

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

## 2007-08

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**BOARD OF DIRECTORS****Sh P K Jena, IAS**

Chairman-Cum-Managing Director

**Sh S C Mahapatra, IAS**

Chairman-Cum-Managing Director

(upto 08.12.2008)

**Sh B K Patnaik, IAS****Sh P Venugopal Rao****Sh C J Venugopal, IAS****Sh B B Singh Samant****Sh D P Das, IAS****Sh S K Pattanayak, IRAS**

Director (Finance &amp; HRD)

**Sh A B Rao****Sh J Padhi**

Director (Operation)

**Sh M S Samantray**

Company Secretary

**Sh P K Sahoo****BANKERS****State Bank of India****Indian Overseas Bank****Bank of India****Union Bank of India****STATUTORY AUDITORS****B N Misra & Co**

Chartered Accountants

**BRANCH AUDITORS****V Tripathy & Co**

Chartered Accountants

**MPS & Associates**

Chartered Accountants

**Brahmananda & Co**

Chartered Accountants

**N Agarwala & Associates**

Chartered Accountants

**K Panigrahi & Associates**

Chartered Accountants

## DIRECTORS' REPORT

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

The Directors have the pleasure in presenting the 13<sup>th</sup> Annual Report of the Company together with the audited accounts for the year ended 31<sup>st</sup> March, 2008.

### 1. ENERGY SCENARIO OF THE COUNTRY

The installed power generating capacity in the Country as on 30<sup>th</sup> September, 2008 was 1,45,555 MW. The share of hydro power was 36,348 MW (25%). Power generation in the financial year 2007-08 was 699.16 billion units including hydro power of 123.57 billion units. The hydro power generation accounts for 17.7% of the power generation.

The Eastern Region comprising Bihar, Jharkhand, Orissa, West Bengal, Sikkim and Union Territory of Andaman Nicobar Islands has a total installed capacity of 20882 MW as on 30.09.2008 which includes 9014 MW as the share of States in the Central power generating units. Out of that the hydro power capacity of the Eastern Region including 714 MW share from Central Sector is 3934 MW. The installed capacity of OHPC is 2062 MW excluding 6 MW of Potteru. This accounts for 52.4 % of the hydro power installed capacity of the Eastern Region.

The hydro power generation of the Eastern Region in the year 2007-08 was 15217 MU. Out of that, generation by OHPC was 8025 MU which accounted for 52.73%.

### 2. PERFORMANCE HIGHLIGHTS OF OHPC:

The hydro power generating stations in the State were transferred to OHPC on 01.04.1996. The financial year 2007-08 is the 12<sup>th</sup> operating year of OHPC. Brief physical and financial result of the year 2007-08 and the previous two years is given hereunder.

(a) Power Generation:

	Units	Installed capacity (MW)	Design Energy (MU)	Generation (MU)			
				05-06	06-07	07-08	08-09 (upto Oct.' 08)
(i)	Hirakud Power System (HPS)	347.5	1174	909	862	981	736
(ii)	Balimela	360.0	1183	1055	1621	1832	603
(iii)	Rengali	250.0	525	679	670	983	679
(iv)	Upper Kolab	320.0	832	624	1026	1075	376
(v)	Upper Indravati	600	1962	1763	3019	2979	1290
	<b>Sub-total</b>	<b>1877.5</b>	<b>5676</b>	<b>5030</b>	<b>7198</b>	<b>7850</b>	<b>3684</b>
(vi)	Machkund (Orissa drawal)	34.5*	300	324	342	175	168
	<b>Total</b>	<b>1912.0</b>	<b>5976</b>	<b>5354</b>	<b>7540</b>	<b>8025</b>	<b>3852</b>

\* Installed capacity of Machkund Joint H E Project is 114.75 MW. Besides 30 % share (34.5 MW) on payment of O&M cost, additional 20% (23 MW) is available to OHPC at a mutually agreed tariff.

Hydro Power generation during 2007-08 is the highest since inception of OHPC.

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

Sl No	Units	Design energy for sale	05-06	06-07	07-08	08-09 (upto Oct.' 08)
1	Hirakud Power System	1162	875	819	956	706
2	Balimela	1171	1024	1589	1800	589
3	Rengali	520	667	649	956	663
4	Upper Kolab	824	611	1003	1074	366
5	Upper Indravati	1942	1751	3006	2948	1257
	<b>Sub-Total</b>	<b>5619</b>	<b>4928</b>	<b>7066</b>	<b>7734</b>	<b>3581</b>
6	Machkund (Orissa share)	300	324	342	175	168
	<b>Total</b>	<b>5919</b>	<b>5252</b>	<b>7408</b>	<b>7909</b>	<b>3749</b>

Power sold during the year is the highest since inception of OHPC.

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

Power Stations	Financial years				
	2004-05	2005-06	2006-07	2007-08	2008-09 (upto Oct'. 08)
Burla	78.76	65.41	68.94	82.26	88.67
Chiplima	50.91	47.98	53.21	46.08	75.60
Balimela	86.60	87.18	88.74	89.51	90.17
Rengali	88.77	81.16	70.65	86.47	84.21
Upper Kolab	93.90	76.50	80.90	92.01	85.93
Upper Indravati	90.27	68.86	89.00	90.24	89.07

The percentage of availability of power stations except Chiplima during 2007-08 and during the seven months period of the current year by and large compare well with the standard of 85% availability.

**(d) Financial Results: (Rs.in Crore).**

	2003-04	2004-05	2005-06	2006-07	2007-08
Sale of power	230.33	275.94	208.46	303.65	386.04
Profit after prior period adjustment but before depreciation and tax	118.50	174.93	89.70	178.21	254.43
Less: Depreciation	112.33	110.85	112.66	117.23	117.33
Net profit + / Loss (-) before tax. (MAT & FBT)	6.17	64.08	(-)22.96	60.98	137.10

From the year 2001-02, the tariff of OHPC was based on re-imbursement of costs. In spite of tariff restriction, there was profit in all the years since 2003-04 except 2005-06 mainly on account of good monsoon leading to higher generation than the design energy. The loss in the year 2005-06 was due to both monsoon failure and tariff restriction.

The profit / (loss) of the units during the year 2007-08 compared to the previous years is as under:

**Profit / (Loss) (Rs. in crore)**

Sl No	Units	2003-04	2004-05	2005-06	2006-07	2007-08
1	HPS	(16.43)	(29.25)	(11.83)	(14.51)	(6.80)
2	Balimela	2.44	12.55	(18.15)	3.29	60.73
3	Rengali	1.01	(1.50)	(4.43)	(6.38)	3.51
4	Upper Kolab	(4.60)	4.71	(14.78)	(9.24)	(4.41)
5	UIHEP	23.75	77.57	26.23	87.82	84.07
	<b>Total before MAT &amp; FBT</b>	<b>6.17</b>	<b>64.08</b>	<b>(22.96)</b>	<b>60.98</b>	<b>137.10</b>

The profit before tax in the year 2007-08 is the highest since inception.

**3. MACHKUND JOINT PROJECT:**

Machkund was a joint Project of Govt. of Orissa and 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 recovered from Gridco and remitted to APGENCO. Therefore, the Annual Accounts of OHPC do not include the financial results of this joint Project.

**4. ACTIVITIES DURING THE YEAR 2008-09.**

The year witnessed medium rain fall in the months of July to September, 2007. Reservoir level position as on 20<sup>th</sup> September, 2008 of the current year and the last two years is as under:-

	Name of the Reservoir	Unit	Full Reservoir Level	Minimum Draw Down Level	Reservoir as on		
					20.09.2006	20.09.2007	20.09.2008
(i)	Hirakud	Feet	630	590	630.06	630.00	630.00
(ii)	Balimela	Feet	1516	1440	1516.60	1496.00	1474.90
(iii)	Rengali	Metre	123.50	109.72	123.19	123.50	123.78
(iv)	Upper Kolab	Metre	858	844	857.22	855.92	852.78
(v)	Indravati	Metre	642	625	641.70	641.50	640.25
(vi)	Machkund	Feet	2750	2685	2747.05	2746.90	2744.00

Power generation during the seven months ended October, 2008 compared to the corresponding period of last year and the target of the year is as under:

Units	Power Generation (Million Units)		
	Target fixed by CEA (For 2008-09)	Power generation	
		Current Year (4/08 to 10/08)	Previous Year (4/07 to 10/07)
Hirakud Power System	881	736	746
Balimela	1183	603	1104
Rengali	818	679	754
Upper Kolab	800	376	707
Upper Indravati	2378	1290	1879
<b>Sub-Total</b>	<b>6060</b>	<b>3684</b>	<b>5190</b>
Machkund	300	168	140
<b>Total</b>	<b>6360</b>	<b>3852</b>	<b>5330</b>

With a medium rainfall and present reservoir level, expected availability of machines and restrictions in drawal of water, power generation during the current year shall be around the design energy level.

## 5. TARIFF STRUCTURE:

Based on the correctives suggested by the OERC and accepted by the State Govt., the hydropower tariff for the year 2001-02 onwards is based on reimbursement of costs.

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) Return on Equity (RoE) is not allowed in respect of the assets of old power stations transferred to OHPC.

(iii) Depreciation is calculated at pre-1992 norms of GoI. However, it covers principal repayments due during the year.

(iv) Interest on debt servicing of the State Govt. is kept in abeyance.

OHPC provides the cheapest power and meets the peak load requirement of the State Grid. OHPC's financial position will improve after its tariff is liberated from the above restrictions.

## 6. PROJECTS UNDER IMPLEMENTATION:

(i) Extension of Balimela H E Project:

The extension envisages setting up two units namely Unit 7 & 8 of 75 MW each at a capital cost of Rs. 200 crore. The Contracts one with M/s. OJSC Power Machines, Russia for supply of plant & equipments and the other with M/s. Power Machines (India), New Delhi for the indigenous services were signed on 24.10.2003, which was considered as the zero date. The schedule date of completion of the project was 36 months from the zero date. However, there has been delay in project completion and commissioning. The Contractor has been advised to expedite the progress for the commissioning and handing over the project by December, 2008.

(ii) Potteru Small Hydrel Project (2x3 MW)

Commercial operation of the first unit is expected after rectification of governing system by the Contractor, M/s. Best & Crompton. The Contractor has been pursued to mobilise resources for early rectification of the defects.

