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Notice

NOTICE is hereby given that the 19th Annual General Meeting of the Members of Tehri Hydro Development Corporation Ltd. will be held on 27.09.2007 at 7.30 PM at Shangri-La Hotel, 19-Ashoka Road, New Delhi-110001 to transact the following Business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Annual Accounts together with Auditors' Report and Directors' Report of the Corporation for the year ended March 31, 2007
2. To fix the remuneration of the Statutory Auditors for the year ended March 31, 2007.

SPECIAL BUSINESS

3. To approve the Reduction of Equity Share Capital by Rs. 2,77,57,000/-

By order of the Board of Directors of
TEHRI HYDRO DEVELOPMENT CORPORATION LTD.

(S.Q. Ahmad)
Company Secretary

PLACE : RISHIKESH
 DATE : September 20, 2007
 NOTE : A Member of the Company entitled to attend & vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member.
 A proxy form is enclosed.

To : - All the Members of THDC
 - All Directors of THDC
 - M/s Ravivarma & Co.
 Chartered Accountants



Registered Office

Bhagirath Bhawan (Top Terrace), Bhagirathipuram
Tehri (Garhwal) - 249001 (Uttarakhand)

Other Offices

RISHIKESH

Pragatipuram, Bye-Pass Road, Rishikesh - 249201, (Uttarakhand)

NOIDA

A-10, Sector-1, (Kribhco Bhawan, 4th Floor), NOIDA - 201301 (U.P.)

DEHRADUN

26, EC Road, Dehradun - 248001 (Uttarakhand)

LUCKNOW

9/204, Deepak Sahara Statas, Jankipuram, Lucknow - 226021 (U.P.)

CHANDIGARH

1st Floor, SCO-27, Sector-11, Panchkula - 134112 (Haryana)

Company Secretary

Shri S.Q. Ahmad

Statutory Auditors

M/s Shri Ravi Verma & Co.
No. 1, Community Centre,
1st Floor, East of Kallash, New Delhi - 110065

Bankers

Punjab National Bank
Union Bank of India
State Bank of India
State Bank of Hyderabad

This report was adopted at
19th Annual General Meeting of Corporation held on 27.09.2007

Board of Directors

As on 27th September, 2007



Sh. R.S.T. Sai
Chairman & Managing Director



Sh. S.K. Shukla
Director (Technical)



Sh. A.S. Bhatt
Director (Personnel)



Sh. Gurdial Singh
Member (IE), CEA
Director



Sh. Jayant Kamra
Jt. Secretary (Hydel), MOP
Director



Sh. Rajesh Verma
S & FA MOP
Director



Sh. Manjit Singh
Principal Secretary (Irrigation), GOUP
Director



Sh. G.M. Purohit
Principal Secretary (Energy), GOUP
Director

Our Vision

A major global player in power sector, providing quality, affordable and sustainable power with commitment to environment, ecology and social values. Create world class of growth through professionalism and achievement of excellence.

Our Mission

To Plan, promote, develop hydro as well as other energy resources from concept to commissioning and operate power stations to meet the growing energy demand, ensuring environmental and ecological balance, contributing to national prosperity.

To accept corporate social responsibility (CSR), including Rehabilitation and Resettlement of Project Affected Persons (RAP) with human face.

To meet the challenges of dynamically transforming business environment and setting global benchmarks.

To build sustainable and value based relationship with stakeholders for mutual benefit and growth.

To achieve performance excellence by adopting a dedicated approach in an environment of organizational learning and mutual trust.



Sh. R.S.T. Sal
Chairman & Managing Director

Chairman's Address

Gentlemen,

On behalf of the Board of Directors of THDC Ltd., it is my pleasure to extend a warm welcome at the 19th Annual General Meeting of your Company. The Annual report for the financial year ending 31st March 2007, alongwith the Director's Report, Audited Annual Accounts and Auditors Report are with you and I assure to take them as read.

During the year, Your Company has crossed a major milestone. The 1000 MW Tehri Project Stage-I, which for decades was considered a distant dream, has become a reality and has firmly established your Corporation's presence in the Power Sector. The Tehri Project encountered various issues traditionally associated with the development of Hydro resources which were adroitly overcome. After Bhakra Dam, which ushered in the Green Revolution, the Tehri Project is the first Storage scheme to come up in the Northern Region. Unlike the Run-off-the-River schemes, storage schemes offer the advantage of peak power and water benefit round the year.

Your Company has gained immense expertise to implement Hydro Projects involving Earth & Rockfill Dams, Concrete Dams, extensive underground works in difficult Himalayan Geological tectonics, State of the art Electro-mechanical Equipments.

The Corporation has also successfully handled the Social and Environmental issues associated with Hydro Projects.

With the experience gained in commissioning the Tehri Dam Project, your Corporation aims to be a major global player in the Power Sector, in providing quality, affordable and sustainable Power, with commitment to Environment, Ecology and social values.

Based on the Organizational strength built up over the years and the horizon of opportunities available, the Vision and Mission Statement of the Company

have been re-engineered to reflect the future course of the Organisation.

A GOOD BEGINNING

Your Corporation earned a net profit of Rs. 1309.13 Million from the first years operations. During 2006-07, Tehri Power Station generated 891 MU. The plant is operating well, and has already been operated at its full rated capacity of 1000 MW. The Capacity Index achieved during the first year was 86%, which is well above the normative 80% for Storage Schemes during first year of operation. Also, revenue realization against the billing was almost full at 99.76%.

