/financial information of the following subsidiaries whose Ind AS financial statements/financial information reflect the details of total assets and net assets as at 31<sup>st</sup> March 2018, total revenues and net cash flows for the year ended on that date to the extent to which they are reflected in the consolidated Ind AS financial statements:

(Rs. in crores)

Name of the Subsidiaries	Total Assets	Net Assets	Total Revenues	Net Cash Inflows/ (Outflows)
NHDC Limited	7845.50	2674.29	1056.68	(0.25)
Loktak Downstream Hydroelectric Corporation Limited (LDHC Limited)	144.80	96.77	1.00	(0.04)

- ii) The consolidated Ind AS financial statements also include the Group's share of net profit (including Other Comprehensive Income) for the year ended 31 March 2018 as considered in the consolidated Ind AS financial statements in respect of following joint venture whose financial statements/ financial information have not been audited by us:

(Rs. in crores)

Name of Joint Venture	Group's share of net profit
Chenab Valley Power Projects (P) Limited (CVPPPL)	2.06

These Ind AS financial statements /financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosure included in respect of these subsidiaries and joint venture and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and joint venture is based solely on the reports of the other auditors

- b) i) The consolidated Ind AS financial statements also include the financial statements/financial information of the following subsidiary whose unaudited financial statements/financial information reflect total assets and net assets as at 31 March 2018, total revenues and net cash flows for the year ended on that date, as considered in the consolidated Ind AS financial statements, are given below:

(Rs. in crores)

Name of the Subsidiary	Total Assets	Net Assets	Total Revenues	Net Cash Inflows/ (Outflows)
Bundelkhand Saur Urja Limited (BSUL)	20.83	3.46	0.04	0.20



ii) The consolidated Ind AS financial statements also include the Group's share of net loss (including Other Comprehensive Income) for the year ended 31 March 2018 as considered in the consolidated Ind AS financial statements in respect of following joint venture whose financial statements/ financial information is unaudited:

(Rs. in crores)

Name of Joint Venture	Group's share of net profit/(loss)
National High Power Test Laboratory Private Limited (NHPTL)	(2.13)

These Ind AS financial statements/financial information are unaudited and have been furnished to us by the Holding Company's Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of above subsidiary and joint venture, and our report in terms of sub section (3) of section 143 of the Act in so far as it relates to the aforesaid subsidiary and joint venture is based solely on such unaudited Ind AS financial statements/financial information as certified by the management. In our opinion and according to the information and explanations given to us by the management, these Ind AS financial statements/financial information is not material to the group.

Our opinion on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the Ind AS financial statements/financial information certified by the Management.

### Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of reports of the other auditors on separate Ind AS financial statements and the other unaudited Ind AS financial statements/financial information as certified by the management of the subsidiaries and joint ventures, which is stated in the 'Other Matters' paragraph herein above, we report, to the extent applicable, that:

- We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.
- In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.
- In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act read with relevant rules issued thereunder.



- e) Being a Government Company, pursuant to the Notification No. GSR 463(E) dated 5th June, 2015 issued by the Ministry of Corporate Affairs, Government of India, provisions of sub-section (2) of Section 164 of the Act, are not applicable to the Group and its joint ventures.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, its subsidiaries and joint ventures incorporated in India and the operating effectiveness of such controls, refer to our separate report in Annexure A.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate Ind AS financial statements as also the other financial information of subsidiary and joint venture, as stated in the 'Other Matters' paragraph herein above:
- i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its joint ventures. Refer Note 34, para 2 & 16 to the consolidated Ind AS financial statements.
  - ii. The Group and its joint ventures have made provision, as required under the applicable law or Indian accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
  - iii. There has been no delay in transferring amounts which were required to be transferred to the Investor Education and Protection Fund by the Group and its joint ventures.

For S. N. Dhawan & Co LLP  
Chartered Accountants  
FRN 000050N/N500045

For Ray & Ray  
Chartered Accountants  
FRN 301072 E

For Arora Vohra & Co.  
Chartered Accountants  
FRN 09487N

*Suresh Sethi*

Suresh Sethi  
Partner  
M. No. 010577



*Asish Kumar Mukhopadhyay*  
Asish Kumar Mukhopadhyay  
Partner  
M. No. 056359



*Rajat Mengi*

Rajat Mengi  
Partner  
M. No. 089871



Place: New Delhi  
Date: May 28, 2018

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

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

In conjunction with our audit of the consolidated financial statements of the Group as of and for the year ended 31<sup>st</sup> March, 2018, we have audited the internal financial controls over financial reporting of **NHPC Limited** (hereinafter referred to as “the Holding Company”) and its subsidiary companies and its joint ventures which are companies incorporated in India as of that date.

**Management’s Responsibility for Internal Financial Controls**

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

**Auditor’s Responsibility**

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

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





We believe that the audit evidence we have obtained and the audit evidence obtained by other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls Over Financial Reporting**

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

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

### **Opinion**

In our opinion, the Holding Company, subsidiary companies and its joint ventures, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

### **Other Matters**

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to two subsidiaries and one joint venture incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to one subsidiary and one joint venture incorporated in India, whose financial statements / financial information are unaudited and our opinion on



the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Group, as explained by the management, is not affected as these financial statements / financial information are not material to the Group.

For S. N. Dhawan & Co LLP  
Chartered Accountants  
FRN 000050N/N500045

For Ray & Ray  
Chartered Accountants  
FRN 301072 E

For Arora Vohra & Co.  
Chartered Accountants  
FRN 09487N

*Suresh Seth*

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Partner  
M. No. 089871



**Place:** New Delhi  
**Date:** May 28, 2018