(iii) Orissa Thermal Power Corporation Ltd.

OHPC and Orissa Mining Corporation Ltd. have together floated a Joint Venture Company namely Orissa Thermal Power Corporation Limited for setting up thermal power plant of 2000 MW capacity. OHPC is a 50% shareholder of this JV Company. The initial works such as identification of site, water connection, fuel connection etc. are being taken up by this JV Company.

(iv) Development of Baitarni West Coal Block (602MT)

OHPC has been allotted a coal block (Baitarni West of 602MT) to be shared equally among the Kerala State Electricity Board and Gujarat Power Corporation Ltd. through the Govt. Dispensation Route vide the GoI, Ministry of Coal letter dtd. 25<sup>th</sup> July, 2007. A JV Company namely Baitarni West Coal Company Ltd. between the three allocatees was incorporated on 22.04.2008 and Certificate for Commencement of Business was obtained on 05.05.2008.

The development of the coal block as per the guidelines and instructions of the Ministry of Coal, Govt. of India is under progress.

(v) Shell Companies.

The Govt. of India have decided to develop infrastructure for setting up of power projects in Orissa in the pattern of Ultra Mega Power Project (UMPP) under competitive tariff based bidding route through the Nodal Agency PFC Consulting Ltd. As such, OHPC is no more dealing with the setting up such type of projects proposed earlier.

PFC has agreed to reimburse the expenses incurred by OHPC towards incorporation of the three shell companies. After receipt of DoE approval vide letter dtd. 02.08.08, necessary applications have been submitted to Registrar of Companies, Orissa on 12.08.08 for striking off the name of three shell companies which were incorporated on 17.04.2007.

## 7. PROPOSED RENOVATION & MODERNISATION:

- (a) The tendering process for selection of Consultants for the R&M of Unit 5&6, Burla and unit – 3 Chiplima are under process.
- (b) The renovation process of Balimela Power Station has been initiated in consultation with CEA.

## 8. (a) Manpower

The employees position as on 01.11.2008 (executives and non-executives including regular, NMR and Contingent Khalasis but excluding 427 employees on deputation mostly from DOWR posted at UIHEP, Khatiguda) and Mukhiguda is as under:

Sl No	Units	Installed Capacity MW as on 01.10.2008	Number of employees as on 01.10.2008	Employees per MW as on 01.11.2008
A.	Corporate Office	0	157	-
B.	Projects under operation:-			
(i)	Rengali HEP	250	531	2.12
(ii)	Upper Kolab	320	355	1.11
(iii)	Hirakud Power System	347.5	569	1.64
(iv)	Balimela HEP	510	398	1.11
(v)	UIHEP (Electrical) NMR & Cks	600	513 113	1.04
(vi)	Machkund Joint Scheme (30% share)	34.5	117	3.39
	<b>Total</b>	<b>1912</b>	<b>2753</b>	<b>1.44</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.

## (d) Website:

Information about the Corporation can be obtained from its website [www.ohpcltd.com](http://www.ohpcltd.com).

## 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.

Sl No	Name of the Directors	Date of appointment	Date of cessation of Directorship.
1	Sh S C Mahapatra, IAS, CMD	20.02.2008	-
2	Sh S K Pattanayak, IRAS, Director (Finance)	29.10.2008	-
3	Sh U P Singh, IAS, CMD	12.11.2007	20.02.2008
4	Smt Paramita Tripathy, IRS Director ( Finance)	14.03.2007	29.10.2008
5	Sh A K Mohanty, Director (HRD)	04.08.2006	30.06.2008 (Superannuation)

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

**The Directors wish to state that:**

1. The annual accounts have been prepared in accordance with the applicable accounting standards along with proper explanations relating to material departures.
2. 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.
3. Proper and sufficient care has been taken for 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.
4. The annual accounts have been prepared on a going concern basis.

## 12. AUDITORS

M/s. B N Misra & Co., Chartered Accountants, Bhubaneswar was appointed as the Statutory Auditors of the Company and five Chartered Accountant firms were appointed as Branch Auditors for the hydro power stations by the C&AG for the year 2007-08 and also for the year 2008-09.

## 13. AUDITORS' REPORTS

The Report of the Statutory Auditors and comments of the C&AG on the accounts of the Company for the year 2007-08 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:

- |       |                              |   |           |
|-------|------------------------------|---|-----------|
| (i)   | Sh P Venugopal Rao, Director | - | Chairman. |
| (ii)  | Sh A B Rao, Director         | - | Member.   |
| (iii) | Sh B B SinghSamant, Director | - | Member.   |
| (iv)  | Director (Operation)         | - | Member.   |

Four meetings of the Audit Committee for review of the accounts, auditors reports and internal audit observations were held during the year 2007-08.

**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. ACKNOWLEDGEMENT**

The Directors take this opportunity to record their deep appreciation of the continuing support, guidance and co-operation received from the Govt. of India, Govt. of Orissa, CEA, PFC, OERC, GRIDCO, Banks and other associated organizations.

The Directors also express their sincere thanks to all the business Associates, professional Consultants, Auditors, counsels for their continued patronage and assistance.

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 THE BOARD

Sd/-

Bhubaneswar

Dt.01.12.2008

(S C MAHAPATRA, IAS)

CHAIRMAN-CUM-MANAGING DIRECTOR

## 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, 2008.

#### A. CONSERVATION OF ENERGY:

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

OHPC power system is designed in optimal manner such that power losses (auxiliary consumption) are minimized.

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

There is no proposal for direct investment by the Corporation at present.

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

Optimum Utilization is made during the year under report.

(d) **Total Energy consumption and Energy consumption per unit of production as per Form-A of the Annexure thereto.**

OHPC is not covered in the category of industries mentioned in the schedule.

#### B. TECHNOLOGY ABSORPTION:

NIL

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO DURING 2007-08: (Rs. in lakhs)

	<u>2007-08</u>	<u>2006-07</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	5935.82
(ii) Expenditure in foreign currency for foreign visits	Nil	NIL
(iii) Expenditure incurred in foreign currency on cash basis being payment made to consultants.	37.19	434.70
<b>Total</b>	<b>37.19</b>	<b>6370.52</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 2008.**

Sl. No.	Comments of C & AG of India	Replies of the Management
<b>A</b>	<p><b>Comments on Profitability</b>  <b>Profit and Loss Account</b>  <b>Expenditure Operation Expenses (Schedule-12)</b>  <b>Power And Fuel Rs.6.41 crore</b></p>	
1	<p>Non-provision for arrear of energy charges work Rs.2.50 crore in respect of Rengali Hydro Electric Project for the period March 1997 to January 1998 claimed by GRIDCO has resulted in understatement of current liabilities and overstatement of accumulated profit by Rs.2.50 crore.</p>	<p>The claim of Rs. 2.5 crore by GRIDCO towards arrear energy charges of Rengali is under dispute. After resolution, the amount will be accounted for as and when settled.</p>
<b>2.</b>	<p><b>Repairs and Maintenance expenses R &amp; M of Dam Rs. 9.45 crore</b></p> <p>Water Resources Department demanded in January 2008 Rs.6.79 crore towards Dam Maintenance cost for Hirakud Power System, Burla for the year 2006-07. However, the Company made provision of Rs.3.71 crore only during the current year. This has resulted in understatement of Prior Period expenditure by Rs.6.79 crore and current year expenditure by Rs.3.08 crore. Consequently, there is understatement of current liability and overstatement of accumulated profit by Rs.9.87 crore.</p>	<p>The bills No. 75/06-07 for 2006-07 submitted by EIC, Water Resources Deptt. has not been accepted by OHPC and returned to EIC WR Deptt. for necessary correction in line with minutes of discussion held on 31.01.2003 and 8.01.04. As most of the expenditure included in the said bills do not contribute towards dam maintenance, the provision made for 2006-07 was based on the provision of 2005-06. After necessary correction by EIC, WR Deptt., the shortfall or excess, if any, shall be accounted for.</p>
<b>B.</b>	<p><b>Comments on Financial Position</b>  <b>Balance Sheet</b>  <b>Source of Fund</b>  <b>Current liabilities and provisions</b>  <b>(Schedule-09) Rs. 231.85 crore</b></p>	
3.	<p>The above does not include Rs. 1.35 crore being the claims preferred by MECON Ltd. and RMD-Consultant (Germany) towards deployment of additional man months for RMU of Burla Power House. Non-Provision of the above has resulted in understatement of current liabilities and provisions as well as capital-work-in-progress by Rs. 1.35 crore.</p>	<p>Noted. Shall be accounted for on acceptance of the claims.</p>

4.	<p>Non-provision of liability towards the contractor for the work executed at Balimela Extension project (7&amp;8 unit) during 2007-08 has resulted in understatement of current liabilities as well as capital-work-in-progress by Rs. 9.58 crore.</p>	<p>As a matter of principle, OHPC debits the “work-in-progress” account for any project works at the time of payment of the bills and keep provision for the balance works at the time of capitalization of the project. In the instant case, neither the amount was paid during 2007-08 nor the project cost was capitalized in the said year. At the time of capitalization, the said amount shall be taken into account.</p>
5	<p><b>Application of Fund</b>  <b>Fixed Assets</b>  <b>Gross Block (Schedule-5)</b>  <b>Power house and Civil Works- Rs. 579.71 crore</b></p> <p>The Capitalisation of water installation of Upper Kolab Hydro Electric Project, Bariniput for Rs.2.88 crore during the current year as against actual completion and handing over on 31 January 2006 has resulted in overstatement of fixed assets, understatement of depreciation and overstatement profit by Rs. 27.33 lakh.</p>	<p>The necessary rectification entry is passed during 2008-09 Vide JV No. 153/02.09.2008.</p>
6	<p><b>Capital work in Progress (Schedule-6) Hydro works, dams, tunnels &amp; penstock</b>  <b>Rs. 4.61 crore.</b></p> <p>Above includes Rs. 67.37 lakh towards Pressure Epoxy grouting work at Hirakud Dam completed during June 2004. As the expenditure is of revenue nature, this should have been charged to Profit and Loss Account. Wrong accounting has resulted in overstatement of capital work-in-progress, understatement of prior period expenditure and overstatement of profit by Rs. 67.37 lakh.</p>	<p>The 4<sup>th</sup> running bill amounting Rs.67,36,579/- paid to IDCO towards Pressure Epoxy grouting work has been rectified vide J.V No.100 dt.30.06.08 debiting to “Prior Period Expenses.</p>