Generation during 2007-08 has also been satisfactory and we are ahead of the target so far. Your Corporation is confident of achieving the generation targets of 2649 MU set for 2007-08. In the MOU signed with the Ministry of Power for the year.

MARCHING FORWARD

While your Corporation has fulfilled its commitment to contribute towards capacity addition of 1000 MW during the X Plan, all efforts are being made to complete the 400 MW Koteshwar HEP and 1000 MW Tehri PSP during the current Plan, so that full benefits from the 2400 MW Tehri Power Complex are realized.

Government approval for the 1000 MW Tehri Pumped Storage Plant, the first Central Sector PSS, was another major landmark for your Corporation during the year 2006-07. I may inform you that the Tehri PSP involves the arrangement of banking transaction of power, which has been adopted for the first time in the development of PSS in the Country. Under this arrangement, the beneficiaries who supply input power for the pumping operation of the Tehri PSP, would receive power in return, after adjusting for losses, during peak hours, when the demand is maximum.

This pioneering arrangement has perhaps paved the



way for development of the large potential of over 94,000 MW in PSS alone in the Country.

You would be glad to learn that with concerted efforts, substantial progress was achieved on the 444 MW Vishnugad Pipalkod HEP, the first Project undertaken by your Corporation outside Bhagirathi Valley. Various clearances have been obtained and we hope to receive Govt. approval shortly.

The Corporation has planned to complete the project within four and a half years, in pursuance of the Government's objective of accelerated development of the hydro projects.

Your Company is also playing its role in the development of Projects covered under the Prime Minister's 50,000 MW initiative. Though some of the Projects entrusted to THDC in Uttarakhand are falling under reserve Wildlife areas, the Company is taking steps to obtain requisite clearances to enable start of work on these Projects. Meanwhile, Survey and Investigation and FR preparation is taken up in earnest in highly challenging snow bound areas at high altitudes for the balance projects.

Your Company was able to bring the 600 MW Kishau Dam, a Storage scheme in Yamuna Basin entrusted to



Top View of Tehri Dam

THDC, on centre stage. The scheme is eagerly awaited by the beneficiary States on account of its immense Power, Irrigation and Drinking Water benefits. The action plan for the implementation of this scheme was highlighted during a meeting held under the Chairmanship of the Union Minister of Water Resources with the Irrigation/Water Resources Ministers of Upper Yamuna Basin States in December 2006. Your Company's approach to

reducing the cost and time period of completion, apportionment of cost and implementation strategy was highlighted, and there was consensus that the Project must be expedited.

Your Company plans to contribute capacity addition of 1400 MW in Hydro during XI Plan, and is presently working on Projects totalling 1739 MW for benefits during XII Plan. The Company is on the threshold of embarking upon its mission of being a major global entity in the field. With the experience built up by the Organisation, the expected revenues from the sale of power generated from its Projects, and the opportunities in the country and abroad, your Company is set to play a larger role in the Power Sector.

GROWTH POTENTIAL AND OPPORTUNITIES IN THE POWER SECTOR

The country has 1,50,000 MW of Hydro potential of which only around 35000 MW is developed or under development. In order to meet the growing demand and in pursuance of the mission of providing Power to All by 2012, the Government has set a capacity addition target of 78,577 MW during the XIth Plan period, of which over 16,500 MW is in Hydro. Keeping in view the long gestation period associated with Hydro Projects from feasibility to commissioning stage, the Ministry of Power has emphasized the need to adopt the concept of integrated rolling vision for development of Hydro Projects for longer period of 10 years.

The development of Storage schemes, which are imperative to meet the future water and power needs of the Country, is also being accorded emphasis.

The Hon'ble Prime Minister, during his visit to Uttarakhand in Oct.'06 had desired that work on the storage Projects must be expedited and had also set up a Task Force under the Ministry of Water Resources.

HYDRO SECTOR OUTLOOK

Despite the immense untapped Hydro potential,



Under Ground Power House : Turbine / Generator Units in Machine Hall

there are certain areas of concern in its development. Water being a State subject, the allotment of Projects is the exclusive domain of State Govts.

Various States are allotting projects on the basis of payment of upfront premium, additional free power over and above normative share of 12% and equity contribution by Developer on behalf of State Govt. All this ultimately translates into higher price charged to the consumer. Further, while the Government's Hydro Policy envisages integrated development of River basins, projects in a River Valley are allotted to various agencies resulting in multiplicity of Organizations.

In order to utilize the considerable expertise build up by Central PSU's in the accelerated development of Hydro projects, it is imperative that States may identify projects to be allotted exclusively to PSU's already working in the basin, so that optimum development of the hydro basin is possible. Also, multipurpose projects involving larger public interest, large hydro schemes and Storage Projects with associated R&R and environmental issues can be exclusively earmarked for PSU's.

Another area of concern is that of R&R of the affected population. The State Govts. need to play an active role in the R&R process. Also, in order to make the Hydro schemes economically viable, development works carried out in the area under the R&R plan need to be funded from the free power available to Home State.

Forest clearance and Projects located in reserve forests/wildlife areas is a major factor affecting Hydro Projects. The NPV being stipulated for diversion of Forest land in spite of liberal compensatory

afforestation taken up at Project cost constitutes a double loading on the Project Cost. A case for its review is before the Hon'ble Supreme Court. THDC has also filed a petition for review of the policy.

Storage schemes are imperative to meet the future water needs of the Country. For their development, Inter-State issues need to be resolved, cost apportionment needs to be decided based on economic viability of the

power tariff, and land acquisition mechanism strengthened by the State authorities.