<p>7.</p>	<p><b>Current assets, loans &amp; advances (Schedule-8)</b>  <b>Inventories</b>  <b>Operation profit : Rs.37.22 Crore</b></p> <p>Non-provision for old and 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.</p>	<p>The Corporation had engaged M/s MECON to assess the surplus / obsolete materials including fixed assets in the units. They have submitted their report. The State Govt. has been moved to approve the procedure of disposal of the said materials. Appropriate accounting adjustments will be made after the procedure is approved and disposal is made.</p>
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For and on behalf of BOARD OF DIRECTORS

Sd/-  
**ATREYEE DAS**  
**ACCOUNTANT GENERAL**

Sd/-  
**(S C MAHAPATRA, IAS)**  
**CHAIRMAN-CUM-MANAGING DIRECTOR**

**B N Misra & Co**  
CHARTERED ACCOUNTANTS

S-29, Maitri Vihar (Phase –II), Infront of Satyam  
Development Centre, Bhubaneswar – 751023  
Ph – (0674) 2302776, Fax – (0674) 2302199  
E-mail : [bnmisraco@yahoo.co.in](mailto:bnmisraco@yahoo.co.in)  
[bnmisraco@rediffmail.com](mailto:bnmisraco@rediffmail.com)

## AUDITOR'S REPORT

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

We have audited the attached Balance sheet of “ORISSA HYDRO POWER CORPORATION LIMITED” as at 31<sup>st</sup> March, 2008 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.

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 a test basis, evidence supporting the amounts and disclosures in the 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.

As required by the Companies (Auditor's Report) (Amendment) order, 2004 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure –I a statement on the matters specified in paragraph 4 and 5 of the said Order, to the extent applicable to the Company.

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 explanation, which to the best of our knowledge and belief were necessary for the purposes 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 those books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us. The Branch Auditors' Reports have been forwarded to us and have been appropriately dealt with;
- iii) The Balance Sheet and profit & Loss Account dealt with by this report are in agreement with the books of accounts and with the audited returns from the branches;
- iv) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956 ;
- v) In our opinion and to the best of our information and according to the explanation given to us, the said



accounts read with the notes thereon given 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 31<sup>st</sup> March' 2008;
- b) in the case of Profit & Loss Account, of the profit for the year ended on that date ; and
- c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For **B N MISRA & CO**  
Chartered Accountants

Place : Bhubaneswar  
Date : 2.8.08

Sd/-  
**(B N Misra)**  
Chartered Accountant

## ANNEXURE – I TO THE AUDITOR’S REPORT

(Referred to in our report of even date)

- i)
  - a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except in the cases of BHEP, Balimela, for the Fixed Assets acquired from Govt. as on 01. 04. 1996 ; in case of UIHEP, Mukhiguda, the above records do not contain the full details, as were required.
  - b) The fixed assests of the Company & its units namely BHEP Balimela, UIHEP Mukhiguda, HPS, Burla and UKHEP, Upper Kolab, have not been physically verified by the management hence discrepancy, if any could not be verified. In case of RHEP, Rengali, no material discrepancy were noticed during such verification.
  - c) The Company has not disposed off a substantial part of its fixed assets during the year so as to affect the going concern.
- ii)
  - a) In our opinion, as per the information and explanation given to us and according to the Unit Auditor’s Reports, the inventories have been physically verified at reasonable intervals by the management during the year.
  - b) In our opinion, as per the information and explanations given to us and according to the Unit Auditor’s Reports, the procedure of physical verification followed by the Units is reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) As reported by the Unit Auditors, the Company is maintaining proper records of inventory and the discrepancies, if any between the physical stock and book records noticed on physical verification are reconciled except in case of BHEP, Balimela.
- iii) (a), (b), (c) & (d) In our opinion, as per the information and explanation given to us and according to the Unit Auditor’s Reports, the Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iv) In our opinion, as per the information and explanation given to us and according to the Unit Auditors’ Reports, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed’ assets and for the sale of power and services. We have not noticed any continuing failure to correct major weakness in internal control system.
- v) (a) & (b) In our opinion, as per the information and explanation given to us and according to the Unit Auditors’ Reports, there are no contracts or arrangements during the year that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
- vi) In our opinion, as per the information and explanation given to us and according to the Unit Auditors’ Reports, the Company has not accepted any deposits from the public during the year within the meaning of sections 58A, 58AA or any other relevant provisions of the companies Act, 1956 and the rules framed there under.
- vii) The Company has an Internal Audit System at Head Office and at unit offices. As per the Unit Auditors’ Reports & as per information& explanation given to us, in our opinion the coverage of Internal Audit functions carried by the management of the Company at the units need to be strengthen to commensurate with the size of the Company and the nature of its business.

- viii) As explained to us and according to the Unit Auditors' Reports, 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.
- ix) (a) As per checks carried on by us and according to the Unit Auditors' Reports the company is regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities except in case of UIHEP, Mukhiguda where an amount of Rs, 18, 953.00 stands outstanding against OHPC P.F. Trust which as explained is not due for payment but has arisen due to mistake in reconciliation and adjustment. As per information given to us Employees State Insurance Act is not applicable to the Company.
- B) As per the information and explanation given to us and according to the Unit Auditors' Reports, there are no disputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess outstanding as at the end of the financial year except in the cases BHEP, Balimala and UIHEP, Mukhiguda where 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>
BHEP, Balimela	Entry Tax (Sales Tax) 2000 – 2001	1,13,832.00	Commissioner of Commercial Tax, Cuttack
UIHEP, Mukhiguda	Sales Tax	20,90, 646.00	High Court of Orissa
UIHEP, Mukhiguda	EPF	9,84,220.00	High Court of Orissa

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in this financial year and in the immediately preceding financial year..
- (xi) According to the information and explanation given to us and as per the Unit Auditors' Reports the Company has not defaulted in repayment of dues to any financial institution or bank.
- (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 others securities.
- (xiii) As explained to us and as per the Unit Auditor's Reports the provision of this clause 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 and as per the Unit Auditor's Reports the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) As per the information and explanation given to us and as per the Unit Auditors' Reports the funds raised by the Company on short term basis have not been used for long term investment.

- (xvii) As per the information and explanation given to us and as per the Unit Auditors' Reports 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.
- (xviii) As per the information and explanation given to us and as per the Unit auditors' Reports the company has not issued any debentures during the year.
- (xix) According to the information and explanation given to us and as per the Unit Auditors' Reports the Company has not raised any money by public issue during the year.
- (xx) According to the information and explanation given to us and as per the Unit Auditors' Report, no fraud on or by the Company has been noticed or reported during the year.

For **B N MISRA & CO**  
Chartered Accountants

Place : Bhubaneswar  
Date : 2.8.08

Sd/-  
**(B N Misra)**  
Chartered Accountant

## B N Misra & Co

### CHARTERED ACCOUNTANTS

S-29, Maitri Vihar (Phase –II), Infront of Satyam

Development Centre, Bhubaneswar – 751023

Ph – (0674) 2302776, Fax – (0674) 2302199

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## ANNEXURE –II TO THE AUDITORS’ REPORT

(Referred to in our report of even date)

1. Corporate office	Replies of the Management
<p>(1) The Company decided (December, 2006) to dispose of Potteru Hydro Electric Project which was under construction and not completed even after investment of Rs. 36.00 Crore. A proposal to sell the project was submitted (February, 2007) to the State Government was under consideration. The company neither ascertained the net realizable value of these assets not disclosed the fact in the accounts.</p>	<p>The project cost has neither been capitalized nor the project is under operation. OHPC has moved the State Govt. for consideration of the disposal proposal. No communication has been received from the State Govt. for disposal. Necessary disclosure shall be made on receipt of approval from the State Govt., and capitalization of the project is made</p>
<p>(2) The company paid Rs. 79.10 lakh as grants in aid and debited the same to Profit and Loss Account under the head “Employees &amp; other related Costs”. The fact should have been suitably disclosed in the Notes on Accounts. Similar point was commented on the accounts of the previous year 2006-07.</p>	<p>The Colleges were established and financed by the project before transfer to OHPC. The Colleges carter to the education of the employee’s children and thus considered as the welfare activities of the Corporation. The amount paid by OHPC is booked to grant-in-aid under the sub head of educational expenses which is coming under the main head of salary related expenses. Therefore separate disclosure is not required.</p>
<p>(3) OHPC enjoys the cash discount facility from Power Finance Corporation on timely payment of loan installments. The loan has been taken by OHPC. For (i) HPS, Burla I &amp; II, (ii) UIHEP, Mukhiguda, (iii) HPS, Burla III &amp; IV. The cash discount received for a particular period from PFC in respect of various units is ought to be booked to respective Financial Year.</p>	<p>PFC Loans are arranged and the timely payments made at the corporate office from the revenue pool of the units. Therefore , cash discount is accounted for on cash basis at Corporate office which is distributed to all units like other income on the basis of their sales ratio. This has been followed consistently since inception.</p>

<p>Cash discount for HPS, Burla I &amp; II is received on half yearly interval. The Income from 15.11.2006 to 31.03.2007 (for 136 days) of Rs. 35,688/- relates to financial year 2006-07 &amp; rest Rs. 11,808/- relates to 2007-08 Financial Year has been booked on 25.05.2007 i.e. in the current year.</p> <p>For the unit UIHEP, Mukhiguda amount of cash discount received for previous year (2006-07) for 106 days is Rs. 6,98,576/- and Rs. 50,866/- for the current year (2007-08) for (76 days) i.e Rs. 7,49,442/- has been booked in the current year dated 22.06.2007, Rs. 6,98,576/- pertain to previous year.</p> <p>Similarly, cash discount received for the installment payment of the unit HPS, Burla III &amp; IV is availed in a quarterly interval. Cash discount income for the previous year (2006-07) is Rs. 2,91,824/- and for the current Financial Year (2007-08) Rs. 62,256/- But the entire amount has been booked in current year.</p> <p><b>Conclusion</b> Cash discount received from PFC on repayment of loan taken from it are booked under cash basis, identification and apportioning into respective periods is not being done.</p>	
<p>(4) Against earlier provision for interest on PFC Loan of Rs. 1,28,69,822 payment of Rs. 130,80,076 has been made during the year. The difference of Rs. 2,10,254/- needs reconciliation.</p>	Noted.
<p>(5) Balance confirmation certificate for Secured Loans, Unsecured Loans except PFC Loan, Sundry Creditors, Sundry Debtors, Advance to supplier, Advance to others, payable to others are not provided.</p>	Sundry debtors' account (Gridco) has been reconciled till 2006-07. The sundry debtors account for 2007-08 is under reconciliation. As regards, Advance to supplier, Advance to others & payables to others, necessary steps are being taken for getting confirmations.
<p>(6) A/c code 222001 – As the claims receivable of Rs. 13,39,938/- has not been realized yet. Steps should be taken for recovery.</p>	Necessary action is being taken for recovery / adjustment.