Your Company has initiated policy initiatives for ensuring expeditious development of Storage schemes, and the suggestions are engaging the attention of the Govt. The regulated releases from Storage schemes result in augmentation of generation in downstream Projects. It has been proposed that the benefit of such additional generation should be passed on to the upstream Storage Project. Similarly, as the Storage schemes trap the silt in the reservoir, downstream Projects benefit from the reduced silt load.

It is therefore appropriate that cost of Catchment Area Treatment of the Storage Project is shared by downstream projects. There is also a strong case for apportionment of cost of flood control. With these measures, the development of Storage schemes would receive an impetus.

GROWTH INITIATIVES OF YOUR COMPANY

The Corporate Plan prepared for your Company, which includes the financial projections for the next decade, has revealed that the Company could endeavour to take up additional projects of at least 2500 MW capacity over the next ten years from its own resources. The Company could also look to the SPV route with JV partners. Keeping in view the opportunities and threats associated with the Sector, the Corporation has endeavoured to chalk out its future strategies.

For meeting the peak power demand, Pumped



Work-In-Progress at Kozhaswar HE Project

Storage Schemes, offer an ideal solution; PSS also help to stabilize the Grid system, and support the base load Thermal and Nuclear Stations during off-peak hours. The Country fortunately has immense potential of 94,000 MW of which hardly 3-4% is developed. A strong policy framework and priority to this area could enable unlocking of this valuable potential.

Realising the immense potential in the development of Pumped Storage Schemes, and the synergy of association with Nuclear Power Corporation of India Ltd. (NPCIL), considering the availability of off-peak power from their base load stations and the experience of THDC, your Company has signed an MOU with NPCIL for the development of PSS in the Country. The Honble Minister of Power, and Secretary (Power), in whose august presence the MOU was signed, were highly appreciative of your Company's initiative. The JV would also look to development of large Hydro schemes, to leverage the financial strength of NPCIL, and the experience of THDC.

The Government of Maharashtra have already been approached to entrust two Pumped Storage Schemes in the State to the JV for implementation. I am happy to inform that the initiative is being supported by our Ministry.

In order to utilize its experience in the development of Hydro Resources of the Country, your Company has also submitted its expression of interest to the Govt. of Arunachal Pradesh, for development of the vast hydro resources of the State. Opportunities in neighbouring Countries, which have earlier built Hydro Projects with association of Indian PSU's, are also been explored. Proposals have been submitted

to Royal Govt. of Nepal and Royal Govt. of Bhutan, outlining THDC's experience and interest to be a part of the development process for their Hydro Projects.

Keeping in view the limitations in the allotment of Hydro Projects and the constraints in their implementation, your Company proposes to adopt a strategy of diversification.

The Company shall endeavour to diversify into the fields of Thermal

and Non-conventional Sources of Energy to maintain its due share in the electricity market. At the time of incorporation of the Company, the Articles of the Company envisaged that it would be responsible for the development of the Tehri Complex and the potential of Bhagirathi basin. While the Articles, by an enabling provision, do permit taking up of Projects/business beyond this, however with the future plans of the Corporation, it has been considered desirable to have specific provisions relating to the Company's business in various States/Countries and to deal in other sources of energy like thermal, and non-conventional sources.

Accordingly, necessary process for amendment of the Articles of the Company has already been put in motion, and we would seek the shareholders approval in due course.

FINANCING THE GROWTH

The present commitments with the Corporation and the future plans entail huge capital investments. The future strategy would be to fund the equity portion through internal accruals as far as possible, however this would be possible only towards the later part of the current plan.

In addition, the Joint Venture route would also be used as in the case of Pumped Storage Schemes being taken up in partnership with NPCIL.

For the 444 MW Vishnugad Pipalkoti Project, 50% of the equity is proposed to be funded through the Corporation's own funds, while the balance would be contributed by the Govt. of India and Govt. of Uttar Pradesh. The Project is also proposed for World Bank funding for the loan portion.

FOCUS ON SUSTAINABLE DEVELOPMENT

Your Company has set a benchmark in the sustainable development of hydro Projects in the implementation of Tehri Project. The scientific approach towards environment has resulted in the environmental upgradation of the area. Similarly, the social measures adopted in the R&R of the affected population have resulted in their economic upliftment.

The Corporation would endeavour to continue this approach in its future Projects. Your Company has formulated a draft Policy on Rehabilitation & Resettlement, which, though based on the National Policy, would be suitably adapted to suit the requirements of the area.

Your Company is also taking steps to obtain benefits under the Clean Development Mechanism (CDM). Steps are under way to pose the Vishnugad Pipalkoti for coverage under the CDM.

ORGANISATIONAL CAPACITY BUILDING

The Capacity building and strengthening of the institutional setup has been an important thrust area for the Company.

Till now, the Company has been perceived as a single project Organisation, as all attention was focussed towards the Tehri Project. To meet the challenges of managing the additional Projects taken up by the Organisation, and the future growth and diversification plans of your Company, various steps have been taken to strengthen the institutional set-up.

A study on Organisational structure was carried out through IIM, Ahmedabad, and the O&M structure was studied through the National Productivity Council.

Your Company is conscious of the fact that Human Resource of the Company is its most important asset. You will agree that in large measure the credit for successful completion of Tehri Project goes to the sweat and toil of the dedicated employees of your Company. Your encouragement has always motivated them and I am sure the same will continue in future as well.

Various steps have been initiated for the motivation of the people for excellence in performance. Capacity building naturally comes to the forefront in our HR vision.

Your Company introduced a Training & Learning Policy for its people. In line with the same, Training & Learning need analysis is also proposed to be taken up.

For the career growth of Diploma Engineers, a tie-up has been linked with BITS, Pilani for BS Power Course, which is substantially funded by the Company. Fresh Engineers and Executives recruited are being imparted training by the Power Management Institute, Noida.

To promote the use of Information Technology in the Company, Supervisors and Workmen are also being extended loans for purchase of personal computers.

For effective implementation and control of Projects, a structured Project Management System is being put in place. To meet the exacting International Standards in Safety, a Project Safety Manual has been prepared and implemented after its vetting by the National Safety Council.



Annual General Meeting - September 2007



THDC Staff was awarded 2nd Prize in IITF-2006; Shri A.S. Bhatt, Director (Personnel), THDC receiving the Award from Shri Jayram Ramesh, Hon'ble Minister of State, Ministry of Commerce & Industry

As a further institutional strengthening measure, the process of ISO 9001 certification has also been taken up.

AWARDS AND RECOGNITIONS

I am happy to inform you that the sphere of excellence of your Company extends beyond Project Implementation.

The Company won the second prize in IITF-2006, and was the top among the Power Sector PSU's. The Company has also won awards in pursuance of the Implementation of the official Language Act.

CORPORATE SOCIAL RESPONSIBILITY

Your Corporation firmly believes that role of Organisations must extend beyond their commercial objectives. Organisations must play their part in sharing the social responsibilities. As a responsible Corporate Citizen, THDC has endeavoured to fulfill this role. The approach adopted for R&R of the affected population has led to a discernible transformation of the people after resettlement; their standard of living has improved, they are having access to better and modern facilities and their overall economic and social status has improved. The Corporation also hopes to benefit the youth of the area, by providing a platform for learning in the Technical Institute being set up in the area by THDC.

CORPORATE GOVERNANCE

The Company has endeavoured to adopt practices of Good Corporate Governance as required under the Companies Act and DPE Guidelines, though Clause 49 of the listing agreement is not applicable to your Company as it is not a listed Company.

ACKNOWLEDGEMENTS

On behalf of the Board and on my own behalf, I sincerely thank you for the confidence reposed in the Company. We are grateful to the Govt. of India, Government of Uttar Pradesh and the Government of Uttarakhand for their whole-hearted support.

I would also like to convey our gratitude to the various Ministries/ Departments of the Government of India, Particularly, the Ministry of Power, Planning Commission, Ministry of Environment & Forests, Department of Public Enterprises, Central Electricity Authority and Central Water Commission, and the various beneficiary States / stakeholders for their guidance and support.

I must recognize the valuable contribution of the members of the Board and the Senior Management team in providing competent and professional leadership to the Company. I place on record the deep appreciation for the dedication and diligence of the employees with whose efforts, the Company is at this threshold.

Thanking you,

For and on behalf of Board of Directors

(R.S.T. SAI)

Chairman & Managing Director

Place : New Delhi

Date : 27th September, 2007

DIRECTORS' REPORT

Your Directors are pleased to present the 19th Annual Report of the Company along with the Audited Statement of Accounts and Report of the Statutory Auditor for the year 2006-2007.

PERFORMANCE HIGHLIGHTS

The year 2006-07 has been a landmark year for the Company. The first Unit, after successful synchronization, was inaugurated by the Hon'ble Minister of Power on 30th July 06. The 1000 MW Tehri Power Station was fully commissioned and contributed capacity addition of 1000 MW during the X Plan.

The 1000 MW Tehri Pumped Storage Plant, the first Central Sector PSS, was accorded Govt approval, after resolving complex technical & commercial issues.

For the Vishnugad Pipalroot HEP (444 MW), THDC was able to obtain Techno-economic Clearance from Central Electricity Authority and PIB clearance during the year. MoEF clearance has also been accorded and the Project is now awaiting Investment Approval of CCEA.

The first MoU for performance evaluation of the Company between Ministry of Power and THDC was signed for the year 2006-07; with this, THDC has entered the prestigious list of MoU signing companies.

The Corporate Plan of the Organisation, including financial projections for the next ten years was finalized, setting the roadmap for the future growth of the Company. Keeping in view the achievements of the Company and the strengths built up over the years, the Vision and Mission statements of your Company have been realigned to reflect the future

plans of the Organisation.

Financial Results

Your Company has started commercial operation from 22nd September 2006. The financial results for part of the year operations as on 31st March 2007 is summarized as under:

	(Rs. Million)
Income	2006-07
Sale of Energy	4441.59
Other Income (including energy internally consumed)	17.15
Gross Income	4458.74
Expenditure	
Employee Remuneration & Benefits	285.99
Generation, Administration & other expenses	182.50
Interest & Finance charges	1995.31
Depreciation	685.52
Provisions	0.29
Total Expenditure	3149.61
Profit before Tax	1309.13
Tax	134.32
Profit after Tax	1174.81

Financial Performance

It is a pleasure to inform that your company has shown a Net Profit of Rs. 1309.13 Million in the first year of commercial operations. The total sale of energy on Annual Fixed Charges basis during the year was Rs. 4441.59 Million, following the principles enunciated in CERC's Regulations of 2004. The AFC is based on the actual costs of Commercial Operation of the units, and the petition filed for provisional tariff fixation before the CERC.

Operational performance

During the year 2006-07, three units of the Tehri Power Station were put under commercial operation while the fourth unit has started commercial generation in July 07. With the commissioning of the 1000 MW Tehri Power Station, your Company has entered into an era of providing much needed peaking power to the Northern grid. The Irrigation and Drinking water benefits from the Project have also started to flow to Uttar Pradesh and Delhi.