<p>(7) Physical verification of fixed assets was not done during the year, except in case of RHEP, Rengali</p>	<p>Steps are being taken for physical verification of the Fixed Assets.</p>
<p><b>HPS, Burla</b></p>	
<p>Stock Audit Report of Burla Cost of Inventory does not include the in transit insurance expenses borne by the unit to bring into the stores.</p>	<p>This will be complied with.</p>
<p><b>MUKHIGUDA</b></p>	
<p>1) An amount of Rs, 18,03,953/- stands outstanding under the head “OHPC P.F. Trust” which, as explained is not due for payment but has arisen due to mistake in reconciliation and adjustment. As explained, the provisions of Employees’ State Insurance Act is not applicable to the unit.</p>	<p>The outstanding of Rs. 18,03,953/- under the head “OHPC PF Trust” is under reconciliation &amp; shall be accounted for during 2008-09.</p>
<p>2) Inventory includes surplus construction materials purchased during the construction period of the project; like steel, cements, building materials &amp; cables worth of Rs. 32.77 lacs (khatiguda) ad Rs. 2.31 crores (Mukhiguda) as a result of which, inventory has been overstated &amp; capital work-in-progress has been understated to the tune of Rs. 2.64 Crores respectively.</p>	<p>The UIHEP project has been capitalized and there is no capital work in progress in the unit</p>
<p>3) As per information the title deeds of the free hold land, the land appurtenants to buildings, dams, tunnels and penstocks are yet to be transferred in the name of the company.</p>	<p>The company is in the process of identifying the lease hold and free hold land separately. After completion of this process, necessary steps shall be taken to register in the company’s name. This has been disclosed in the units a/c vide note No. B (i)</p>
<p>4) The unit has not provided for loss of inventory due to theft and fire that occurred during Mar-2002 amounting to Rs. 2.29 crores, which resulted in over statement of inventory and over statement of the operating results of that year to that extent. The unit has also not recognized any loss on account of surplus/ obsolete items of inventory during the year.</p>	<p>The book value of the materials in the store was Rs.2.29 Cr. Part of the stock burnt out mostly relate to worn out and rubber materials. The materials lost due to theft constitute a small value. The case is under police investigation. The loss will be assessed and accounted for after finalization of the case.</p>

5) Capital work in progress – Plant & Machinery (Construction) stands at Rs. 9,66,597/- & Hydro Works, dams, Tunnels & Penstock of Rs. 1,49,946/- without any further addition capitalization or any provision against thereof, the effect of which not ascertainable.	The final bill for the above work carried out by M/s OCC Ltd. is still pending. After receipt of bills from M/S OCC Ltd, necessary accounting for capitalization of these assets shall be made.
6) Claims receivable, Other misc. 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, OHPC PF trust, TDS (contractors & others) payable, Outstanding liabilities, Electricity duty payable, 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.	The accounts are under reconciliation. Necessary adjustments shall be made after reconciliation.
7) Current Assets include Advance to contactors , having credit balance & current Liabilities include Security deposit from employers, E.P.F. Payable, H.B. Advance, Sales Tax Deduction, Interest payable on motor car advance having debit balances which needs reconciliation & confirmations from parties	The accounts are under reconciliation. Necessary adjustments shall be made after reconciliation.
8) Fixed Asset Register is not maintained.	Fixed Assets register is under preparation.
9) Stock Audit Report of Khatiguda Valuation of inventories as on 31.03.2008 has not been made as per requirement of AS-2	Valuation of inventories (stores & spares) is made on historical cost basis.
<p><b>BHEP, Balimela</b></p> <p>(1) Fixed Assets Land It is observed that, the unit has transferred a sum of Rs.6,60,938/- paid under protest to Tahasildar, Chittrakonda towards lease premium, ground rent and cess for the period from 1996-97 to 2001-02 in respect of 1,649 hectares of land to the Land Account during the year 2004-05. The status of execution of lease deed. Further</p>	The land is not included in the value of assets transferred to OHPC on 01.04.1996. The Govt. dues towards ground rent and cess for the period under reference are liabilities of OHPC. Thus; the payments made to the Govt. are appropriate.

<p>liabilities accruing in respect of aforesaid dues for the period from 2002-03 to 2004 -05 and refund claimed if any to be lodged with Govt. of Orissa are neither ascertained nor disclosed. It is not ascertainable whether this land of 1.649 hectares was inclusive of original assets transactions to the unit on 01.04.1996.</p>	
<p>(2) Non –confirmation of balance of Sundry debtors, Sundry creditors, Loans and advances, claims and liabilities .</p>	<p>Debtor account is reconciled at corporate office upto 2006-07. Steps are being taken for getting confirmation of Sundry Creditors, Loans &amp; advances, claims &amp; liabilities.</p>
<p>(3) Claims Receivable Non ascertainment of the extent of recoverability/tenability of claims receivables of Rs, 37, 28, 714/- as appearing in the accounts.</p>	<p>Necessary steps are being taken for recovery ./ adjustment during 2008-09.</p>
<p>(4) The foreign currency loan of 21210000 US\$ has been reflected as the rate prevailing on the date of transaction, instead of reflecting the liability as the exchange rate prevailing on the balance sheet date, which is in contrary to AS-11.</p>	<p>Necessary accounting shall be made at the time of capitalization of the cost of extension project during 2008-09.</p>
<p>(5) Stock Audit report of Balimela Unit dated 04.06.2008 a) It shows shortage of materials to the extent of Rs. 86,874.70. Details of such shortage has not been provided nor any accounting treating for the same has been written in the final account.</p>	<p>Shortage to the extent of Rs. 86,874.70 is under verification by the unit. Necessary accounting shall be made during 2008-09.</p>
<p>b) The unserviceable or non-moving stores amounting to Rs. 32,29,654/- has been identified by the unit. It is suggested that the above stores are to be disposed or used alternatively if possible</p>	<p>The unserviceable or non-moving items shall be disposed off after receipt of approval of the procedure of disposal from the State Govt.</p>

For **B N Misra & Co**  
Chartered Accountants

For and on behalf BOARD OF DIRECTORS

Sd/-  
**(B N Misra)**  
Chartered Accountant

Sd/-  
**(S C MAHAPATRA, IAS)**  
CHAIRMAN-CUM-MANAGING DIRECTOR

**ORISSA HYDRO POWER CORPORATION LIMITED**  
**BHUBANESWAR**  
**BALANCE SHEET AS AT 31ST MARCH' 2008**

	Sch. No.	As at 31.03.2008 (Rs.)	As at 31.03.2008 (Rs.)	As at 31.03.2007 (Rs.)	As at 31.03.2007 (Rs.)
<b>I. SOURCES OF FUNDS :</b>					
<i>1. Shareholder's fund</i>					
a. Capital Account	01	3,208,008,840		3,208,008,840	
b. Reserve & surplus	02	5,148,825,130	8,356,833,970	3,190,256,929	6,398,265,769
<i>2. Loan funds :</i>					
a. Secured Loans	03	0		0	
b. Unsecured Loans	04	19,470,214,332	19,470,214,332	20,372,309,132	20,372,309,132
<b>TOTAL :</b>			<b><u>27,827,048,302</u></b>		<b><u>26,770,574,901</u></b>
<b>II. APPLICATION OF FUNDS :</b>					
<i>1. Fixed Assets :</i>					
a. Gross Block	05	28,068,453,703		27,995,253,924	
b. Less :Depreciation		10,445,029,445		9,274,018,729	
c. Net Block		17,623,424,259	17,623,424,259	18,721,235,195	18,721,235,195
d. Capital Work-in-Progress	06		2,566,620,675		2,381,970,699
<i>2. Investments :</i>					
	07		211,082,248		360,891,959
<i>3. Current assets, loans and advances :</i>					
a. Inventories	08	372,241,679		358,495,180	
b. Sundry debtors		3,834,329,599		4,450,259,297	
c. Cash & bank balances		4,984,424,799		2,935,430,459	
d. Other current assets		192,090,949		151,811,880	
e. Loans and advances		354,488,142		1,254,929,455	
<b>Less :</b>		<b><u>9,737,575,169</u></b>		<b><u>9,150,926,271</u></b>	
<i>Current liabilities and provisions :</i>					
a. Liabilities	09	1,798,443,231		2,901,495,722	
b. Provisions		520,044,836		1,000,257,884	
		<b><u>2,318,488,067</u></b>		<b><u>3,901,753,606</u></b>	
Net current assets			7,419,087,102		5,249,172,665
<i>4. Misc. expenditure to the extent not written off or adjusted</i>					
			6,834,018		57,304,383
<b>TOTAL :</b>			<b><u>27,827,048,302</u></b>		<b><u>26,770,574,901</u></b>

*Notes on accounts* 17  
(Schedule 1 to 17 form part of Accounts)

As per our report of even date

**For B.N. Misra & Co**  
**Chartered Accountants**

Sd/-  
(B N Misra)  
Partner  
M No.083927

Sd/-  
(P K Pradhan)  
DGM(F&A)

Sd/-  
(P K Sahoo)  
Company Secretary

Sd/-  
(Smt P Tripathy)  
Director (Finance)