Tehri Power Station generated 891



A Panoramic View of Tehri Reservoir



MUs of energy till March'07. During the first year of operation, the Capacity Index achieved by the Plant was 86%, which is well above the normative value for the first year of operation of Storage Schemes.

Commercial Performance

A Petition for fixation of provisional tariff for Tehri Power Station (1000MW), based on the expenditure incurred upto 31.03.2006, has been filed before the Central Electricity Regulatory Commission. As an interim measure, CERC has approved a two-part tariff with energy charge @ Rs.2.50/ kwh on the scheduled energy and capacity charge @ Rs. 18000/MW/ day for the peaking support w.e.f. 01.01.07 till 31.12.07 subject to adjustment after determination of final tariff by the Commission.

Revenue of Rs. 258.37 Cr. has been realized from the beneficiaries from the sale of Power from Tehri Power Station against the billing of Rs. 262.89 Cr. as per interim order of CERC. Of this, an amount of Rs. 3.95 Cr. has been allowed as rebate during the Year 2006-07.

The Company has also earned revenue of Rs. 5.32 Cr. on account of Unscheduled Interchange (UI) under the prevailing Availability Based Tariff (ABT) mechanism.

The Beneficiary States have opened LCs equivalent to 105% of the average monthly billing.

PROGRESS OF ON GOING PROJECTS

Concerted measures aimed at expediting the work on the 400 MW Koteshwar Project, and the 1000 MW Tehri Pumped Storage Project were taken so that the completion of the Projects is achieved during the XI Plan as planned. With the completion of these Projects, full peaking power benefits from the 2400 MW Tehri complex would be available.

Koteshwar HEP (400 MW)

The Project had encountered some delay in the evacuation of the affected villages. With the

evacuation of all villages by Mar-07, the progress of works has gained momentum. After completion of the excavation work in the major areas, concreting work has been taken. To speed up the progress of civil works and the project as a whole, an empowered Committee



View of Asia's Highest Tehri Dam & Chest Spway

has been constituted to augment resource mobilization of the Contractor as per requirement of the works at their cost. The Project is scheduled for commissioning by June-2010.

Tehri PSP (1000 MW)

The essential works of Tehri PSP approved alongwith Tehri Stage-I have already been completed. Major works have been planned to be executed through an EPC package. In Jan'07, THDC engaged International Consultants for the consultancy services for Tehri PSP. Global bids have been invited for the EPC package under ICB in Aug-07. Meanwhile, works of Approach Ades to various structures, being sequential activities in the project schedule, have been taken up and are progressing well. The Project is scheduled to be commissioned by Dec' 2011.

PROJECTS AWAITING INVESTMENT APPROVAL

Vishnugad Pipalkoti HEP (444 MW)

Your Directors are pleased to inform that the year witnessed positive developments on the Vishnugad Pipalkoti HEP (444 MW) on the River Alaknanda. The Implementation Agreement for the Project was signed with the Govt. of Uttarakhand on 2nd June 06. Techno Economic Clearance to the Project was accorded by CEA during Sept' 06. Power Purchase Agreements



Construction Work in Progress at Koteshwar HEP Project

(PPAs) have already been signed for the full rated capacity of the Project with four States and the commercial arrangements firmed up for off-take of entire power from the Project. Consultations with other States of Northern Region are under progress to sign agreements for their share.

The Public Investment Board (PIB), during Feb' 07 has recommended the Project for the consideration of CCEA. Environmental Clearance to the Project has also been accorded by the Ministry of Environment & Forests in August' 07 and the Project is now being posed for investment sanction.

PROJECTS UNDER FMDPR PREPARATION

Govt. of Uttaranchal had allotted six Projects to THDC, with a total installed capacity of 695 MW, for which Implementation Agreements were signed in Nov'05. Of the six Projects, Bokang Bailing (330MW) falls in Askot Musk Deer Sanctuary, while Karmoli (140MW) and Jadhganga H.E. Projects (50MW) fall under the "Gangotri National Park". Prior permission of Hon'ble Supreme Court is required for taking up activities on the three Projects. Necessary IA has been filed by THDC in the Hon'ble Supreme Court seeking clearance for taking up work on the Bokang Bailing HEP while the matter relating to Karmoli and Jadhganga Projects is taken up with the State authorities. Work of Survey & Investigation and preparation of Feasibility Report (FR) is under progress on Malari Jhelam (60MW) and Jhelam Tamak (55MW). The FR of Gohana Tal (60 MW) has however been kept in abeyance pending decision of Govt. of Uttarakhand on the optimum utilization of the head available for the Project.

Kishau Dam Project (800 MW)

Govt. of Uttarakhand had allotted the Kishau Project to THDC in Nov'02. MOU for implementation of the Project has been under discussion with the State Govt. The Himachal Govt. is to convey their concurrence to the MoU, as part of the submergence would fall in HP.

The issue regarding expediting of the Project has been discussed with the State Govt at the Ministry of Power level. THDC would be taking up the updation of

DPR (earlier prepared by UPID), meanwhile the signing of the MoU with Govt. of Uttarakhand would be concluded. THDC has initiated action for appointment of consultant for review/updation of DPR with particular emphasis on the Dam review in an effort to achieve economy in time and cost, so that the Project can yield benefits during the XIth Plan.