Sd/-  
(S C Mahapatra)  
Chairman-cum-  
Managing Director

**P&L ACCOUNTS FOR THE YEAR ENDING 31ST MARCH' 2008**

	<b>Sch. No.</b>	<b>For the year ending 31.03.2008 (Rs.)</b>	<b>For the year ending 31.03.2007 (Rs.)</b>
<b>INCOME :</b>			
Sale of power		3,860,404,605	3,036,519,423
Other income	10	429,388,167	172,011,199
<b>TOTAL :</b>		<b><u>4,289,792,772</u></b>	<b><u>3,208,530,622</u></b>
<b>EXPENDITURE :</b>			
Repair & Maintenance expenses	11	252,759,705	232,185,016
Operational expenses	12	90,662,739	93,743,007
Employee & other related cost	13	1,023,548,440	899,634,797
Administrative & General expenses	14	73,047,089	66,688,549
Interest & financial charges	15	237,697,307	220,514,540
Depreciation	05	1,173,264,984	1,172,351,959
Profit on sale of assets		-40,350	0
<b>Less: Expenditure during construction</b>	<b>16</b>	<b><u>-86,358,027</u></b>	<b><u>-53,433,576</u></b>
<b>TOTAL :</b>		<b><u>2,764,581,886</u></b>	<b><u>2,631,684,293</u></b>
Net Profit for the year		1,525,210,886	576,846,329
Add / (Less) : Prior period adjustment		-154,186,187	32,989,683
Profit for the Year after Prior Period Adjustment		1,371,024,699	609,836,012
Less : provision for Taxation		155,090,410	68,423,600
Provision for FBT		2,177,302	2,137,499
Provision for Wealth Tax		55,562	0
Adjustments relating to earlier years		-239,828	0
Total Tax		157,083,446	70,561,099
Profit after Tax		1,213,941,253	539,274,913
Add : Balance Profit brought from last year		2,744,883,877	2,205,608,962
<b>Balance transferred to Balance Sheet</b>		<b><u>3,958,825,130</u></b>	<b><u>2,744,883,875</u></b>

*Notes on accounts* 17

(Schedule 1 to 17 form part of Accounts)

As per our report of even date

**For B.N. Misra & Co**

**Chartered Accountants**

Sd/-  
(B N Misra)  
Partner  
M No.083927

Sd/-  
(P K Pradhan)  
DGM(F&A)

Sd/-  
(P K Sahoo)  
Company Secretary

Sd/-  
(Smt P Tripathy)  
Director (Finance)

Sd/-  
(S C Mahapatra)  
Chairman-cum-  
Managing Director

**SCHEDULE -1 : CAPITAL ACCOUNT**

Sl. No.	PARTICULARS	As at 31.03.2008 (Rs.)	As at 31.03.2007 (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
	Advance against Share Capital	1,840	1,840
	<b>TOTAL :</b>	<b><u>3,208,008,840</u></b>	<b><u>3,208,008,840</u></b>

**SCHEDULE - 2 : RESERVE & SURPLUS**

		-	-
1	Capital Reserve	190,000,000	195,373,054
2	Profit & Loss Account	3,958,825,130	2,744,883,875
3	Dam Sharing Reserve (UIHEP)	1,000,000,000	250,000,000
	<b>TOTAL :</b>	<b><u>5,148,825,130</u></b>	<b><u>3,190,256,929</u></b>

**SCHEDULE-3 : SECURED LOANS****NIL****NIL****SCHEDULE- 4 : UNSECURED LOANS**

		-	-
1	<b>Power Finance Corporation Loan</b> (Guarantee by Govt. of Orissa to P.F.C.)	2,036,174,332	2,546,269,132
2	<b>State Govt. Loan-1</b> Interest @9.8% p.a	0	392,000,000
3	<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
4	<b>State Govt. Loan-2(B)-UIHEP</b> Interest free perpetual loan	1,321,400,000	1,321,400,000
5	<b>State Govt. Loan-3-POTTERU</b> No interest accrues from 1.4.2001.	235,950,000	235,950,000
6	<b>Interest Free Convertible Bond-1</b> .Convertible to equity after Govt. Approval.	3,831,000,000	3,831,000,000
7	<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><u>19,470,214,332</u></b>	<b><u>20,372,309,132</u></b>

**ORISSA HYDRO POWER CORPORATION LIMITED**  
**CORPORATE OFFICE , BHUBANESWAR**

**SCHEDULE -5 : FIXED ASSETS & DEPRECIATION**

Sl. No	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Balance as on 01.04.2007 (Rs.)	Addition during the year (Rs.)	Discarded/Sold/Adj. during the yr. (Rs.)	Total as on 31.3.2008 (Rs.)	Balance as on 01.04.2007 (Rs.)	Add during the Year (Rs.)	Sale/Adjustment during the Year (Rs.)	Total as on 31.3.2008 (Rs.)	W.D.V as on 31.03.08 (Rs.)	W.D.V as on 31.03.2007 (Rs.)
1	Land	837,926,271	0	0	837,926,271	0	0	0	0	837,926,271	837,926,271
2	Power House Civil Work	5,763,987,220	33,088,240	0	5,797,075,460	2,071,875,498	187,818,026	8,831	2,259,702,355	3,537,373,105	3,692,111,722
3	Power House Elect.-Mech. Work	20,028,056,968	33,334,247	310,804	20,061,080,411	6,770,859,462	943,376,273	456,579	7,714,692,314	12,346,388,098	13,257,197,507
4	Civil Building	1,136,970,877	441,030	0	1,137,411,907	278,674,795	32,926,076	0	311,600,871	825,811,036	858,296,082
5	Vehicles	61,944,693	5,366,807	-816,000	66,495,500	55,616,950	914,852	-2,376,614	54,155,188	12,340,312	6,327,743
6	Furniture & Fixtures	7,373,649	478,355	0	7,852,004	4,273,837	511,985	0	4,785,822	3,066,182	3,099,812
7	Office Equipments	26,285,380	1,110,234	0	27,395,614	16,217,378	2,460,735	-343,064	18,335,049	9,060,565	10,068,002
8	Misc. Assets	48,681,073	145,728	0	48,826,801	13,077,818	2,350,073	0	15,427,891	33,398,910	35,603,255
9	Electrical Instalation	77,476,904	358,093	0	77,834,997	59,593,502	2,592,040	0	62,185,542	15,649,455	17,883,402
10	Training Centre Equipment	6,550,890	3,848	0	6,554,738	3,829,489	314,924	0	4,144,413	2,410,325	2,721,401
	Total :	<b>27,995,253,925</b>	<b>74,326,582</b>	<b>-505,196</b>	<b>28,068,453,703</b>	<b>9,274,018,729</b>	<b>1,173,264,984</b>	<b>-2,254,268</b>	<b>10,445,029,445</b>	<b>17,623,424,259</b>	<b>18,721,235,197</b>
	Previous year balance	<b>27,976,165,806</b>	<b>19,088,118</b>	<b>0</b>	<b>27,995,253,925</b>	<b>8,101,627,946</b>	<b>1,172,351,959</b>	<b>38,824</b>	<b>9,274,018,729</b>	<b>18,721,235,197</b>	<b>19,874,537,860</b>

**SCHEDULE - 6 : CAPITAL WORK - IN - PROGRESS**

Sl. No.	P A R T I C U L A R S	As at 31.03.2008 <u>Rs.</u>	As at 31.03.2007 <u>Rs.</u>
1	Land	336,292	336,292
2	Building	60,542,799	59,007,786
3	Road, Bridge, Culvert & Other Civil Works	19,020,341	18,498,389
4	Water Supply Installation	4,622,804	20,416,250
5	Plant & Machinery ( Construction )	2,070,602,841	575,595,677
6	Hydr. Works, Dams, Tunnels & Pen Stock	46,122,162	46,122,162
7	Substation Equipments	6,554,902	6,554,902
8	Transmission Lines	397,226	397,226
9	Vehicles	663,140	663,140
10	Furniture & Fixture	137,685	137,685
11	Office Equipments	467,554	467,554
12	Electrical Installations	203,689	203,689
13	Miscellaneous assets	19,429	19,429
14	Inventories ( Construction Project)	10,712,929	9,974,495
15	Advances for Capital expenses	40,581,221	1,424,298,388
16	Expenditure during Construction	305,635,661	219,277,635
<b>TOTAL</b>		<b><u>2,566,620,675</u></b>	<b><u>2,381,970,699</u></b>

**SCHEDULE - 7 : INVESTMENTS**

1	10 year 8.50% GRIDCO Bonds, 1999 (2000 bonds at face value of Rs.100000 each)	200,000,000	350,000,000
2	Investment in JV	11,082,248	10,891,959
<b>TOTAL</b>		<b><u>211,082,248</u></b>	<b><u>360,891,959</u></b>

**SCHEDULE - 8 : CURRENT ASSETS, LOANS & ADVANCES**

PARTICULARS	(Rs. Lakhs)	As at	(Rs. Lakhs)	As at
		31.03.2008		31.03.2007
		Rs.		Rs.
<b>a. Inventories:</b>				
1. Operation Project		372,241,679		358,495,180
<b>sub-total :</b>		<u>372,241,679</u>		<u>358,495,180</u>
<b>b. Sundry Debtors :</b>				
1. for Sale of Power (Unsecured)		3,832,642,148		4,448,570,178
(a) Debts exceeding six months :				
Considered good	19,398		30,874	
(b) Other debts, considered good	18,928		13,612	
2. for others		1,687,451		1,689,119
<b>sub-total :</b>		<u>3,834,329,599</u>		<u>4,450,259,297</u>
<b>c. Cash &amp; Bank Balances</b>				
1. Cash in hand		200,667		226,873
2. Staff imprest		9,702		9,702
3. Postal orders & stamps		11,101		51,909
4. Remittance in Transit		0		3,000,000
5. Balance at Banks		4,984,203,329		2,932,141,975
<b>sub-total :</b>		<u>4,984,424,799</u>		<u>2,935,430,459</u>
<b>d. Other Current Assets :</b>				
1. Claims Receivable		11,573,521		11,608,175
2. Prepaid expenses		5,144,838		16,506,500
3. Interest accrued but not due on bank deposits		140,623,875		63,649,339
4. Interest Accrued on Gridco Bond		2,774,701		5,321,232
5. Other Misc. Assets		1,996,667		1,907,452
6. Other Receivable From Staff		1,280		0
7. Receivable from GRIDCO on Machhkund a/c.		29,382,231		52,279,956
8. Interest Receivable on bank deposits		593,836		539,226
<b>sub-total :</b>		<u>192,090,949</u>		<u>151,811,880</u>
<b>e. Loans &amp; Advances :</b>				
1. to Staff		18,593,560		17,995,935
2. to Suppliers/Contractors		47,683,340		65,615,213
3. to Others		17,047,028		17,248,097
4. deposit with Others		29,271,000		19,104,050
5. Advance Income Tax(TDS)		12,656,047		53,631,643
6. OHPC Gratuity Fund		14,480,860		0
7. to OHPC Pension Fund		0		644,766,807
8. Advance Wealth Tax		55,562		0
9. Advance Interest to state govt.		0		300,000,000
10. Adv.Income Tax(FBT)		16,458,363		14,281,061
11. OHPC Rehabilitation Assistance Trust Fund		10,000		10,000
12. Advance Income Tax(MAT)		198,232,382		122,276,649
<b>sub-total :</b>		<u>354,488,142</u>		<u>1,254,929,455</u>
<b>Grand Total :</b>		<u><b>9,737,575,169</b></u>		<u><b>9,150,926,271</b></u>