ENGINEERING CONSULTANCY

Your Company is engaged in the engineering consultancy work for stabilization of Varanvat Parvat in Uttarkashi entrusted by Government of Uttarakhand. The work involves providing the complete engineering solution to the major hill stabilization problem and also supervising the execution works at site. Your Directors are pleased to inform you that the solutions provided so far have been quite successful. The work is already at an advance stage of completion, which would provide safety to the people of Uttarkashi against the fear of major disaster that took place 3 years back.

STRATEGIC INITIATIVES

Corporate Plan

With the completion of the Tehri Project, the first and most challenging Project taken up by your Company, and the balance stages of the Tehri Complex already under implementation, your Company has taken initiatives to look to the future growth plans of the Company.

Your Company has set a target of capacity addition of 1400 MW during the XI Plan, i.e. by 2012. For the XII Plan, the Company is pursuing Projects totalling to 1739 MW of installed Capacity.



As a first step in the strategic initiatives, the Company appointed SBI Caps to prepare the Corporate Plan including financial road map for the Company. SBI Caps in its report have concluded that, based on the projected financials, THDC could endeavour to identify at least 2500 MW of additional projects in the XI & XII Plan period for implementation. The SPV route with JV partners may also be explored to plan accelerated expansion.

MoU with NPCIL

In order to explore the opportunities of development of Pumped Storage Schemes, for which there is huge untapped potential of 94,000 MW, an MoU has been signed between Nuclear Power Corporation of India Ltd. (NPCIL) and THDC in Feb 2007. In the august presence of the Hon'ble Union Minister of Power with a view to synergise the respective strengths and competencies of the Organisations for the development of Pumped Storage Schemes and Hydro Projects in India and abroad.

Govt. of Maharashtra have been approached for allotment of Malshaj Ghat (600MW) & Humbart (400MW) PSS in Maharashtra, two viable schemes, to the JV of THDC & NPCIL for implementation.

Quality Management System (ISO 9001:2000)

During the year, THDC has initiated the process of implementing Quality Management System (ISO

9001:2000) initially for Corporate Office. The documentation part of the implementation process of Quality Management System has been completed.

FINANCING OF NEW PROJECTS

The planned capacity addition projects are proposed to be financed on Debt Equity ratio of 70:30. Being a Joint Venture partner, State Govt. of U.P. has conveyed their consent to contribute their share of Equity of 25%.

The 444 MW Vishnugad Pipalkoti HEP is under consideration for World Bank funding. Project preparation activities including various studies relating to Technical, Social and Environmental aspects are under progress as part of the loan appraisal process of World Bank. Your Directors are pleased to inform that the Company was able to obtain a grant of 1 million US\$ from the Govt. of Japan for Project Preparation activities under their Policy on Human Resource Development (PHRD).

HUMAN RESOURCE MANAGEMENT

Your Company has always given highest importance to the Human Resource for maintaining effectiveness of the Organisation. On this notion our HR initiatives are designed and strategized. Organizational Capacity is the sum total of its people's capacity, thus capacity building of Human Resource has been a focus point during the period.



Shri Sudhakar Shinde, Hon'ble Union Minister of Power Addressing at the Occasion of Signing of MoU with NPCIL to work for the development of Pumped Storage Schemes. Shri Anil Kishor, Secretary (Power), Shri Rakesh Nair, Chairperson, CEA, Shri S.K. Jain, CMD, NPCIL & Shri R.K. Sharma, Ex-CMD THDC also seen in picture



Quizzing to Excellence (Q2E)-2007 Organized in collaboration with Power HR Forum at Raikot

Your Company has 626 Executives, 263 Supervisors and 1432 Workmen. The total Manpower strength of the Company is 2321.

On the completion of the works of Tehri Power Station, the Company is geared up to handle the operation & maintenance of the Power Station. Manpower for O&M stage was estimated and got studied through National Productivity Council (NPC). The O&M stage structure has been put in place.

In order to identify areas of immediate concern for organizational effectiveness, a study was got carried out by IIM, Ahmedabad on Organization Diagnosis. As a part of the Organisation transformation, Performance Management System (PMS) is being reviewed for which a Workshop for Senior Officers/ Head of Department was organized. To ensure that performers and meritorious are given their due, the Promotion Policy has also been reviewed.

During the period your Company recruited Engineer Trainees and Executive Trainees to infuse young blood in the Organisation. Their Training & Learning has been given due priority and an arrangement has been made with Power Management Institute (PMI), Noida to impart them the best of training.

For promoting Career development, and avenues in executive cadre, Diploma Engineers have been enabled opportunities to pursue BS Power Course for which a tie up has been made with Birla Institute of Technology, Pilani. The scheme is substantially funded by the Company.

Various HR Policies have been reviewed to bring satisfaction amongst the employees. To promote IT culture in the Organisation, Supervisors and

Workmen also have been enabled loan for buying computers.

Training & Development

Keeping in view the initiatives made at National level for Training & Development in Power Sectors, the Company has formulated a Training & Learning Policy for the Organisation.

The Company firmly believes in the growth and development of the employees, which is directly linked with the growth of the organization. In pursuance of the National Training Policy for the Power Sector enunciated by the Union Power Ministry, all efforts were made to impart training to employees of your Company through leading

organizations. A number of in-house computer/non-computer programmes too were conducted. A total of 145 employees were deputed for specialized O&M Training at N.H.P.C. /ASTIN. Also, 225 Executives/Supervisors/Workers at various levels have been sponsored for external training programmes conducted by prestigious management/professional organizations like Administrative College of India, Hyderabad, Engineering Staff College of India, Hyderabad, National Productivity Council, New Delhi etc. Employees belonging to SC/ST/OBC categories were given due consideration for imparting training.

Your Company has achieved the HRD target well beyond that prescribed for excellent rating during the year.