**SCHEDULE - 9 : CURRENT LIABILITIES & PROVISIONS**

<b>PARTICULARS</b>	<b>As at 31.03.2008 Rs.</b>	<b>As at 31.03.2007 Rs.</b>
<b>a. Liabilities</b>		
1. Sundry Creditors :		
(i) for supply of material	89,919,483	89,944,562
(ii) for works	5,206,048	97,956,627
(iii) for others	607,566	41,760
<b>Sub-Total :</b>	<u>95,733,097</u>	<u>187,942,949</u>
2. Deposits from others :		
(i) security deposit from Cont/Supplier	33,410,574	34,477,591
(ii) EMD from Cont/Supplier	5,369,553	5,412,818
(iii) security deposit from employees	243,202	229,566
(iv) other security deposit	3,090,496	3,046,878
(v) Retention Money/ Withheld a/c	64,240,064	50,672,440
(vi) Deposit from Water Resources	3,013,000	3,013,000
<b>Sub-Total :</b>	<u>109,366,889</u>	<u>96,852,293</u>
3. Employees Liabilities	1,311,326,081	1,897,892,234
4. Liabilities to others	150,061,405	213,069,540
5. Int. accrued but not due on State Govt. Loan	0	422,576,000
6. Int. accrued but not due on PFC Loan	32,437,140	32,797,867
7. Machhakund Joint Project	64,390	58,189
8. OHPC PF Trust	1,611,193	-1,981,756
9. Payable to APGENCO on Machhkund a/c	97,843,036	52,288,406
<b>Sub-Total :</b>	<u>1,593,343,245</u>	<u>2,616,700,480</u>
<b>Total of (a) :</b>	<u><b>1,798,443,231</b></u>	<u><b>2,901,495,722</b></u>
<b>b. Provisions</b>		
1. for arrear salary	12,692,827	574,309
2. for bonus	875,000	5,000
3. for dam maintenance	197,629,521	860,000,536
4. for others	69,059,381	6,728,328
5. for fringe benefit tax	16,458,363	14,281,061
6. for wealth tax	55,562	0
7. for income tax	223,274,182	118,668,650
<b>Total of (b) :</b>	<u><b>520,044,836</b></u>	<u><b>1,000,257,884</b></u>
<b>GRAND TOTAL (a+b) :</b>	<u><b>2,318,488,067</b></u>	<u><b>3,901,753,606</b></u>

***SCHEDULE - 10 : OTHER INCOME***

Sl. No.	PARTICULARS	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
1	Sale of tender paper	1,671,546	1,545,744
2	House rent recovery	1,360,609	750,768
3	Vehicle charges recovery	300,026	252,654
4	Electricity charges recovery - Employees	2,312,589	2,340,634
5	Electricity charges recovery - Contractors	5,924,246	5,021,316
6	Guest house charges recovery	102,051	81,280
7	Sale of scrap	558,367	97,250
8	Other miscellaneous receipt	1,984,266	1,538,457
9	Cash discount (PFC interest)	3,645,539	4,899,288
10	Interest on Employees advances	4,217,659	6,002,618
11	Interest on Others	379,543,157	108,120,600
12	Interest on Debenture & Bond (8.50% GRIDCO Bond)	27,715,798	41,300,684
13	Insurance Claim Receipts	52,314	59,906
	<b>TOTAL</b>	<b><u>429,388,167</u></b>	<b><u>172,011,199</u></b>

***SCHEDULE - 11 : REPAIR & MAINTENANCE EXPENSES***

1	R&M to Plant and Machinery	86,694,095	86,507,043
2	R&M to Building	16,749,203	14,878,694
3	R&M to Civil Works	34,440,954	26,813,951
4	R&M to Hydraulic Works	14,546,344	9,938,606
5	R&M to Line Cables Networks	2,540,876	2,628,894
6	R&M to Vehicles	1,386,645	1,131,445
7	R&M to Furniture & Fixture	5,769	8,260
8	R&M to Office Equipments	1,111,739	967,375
9	R&M to Electrical Installation	747,657	1,123,961
10	R&M of Dam	94,536,423	88,186,787
	<b>TOTAL :</b>	<b><u>252,759,705</u></b>	<b><u>232,185,016</u></b>

***SCHEDULE - 12 OPERATION EXPENSES***

1.	Power and fuel	64,096,818	70,016,467
2.	Insurance charges(Power House & Dam)	10,214,826	13,817,847
3.	Oil, Lubricant & Consumables	10,255,120	3,539,041
4.	Transportation Charges	8,540	0
5	Hire charges of vehicles/machineries	5,606,025	5,988,520
6	Refreshment(Operation)	18,196	0
7	Other Operation expenses	463,214	381,132
	<b>TOTAL :</b>	<b><u>90,662,739</u></b>	<b><u>93,743,007</u></b>

***SCHEDULE - 13 : EMPLOYEE & OTHER RELATED COST***

1	Salary & Allowances	210,139,854	170,073,901
2	Wages & Allowances	242,559,953	201,134,186
3	Over time	3,540,655	2,585,161
4	Bonus	5,804,357	243,609
5	Contributions	20,985,825	19,652,565
6	Others	67,527,714	26,753,369
7	Terminal benefits	439,242,608	451,041,674
8	Employees welfare expenses	33,747,474	28,150,332
	<b>TOTAL :</b>	<b><u>1,023,548,440</u></b>	<b><u>899,634,797</u></b>

**SCHEDULE - 14 : ADMINISTRATIVE & GENERAL EXPENSES**

Sl. No.	PARTICULARS	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
1	Rent, rates and taxes	2,968,211	2,725,723
2	Fees & subscriptions	1,767,964	1,530,454
3	Insurance charges	380,463	321,557
4	Communication expenses	2,771,164	3,053,422
5	Travelling & conveyance expenses	10,714,357	10,726,630
6	Printing & stationery	2,182,035	2,299,354
7	Bank charges	181,252	1,580,346
8	Electricity & water charges	9,218,861	8,997,652
9	Legal expenses	930,829	1,144,223
10	Professional & consultancy charges	989,255	4,857,315
11	Audit fees & expenses	1,088,665	935,254
12	Advertisement & Publicity	2,171,124	1,553,793
13	Training, Seminar & Conference	1,912,478	2,147,588
14	Office upkeep & Maintenance	698,461	785,217
15	Watch & ward charges	19,962,754	16,420,625
16	Repair & Maintenance others	6,116	31,333
17	Recruitment expenses	40,758	143,181
18	Meeting expenses	517,218	384,747
19	Transit house expenses	206,518	261,433
20	Electrical Accessories	86,315	70,673
22	Other misc expenses	14,252,291	6,714,898
23	Loss on sale of Asset	0	3,132
	<b>TOTAL :</b>	<b><u>73,047,089</u></b>	<b><u>66,688,549</u></b>

**SCHEDULE - 15 : INTEREST & FINANCIAL CHARGES**

1	Interest on Govt. Loan	37,889,753	38,416,000
2	Interest on Bank Loan	4,268	72,661
3	Interest on PFC Loan	167,436,008	151,552,482
4	Guarantee Commission	30,752,000	29,475,155
5	Interest on others	1,615,278	998,242
	<b>TOTAL :</b>	<b><u>237,697,307</u></b>	<b><u>220,514,540</u></b>

**SCHEDULE - 16: EXPENDITURE DURING CONSTRUCTION**

Sl. No.	PARTICULARS	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
1	<b>Repair &amp; Maintenance expenses</b>	299,535	494,299
2	<b>Operational Expenses</b>	437,097	265,145
3	<b>Employees &amp; Other related expenses :</b>		
	Salary & Allowances	2,876,504	3,474,839
	Contributions	38,284	77,429
	Terminal Benefit	-1,276,965	7,834,438
	Employees welfare expenses	0	29,729
	<b>sub-total :</b>	<u>1,637,823</u>	<u>11,416,435</u>
4	<b>Administrative &amp; General expenses :</b>		
	Rent,rates and taxes	17,610	25,718
	Insurance charges	17,000	47,034
	Communication expenses	30,343	29,965
	Traveling & conveyance expenses	59,112	276,496
	Printing & stationery	1,348	1,208
	Bank charges	4,468	1,294,005
	Electricity & water charges	358,616	442,050
	Hire Charges Of Vehicle	0	120,700
	Oil & Lubricants(POL)	0	8,649
	Professional & consultancy charges	3,200	1,800
	Advertisement & Publicity	0	0
	Training, Seminar & Conference	0	0
	Office upkeep & Maintenance	7,230	12,755
	Watch & ward charges	1,362,605	1,341,258
	Meeting expenses	5,185	15,089
	Transit house expenses	363,450	
	Other misc expenses	68,607	58,475
	<b>sub-total :</b>	<u>2,298,774</u>	<u>3,675,202</u>
5	<b>Interest &amp; financial charges :</b>		
	Interest on PFC Loan	75,313,853	31,224,770
	Guarantee Commission	6,412,000	6,412,000
	<b>sub-total :</b>	<u>81,725,853</u>	<u>37,636,770</u>
	<b>TOTAL</b>	<u><b>86,399,082</b></u>	<u><b>53,487,851</b></u>
6	Receipts & recoveries on capital account	41,055	54,275
7	<b>Net Exp. During Construction (Deducted in P/L Account)</b>	86,358,027	53,433,576
8	Add:(1) Opening Balance of Exp.During Consn.	219,277,634	165,844,059
9	<b>TOTAL</b>	<u><b>305,635,661</b></u>	<u><b>219,277,635</b></u>
	<b>Less capitalised during the year</b>	0	0
10	<b>GRAND TOTAL : (transferred to Sch.6)</b>	<u><b>305,635,661</b></u>	<u><b>219,277,635</b></u>