Employee Relations

Industrial Relations during the period remained cordial through commitment of the Management for continued dialogue with Unions/Associations from time to time on various issues. For welfare of the employees on account of Health, Hygiene, Sanitation and promote overall living in the Township, specific measures were initiated.

Implementation of Official Language

In pursuance of the Official Language Act, continuous efforts have been made to enhance the use of Hindi in day-to-day working in the Company. Hindi Fortnight and Hindi Workshops were organized. The Company Participated in the meetings/conferences conducted by MOP/Town Official Language Implementation Committee and have won prizes in Hindi competitions.



Right to Information Act' 2005

RTI Act, 2005 has been implemented effectively. The Central Information Commission has upheld the decisions of the Company in certain cases.

CORPORATE SOCIAL RESPONSIBILITY

Your Company firmly believes that Organisations, apart from being commercial entities, have an important social role in the society. THDC has constantly endeavoured to discharge its social obligations, be it in the field of rehabilitation and resettlement, or areas of environment or community development.

With the coming up of Tehri reservoir the problems of population residing in the cut off areas were duly attended to and measures such as additional bridges and connectivity, ferry services, schools and health centres in the cut off areas were provided even though they were not envisaged earlier.

In order to benefit the local population of the area and the State, as well as THDC's employees, a Technical Training Institute is being set up at Tehri at a cost of Rs.15 Cr., which would cover various subjects, viz Environment, Geology, Hydrology, Fisheries, Bio-technology etc. While the Institute would be constructed by THDC, running of the Institute would be undertaken by expert Institutions like NPTEL.

REHABILITATION & RESETTLEMENT

The Tehri Project involved construction of one of the highest Dams in the World, with large submergence and consequential large scale displacement. The social aspects of R&R of affected population of nearly 15,000 families have been handled with a humane and understanding approach towards relocation. The measures taken by your Company for the rehabilitation and resettlement of the population have been aimed at the social and economic upliftment of the displaced people. The Tehri Project has set a benchmark in this area.

The R&R work is being implemented by the Rehabilitation Directorate, Govt. of Uttarakhand under the overall supervision and

control of Commissioner, Garhwal and adequate funds have been provided by THDC.

While the Urban Rehabilitation involving the 5291 families of Old Tehri Town, has been completed and Old Tehri Town vacated in Jan.2004, under Rural Rehabilitation, all the 3355 fully affected villagers have been rehabilitated through allotment of land/cash compensation. Clearance for filling of the reservoir upto El 820 M during the monsoon period of 2007, which is the expected level the reservoir shall achieve this year has been conveyed by the Directorate of Rehabilitation.

Keeping in view the genuine problems and sentiments of the affected people, certain additional measures for improvement of R&R package, as proposed by the State Govt. were recommended to the Govt. of India for consideration. The Govt. of India after careful consideration, had agreed to various measures including funds for road connectivity with bridges, reconstruction and relocation of public facilities existing in submergence area at higher elevation, arrangement of Cable Car & Ferry Boat for cut-off area; enhancement of compensation for Rural Shopkeepers of cut-off area, has also been agreed. Two medium motor vehicle suspension bridges have been constructed, one each in Bhagirathi & Bhilangana valley. Also, Ferry boat services have been provided at Project cost till such time bridge and its approach roads are completed to facilitate the people living in cut-off areas. A heavy motor vehicle bridge across Bhagirathi river near village Dobra with span of 440 M is also being constructed with funding by the State Govt and the Govt. of India.



A workshop on Visioning & Missioning of THDC : Shri R.S.T. Sati, CMD, Director (Personal), Director (Technical), ED, General Managers & Experts from IIM, Ahmedabad attended the workshop



A View of Inauguration of Foundation Day Celebration Organised on 12th July, 2007 at Rishikesh

While there is a Grievance redressal mechanism in place, the Hon'ble Supreme Court, in the course of hearings in the SLP's filed before it directed that services of a retired District Judge can be made available to work with the District Magistrate and sort out complaints of the Project affected families. In compliance of the directions of the Hon'ble Supreme Court, the Chief Justice of the Uttarakhand High Court has nominated a retired District Judge for the purpose, who is since functioning.

ENVIRONMENT MANAGEMENT

The Tehri reservoir has a submergence of 42 sq km. The systematic and scientific approach towards environmental issues has been focused towards environmental upgradation of the area apart from environmental protection.

An extensive Catchment Area Treatment Plan has been undertaken for arresting soil erosion in the upper reaches of the catchment and reducing silt load contribution into the reservoir. The CAT Plan of Tehri project has been implemented upto Gangotri in an effective manner and in a huge area of 52,204 ha. This is not only useful for the longevity of Tehri Project but also for the life of various other projects coming within the catchment area and downstream of Tehri Project. A Green Belt is also being created along the rim of reservoir.

Tehri Project is an ideal example of storage based projects where almost all possible environmental concerns based on result of studies carried out by the expert institutions like BSI, ZSI, NEERI etc. have been

addressed. The environmental up-gradation achieved from Tehri Project will play an important role in the development of surrounding areas & in improving the quality of life by providing employment opportunities and additional source of revenue in the form of fishing, tourism, water sports etc.

Your Company has accorded highest emphasis to the preservation of flora and fauna of the area. A Botanical Garden has been established in an area of 14.28 ha and plantation of special species coming under submergence in the Botanical Garden has been completed. The garden established at Kotli is trying to cultivate a number of plant species, which include economically important species as well.