## ORISSA HYDRO POWER CORPORATION LTD.

### SCHEDULE-17

#### 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:

- a) Investments are stated at cost and are on 'held to maturity' basis. During the year GRIDCO has redeemed Rs.15.00 Crore out of the power bond issued in 1999 & so the outstanding as on 31.3.08 stands at Rs.20.00 Crore.
- b) During the year, OHPC contributed Rs.71,879/-, Rs.35,569/- & Rs.82,841/- to Shell Company, Orissa Thermal Power Corporation Limited, Baitarni West Coal Company Limited respectively to meet its incorporation & other allied expenses of OHPC which is shown as investment under Sch-7

##### 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.

**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. However, the sales quantity & value are subject to reconciliation with GRIDCO.
- 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 Cash discounts received from PFC on timely repayment of loan is accounted for on cash basis and distributed to units as per their sales ratio. This has been followed consistently from inception.
- 6.7 Interest on investments is accounted for on an 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 are provided on the basis of actuarial valuation.
- 8.2 For meeting the service gratuity liability, the Corporation has taken a group gratuity insurance policy with LIC of India and made provision on the basis of actuarial valuation.
- 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 five generating units on the basis of sales 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 expenses in the period in which they are incurred.

**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.
- 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
- 4.1 The value of fixed assets includes cost of machinery & vehicles declared surplus / obsolete for which necessary verification and fixing of upset price is in progress. Necessary accounting treatment will be made in the subsequent period after final disposal of the same.
- 4.2 One 132/66 KV, 12.5 MVA transformer in Burla, one SF6220 KV circuit breaker in Rengali 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.
- 4.3 Inventory of stores and spares of UIHEP includes inventory with book value of Rs.2.29 Crores, which are not partly available due to theft and fire occurred during March' 2002. The effect of such loss will be taken into account after the determination of clear quantification of the amount of loss and possible recoveries thereon as per 'AS-4'.
- 4.4 During the year, UIHEP has consumed imported spares and indigenous spares amounting to Rs.17,50,952 & Rs.72,71,237/- respectively. The percentage of consumption of imported & indigenous spares to total consumption are 19.41% & 80.59% respectively.
- 5.1 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. Further OERC did not allow to pass on the said interest in tariff and the same has been intimated to Govt.
- 5.2 (a) Premium of Rs.3,63,67,241.00 paid on 28.4.05 for re-structuring of long term PFC loan of Rs.46.40 Crore in respect of UIHEP was treated as deferred revenue expenditure and to be written off over

a period of 3 years. The balance share of the said premium i.e Rs.1,30,19,140/- plus Rs.43,01,326/- being balance share of the premium paid on 1.10.04 in respect of PFC loan for UIHEP is charged to Profit & Loss Account during the year under the head interest & financial charges.

- (b) A sum of Rs.19,43,006/- (being the last year) is charged to Profit & Loss Account during the year under the head interest & financial charges against the premium of Rs.1,74,87,109/- paid in March, 2003 for re-structuring of long term PFC loan of Rs.34.48 Crore in respect of RM & U Unit 1 & 2 of HPS, Burla.
- (c) UIHEP, Mukhiguda has undertaken a special repair of roter pole during 2005-06 and spent Rs.7,47,62,975/-. This amount is treated as deferred revenue expenditure to be written off over a period of 3 years. A sum of Rs.2,43,72,875/- being the balance amount is charged to P&L account during the year under audit. During the year 2006-07, a sum of Rs.2,05,02,054/- has been spent towards repairing of roter pole and 1/3 of the said amount i.e. Rs.68,34,018/- is charged to P/L account during the year and in toto a sum of Rs.3,12,06,893/- is charged to P&L account during the year under audit under the head R&M to plant & machinery account.
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 provision of 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 on 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(A)</b>	<b>Design energy(B) for sale (IN MU)</b>	<b>Secondary energy(A-B)</b>
Old units	4785.408	3676.860	1108.548
UIHEP	<u>2948.404</u> 7733.812	<u>1942.380</u> 5619.24	<u>1006.024</u> 2114.572

As per the OERC tariff order dt 23.3.07, the tariff for the year 2007-08 for energy sold to Gridco are as follows.

Name of Power Station	Rate of Primary Energy (P/U)	Rate of Secondary Energy (P/U)	Capacity charges at 85% machine availability (Rs.in Crs.)
RHEP	35.17	35.14	
UKHEP	21.24	20.94	
BHEP	41.10	41.10	14.55
HPS	41.10	41.10	15.91
UIHEP	41.10	41.10	50.62

However, HPS, Burla has sold 16.653 MU @ Rs.0.7611 per unit at the actual cost of generation of 2006-07 to CSEB during the year 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 Madhyapradesh and the existing inter- state agreement between the Government of Orissa and MP. Further, a sum of Rs.22,30,394/- i.e. Rs.9,52,034/- to MPSEB and Rs.12,78,360/- to CSEB has been raised for the year 2006-07 at Rs.0.7611 per unit. As per letter No.1756 dt. 08.02.08 of DOE, Govt. of Orissa, Gridco has adjusted Rs.6,89,72,602/- against Debtor's a/c being the 50% share of OHPC towards compensation payable to MPSEB / CSEB on account of short supply of power.

- (b) The energy sold to GRIDCO has been reconciled both for quantity & value till 2006-07 and necessary rectification entry has been passed by the respective units. However, energy sold to GRIDCO during 2007-08 is under reconciliation.
9. (a) During the year OHPC has adjusted provisionally **Rs.5,23,62,618/-** & **Rs.3,91,51,642/-** for UIHEP & UKHEP respectively towards electricity charges for power consumed at both these stations. The above claims have been adjusted during the year against the outstanding dues of GRIDCO.
- (b) As against claim of Rs.22.12 Crores by Southco on BHEP, Balimela for colony consumption & others, OHPC has also raised a counter bill of Rs. 22.12 Crores on Southco stating the reason that Southco does not assume any responsibility for construction, operation & maintenance of distribution line at BHEP Balimela. So now the case is being disputed.
10. Pending acceptance of the claims by DOWR, 50% of the dam maintenance cost of UIHEP amounting to **Rs.6.21** Crs. has not been recognized as revenue in line with AS-9.

Details of 'Prior Period Adjustments' (Net).		(Rs.)
Head of A/C	As at 31.03.2008	As at 31.03.2007
Repair & Maintenance	9525068	368603
Operational expenses	-5725328	26097
Employee Cost	1409361	-13928603
Admn. & General expenses	101949138	-13897669
Depreciation	-1478451	874
Sale of Power	47238179	-5558985
G Comm.	1276845	
Other Income	-8625	
<b>Total</b>	<b><u>154186187</u></b>	<b><u>-32989683</u></b>

12.	Remuneration to Statutory Auditors.	<b>(Rs.)</b>
	<b>For 2007-08</b>	<b>For 2006-07</b>
	Statutory Audit Fees	207644
	Tax Audit Fees	22448
	Audit Expenses	150032
	<b><u>Cost Auditor</u></b>	
	Audit Fees	-
	Audit Expenses	-
13.	Expenses in respect of employees who are in receipt of remuneration of not less than <b>Rs.24,00,000/-</b> per annum and employed throughout the year or <b>Rs.2,00,000/-</b> per month and employed for part of the year – Nil.	
14.	Employee cost includes Salary and Allowances (previous year <b>Rs.9,94,836/-</b> ) paid to the whole time Directors as detailed below:	
	<b>(Rs.)</b>	
	Salaries & Allowances	875761
	Contribution to provident fund	50653
	Rent for residential accommodation	72000
	<b>Total</b>	<b><u>998414</u></b>
	In addition, sitting fees paid to non-functional directors during the year is <b>Rs.1,25,000/-</b> ( <b>Rs. 97,000/-</b> for previous year.)	
15.	<b>Foreign currency transactions:</b>	
	<b>Particulars</b>	<b>2007-08</b>
		<b>(Rs.)</b>
	Expenditure incurred in foreign currency on cash basis being payment made to consultants.	3719427
	Value of Imports calculated on CIF basis being components, spare parts and construction materials through LC.	NIL
	Traveling expenses	NIL
		593581954
		NIL
16. (a)	<b>Contingent liabilities:</b>	
	<b>As at</b>	<b>As at</b>
	<b>31.03.2008</b>	<b>31.03.2007</b>
	(a) Estimated amount of contracts to be executed on capital account (net of advances and LCs opened.)	
	(i) Balimela Extn. Project (7&8) unit	18.00

- (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 till 2005-06. | 5.75  | 5.75  |
| (ii) Claims of Gridco / Southco on UKHEP.  | 15.44 | 15.44 |
| (iii) EPF & Sales Tax liability of UIHEP, Khatiguda  | 0.31  | 0.31  |
| (iv) E D of UKHEP from Nov.,99 to Oct., 02.  | 0.34  | NIL   |
| (v) Claims of the contractor M/s Trafalgar House Constrction (T) Satyam Sankaranamy  | 65.57 | 65.57 |
- (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. 33.68 lacs for the period from 4/96 to 5/01 will be paid to Govt. of Orissa after ascertaining the status of payment of ED by GRIDCO & Southco.
17. OHPC has lodged a insurance claim of 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. Now OHPC decided to invoke the arbitration clause and refer to the decision of an arbitrator for final settlement.
18. (a) The Tax Recovery Officer (TRO), 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.
- (b) Rs.33,01,923/- was wrongly assessed twice by the ITO, Sambalpur which was included in the above demand amount.
19. Liabilities towards Pension, Gratuity and Leave Encashment have been provided in the accounts based on the actuarial valuation as under:

Sl. No.	Particulars	For 2007-08 (Rs.)	As at 31.03.2008 (Rs.)
1	Pension	299440295	1912825059
2	Leave Encashment	62204090	227997285
3.	Gratuity	58178270	248754500

As against the aforesaid liabilities towards Pension, an amount of **Rs.867813807/-** has been paid to the OHPC Pension Fund till 31.03.2008. Accordingly the balance amount of Rs.1045011252/- is included in Schedule-9 under the head employees liabilities.

As regards service 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.134012500/- to Gratuity trust fund against the above liability which includes the liability of Rs.61474618/- as on 31.03.2007.

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.

20. Other income includes:-

- (i) **Rs.2,77,15,798/-** towards interest on Gridco Power Bonds for the period from 1.4.07 to 31.03.08 which includes Rs.67,22,881/- as TDS.
- (ii) Interest of **Rs.37,95,43,157/-** on short term deposits with the Banks which includes Rs.3,75,10,446/- as TDS.
- (iii) **Rs.5,58,367/-** (previous year **Rs.97,250/-**) towards value of scrap realized .

21.1. Sundry Debtors of **Rs.383.26** Crs. as on 31.03.2008 for sale of power consists of debts outstanding as under.

	<b>GRIDCO</b>	<b>CSEB</b>	<b>MPSEB</b>	<b>TOTAL</b>
a) For a period of exceeding six months	193.98	-	-	193.98
b) For a period of less than six months	188.68	0.50	0.10	189.28
<b>Total</b>	<b><u>382.66</u></b>	<b><u>0.50</u></b>	<b><u>0.10</u></b>	<b><u>383.26</u></b>

21.2 The above sundry debtors of **Rs.383.26 Crs** as on 31.03.2008 includes the debtors of **Rs.374.54 Crs. (Gridco)** as on 31.03.2003 which shall be repaid in 60 equal installments as per DOE letter No. 2722/15.03.2008. The balance receivables from GRIDCO, CSEB & MPSEB amounting to **Rs.8.12 Crs., Rs.0.50 Crs. & Rs.0.10 Crs.** respectively are considered good.

22. The Corporation has not received any information from suppliers regarding their status under Micro, Small & Medium Enterprises Development Act 2006. However disclosure if any relating to amount unpaid as at year end together with interest paid/payable as required under the said Act have not been given.

23. Figures shown under Sundry Creditors and Advances are subject to confirmation.

24. All loans and advances are considered good for which Company hold no security other than their personal security. However, the advances paid to the Power Machines of Russia (for Balimela 7<sup>th</sup> & 8<sup>th</sup> Unit), appearing in the Capital Work in Progress Account are supported by Bank Guarantee.

25. The details of installed capacity, generation and net sale of power during the year are as under:

Sl. No	Power Stations	Installed Capacity (MW)	Gross Generation (MU.)	Sale of Power (MU.)	Auxiliary consumption (MU.)	Transformation loss & internal consumption
1.	Hirakud HEP	347.50	980.739	955.775	4.103	20.861
2.	Rengali HEP	250.00	983.430	955.941	1.630	25.859
3.	Upper Kolab HEP	320.00	1074.758	1073.537	1.221	-
4.	Balimela HEP	360.00	1831.895	1800.155	7.63	24.11
5.	UIHEP Mukhiguda	600.00	2979.441	2948.404	3.581	27.456
	<b>Total :</b>	<b><u>1877.50</u></b>	<b><u>7850.263</u></b>	<b><u>7733.812</u></b>	<b><u>18.165</u></b>	<b><u>98.286</u></b>

26. Power Station wise financial results before Tax.

Power Stations	Sales	Other Income	Share of HO income over exp.	Total Income	Total Exp.	(Rs. in Crores)
						Net Profit
Hirakud HEP	61.08	0.20	4.50	65.78	72.58	-6.80
Rengali HEP	33.80	0.47	2.50	36.77	33.26	3.51
Upper Kolab HEP	23.51	0.16	1.74	25.41	29.82	-4.41
Balimela HEP	90.74	0.20	6.69	97.63	36.90	60.73
UIHEP Mukhiguda	176.91	0.74	13.04	190.69	106.62	84.07
<b>Total 2007-08</b>	<b><u>386.04</u></b>	<b><u>1.77</u></b>	<b><u>28.47</u></b>	<b><u>416.28</u></b>	<b><u>279.18</u></b>	<b><u>137.10</u></b>
<b>Total 2006-07</b>	<b><u>303.65</u></b>	<b><u>1.64</u></b>	<b><u>5.10</u></b>	<b><u>310.39</u></b>	<b><u>249.41</u></b>	<b><u>60.98</u></b>

27. 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) were the beneficiaries of this project. The settlement of the disputes between GRIDCO and APGENCO prior to 1.4.1997 are under process. Pending settlement of the disputes, OHPC has been raising provisional bills on GRIDCO on the basis of the prevailing agreement between Govt. of Orissa and Govt. of Andhra Pradesh and current tariff orders of OERC.

The APGENCO has raised bills on OHPC towards O&M and cost of power as under:

Year	(Rs)
1996-97	2,67,75,848
1997-98	2,37,33,312
1998-99	2,43,92,031
1999-00	3,12,21,576
2000-01	2,96,23,149
2001-02	3,11,76,461
2002-03	3,57,58,605
2003-04	3,48,64,071
2004-05	4,82,59,896
2005-06	4,42,33,386
2006-07	6,23,54,238
2007-08	2,93,67,100 (Provisional)
<b>TOTAL</b>	<b><u>42,17,59,673</u></b>

Against above claim, OHPC has received **Rs.39,23,85,892/-** from GRIDCO and remitted Rs.32,39,25,087/- to APGENCO by 31<sup>st</sup> March 2008. The balance amount of **Rs.9,78,43,036/-** as on 31.03.2008 is shown as payable to APGENCO on Machhakund a/c in Schedule – 9 and Rs.2,93,82,231/- is shown as receivable from GRIDCO in Schedule-8.

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

28. 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 ‘AS-17’.
29. As per the income tax return filed, the Company has a carry forward-unabsorbed depreciation of **Rs.576.56** Crores till the assessment year 2007-08. According to the State Govt. Notification dated 29.01.2003, the tariff of OHPC is based on reimbursement of costs and there is no return on equity on the transferred assets in respect of the old power stations. As such, there is no certainty that the taxable income will be available in the next few years. In view of this, no deferred tax liability under AS-22 has been computed and shown in the Profit and Loss account for the year 2007-08.
30. 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.
31. Previous year figures / opening balances have been regrouped or rearranged / re-cast wherever necessary.
32. Figures have been rounded off to the nearest rupee.

As per our report of even date  
**For B N Misra & Co**  
**Chartered Accountants**

**Sd/-**  
(B N Misra)  
Partner  
M No.083927

**Sd/-**  
(P K Pradhan)  
DGM(F&A)

**Sd/-**  
(P K Sahoo)  
Company Secretary

**Sd/-**  
(Smt P Tripathy)  
Director (Finance)

**Sd/-**  
(S C Mahapatra)  
Chairman-cum-  
Managing Director



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

Item Code No. 

			4	0	0	.	0	1
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(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. 

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(ITC Code)

Product Description 

C	O	N	S	T	R	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				
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(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 & Statistic, Calcutta-700001.**

As per our report of even date  
**For B N Misra & Co.**  
**Chartered Accountants**

**Sd/-**  
**(B N Misra)**  
**Partner**  
**M No.083927**

**Sd/-**  
**(P K Pradhan)**  
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**Sd/-**  
**(P K Sahoo)**  
**Company Secretary**

**Sd/-**  
**(Smt P Tripathy)**  
**Director (Finance)**

**Sd/-**  
**(S C Mahapatra)**  
**Chairman-cum-**  
**Managing Director**

**ORISSA HYDRO POWER CORPORATION LIMITED**  
**BHUBANESWAR**

**CASH FLOW STATEMENT**

**PARTICULARS**

	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
<b>1 Cash flows from operating activities :</b>		
Net profit before taxation and extraordinary item	1,371,024,699	609,836,012
Adjustment for :		
Depreciation	1,171,010,716	1,172,390,783
Loss on sale of assets	-40,350	0
Provision for Income tax(FBT).	-157,083,446	-70,561,099
Interest income	-415,122,153	-160,323,190
Interest expense	237,697,307	220,514,540
Operating profit before working capital changes	<u>2,207,486,773</u>	<u>1,771,857,046</u>
Increase in inventories	-13,746,500	-14,852,417
Decrease in sundry debtors	615,929,698	39,882,455
decrease in other trade receivables	34,148,936	-52,689,609
decrease in loans & advances	255,674,506	-248,467,739
decrease in sundry creditor	-92,209,852	-16,403,164
decrease in other payable	-423,352,153	558,523,799
Cash generated from operations	<u>2,583,931,408</u>	<u>2,037,850,371</u>
Cash flow before extraordinary item	2,583,931,408	2,037,850,371
Premium for debt restructuring	<u>50,470,365</u>	<u>36,412,164</u>
<i>Net cash from operating activities</i>	2,634,401,773	2,074,262,535
<b>2 Cash flows from investing activities :</b>		
Purchase of fixed assets	-257,809,405	-950,635,602
Interest received	340,694,148	101,447,974
Redemption of GRIDCO BOND	150,000,000	150,000,000
Investment in J/V	-190,289	-10,891,959
<i>Net cash from investing activities</i>	232,694,454	-710,079,587
<b>3 Cash flow from financing activities :</b>		
Grant from PFC. to HPS,Burla,unit 5 & 6	-5,373,054	
Grant from Govt. For Dam Sharing(UIHEP)	750,000,000	0
Net Loan Repayment To PFC	-510,094,800	260,107,528
Repayment of Govt Loan	-392,000,000	0
Interest paid	-660,634,034	-181,972,229
<i>Net cash used in financing activities</i>	<u>-818,101,888</u>	<u>78,135,299</u>
<b>4 Net increase in cash and cash equivalents (1+2+3)</b>	2,048,994,339	1,442,318,247
<b>5 Cash and cash equivalent at beginning of period</b>	2,935,430,459	1,493,112,212
<b>6 Cash and cash equivalent at end of period</b>	<u>4,984,424,798</u>	<u>2,935,430,459</u>

As per our report of even date  
For B.N.Misra & Co  
Chartered Accountants

**Sd/-**  
(B N Misra)  
Partner  
M No.083927

**Sd/-**  
(P K Pradhan)  
DGM(F&A)

**Sd/-**  
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Director (Finance)

**Sd/-**  
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Managing Director