While it has been established through studies that there is no adverse impact on the fauna of the area due to construction of dam and, in fact, plenty of water may help the fauna, only in case of Mahseer some special measures were required. A Mahseer Fish hatchery & fish farm site has been developed near Koteshwar Dam under the technical assistance of National Research Centre on Cold Water Fisheries Station, ICAR, Shimla which is already in operation.

VIGILANCE

During the year under review, the thrust of the Vigilance organization was on improving Vigilance administration by leveraging technology and increasing transparency through effective use of Website, besides following the traditional methods of preventive vigilance under the overall guidance of the Central Vigilance Commission. The activities of



Vigilance Department were reviewed by the CVO on the monthly basis and also reviewed by the CMD of the Company from time to time.

The time schedule for conducting enquiries and investigations as prescribed by the Central Vigilance Commission were by and large adhered to. With a view to further strengthening of vigilance work, regular and surprise inspections were also carried out by the Vigilance Department. Settlement of pending paras of reports of intensive examination of various works conducted by the Chief Technical Examiner of the Central Vigilance Commission was taken up on priority basis with the result that most of such paras were settled by the Chief Technical Examiner. Agreed list was reviewed and updated in consultation with the Superintendent of police, Central Bureau of Investigation, Dehradun.

The Vigilance Awareness Week- 2006 was celebrated from 06.11.2006 to 10.11.2006. On this occasion, a booklet on "Do's & Don'ts for Executives and Supervisors" was issued by the Vigilance Department. A 2-Days training programme was also conducted on 23rd & 24th April, 2007 for the executives of the Company at HRD Centre, Rishikesh, to familiarize them with the fair practices to be followed.

EXCELLENCE IN CORPORATE COMMUNICATION

Your Company is aware of the increasing role of communications in the modern world. The website of the Company has been redesigned to project the various range of activities of the Organisation, at the same time to reflect transparency in its functioning.

Your Company participated in the IITF 2006 at New

Delhi. It is a matter of pride that your Company won the second prize in IITF-2006 and was first among the PSUs of the Ministry of Power.

The Company continued its tradition of bringing out its in-house publication, the Gangavaranam. A special publication titled "THDC-An Insight", a comprehensive document giving an insight into THDC, particularly the trials and tribulations of the prestigious Tehri Project was prepared during the year.

On the historic achievement of commissioning of Tehri Project, Central Board of Irrigation and Power (CBIP) has brought out a special issue of its Journal "Water & Energy International" on the Tehri Hydroelectric Power Project, wherein all the aspects of the Tehri Project have been compiled and documented. THDC engineers and others who have been associated with the Tehri Project have authored the various papers in the issue. The special publication was released by the Hon'ble Minister of Power during a function in Feb.'07.

CORPORATE GOVERNANCE

Corporate Governance has reached centre-stage in the global agenda. The principles and codes evolved in several countries have furthered the cause of efficiency, transparency and equity particularly in the interest of the shareholders. Corporate Governance is a set of principles accepted by management in the best interest of the inalienable rights of the shareholders as a true Owner of the Company and lays down the Role of the Management as trustees on behalf of the shareholders.

Your Company is not a listed company and Clause 49



Cultural Programs on the Occasion of Foundation Day Celebration at Rishikesh



State Level Painting Competition on Energy Conservation held at Dehradun : Sri Sudarshan Agrawal, Hon'ble Governor of Uttarakhand & Sri R.K. Sharma, Ex-CMD seen in the picture

of the listing agreement is not applicable. The Company has however endeavored to adopt practices of Good Corporate Governance as required under Companies Act/ DPE Guidelines.

Constitution of Board of Directors

Your Company is a Government Company within the meaning of Section 617 of Companies Act, 1956 with Equity Share Holding of 75% by President of India and 25% by Governor of Uttar Pradesh. It has the status of Private Company in terms of Section of 3(i)(ii) of Company's Act, 1956; as such most of the provisions are not applicable.

As per the Articles of Association the President of India shall from time to time determine the number of Directors of the Company, which shall not be less than seven and not more than fifteen. At present the Company has three Whole Time Directors including Chairman & Managing Director, and five Government Nominee Directors comprising of three Directors nominated by Govt. of India and two by Govt. of Uttar Pradesh.

Age limit and tenure of Directors

The age limit of Chairman & Managing Director and Whole Time Directors is 60 years. The Chairman & Managing Directors and other Whole Time Directors are appointed for a period of five years from the date of taking over the charge or till further instructions from the Government of India which ever event occurs earlier.

Government Nominee Directors representing the Ministry of Power, CEACWC and Govt of Uttar Pradesh retire from the Board on ceasing to be official of that particular Ministry/Department.

Board Meetings

As against the Statutory Requirement of four Board meetings in a year and one meeting in each quarter, a total of 11 Board meeting have been held during financial year 2006-07. The agenda with all details were circulated well within time so as to facilitate the decision making in an informed and efficient manner. On an average 17 items were considered by the Board per meeting.

Major items placed before the Board

The Board has complete access to any information within the Company. Major items considered by the Board includes:

- Review of Status of all Works.
- Capital Budget and its revised cost.
- Annual Accounts, Directors Reports etc.
- Minutes of the meetings of Audit Committees.
- Pay Scale and employee benefits.
- Award of Major Contracts.
- Time extensions and variations of Major Contracts.
- Important issues related to Human Resources / Industrial Relations like signing of wage agreements etc.,
- Raising of Long Term/Short Term Loans and their repayment.



- Allotment of Equity Shares.
- Important Legal Issues and settlement of Arbitration Awards.
- Other Material Issues.

Audit Committee

Your Company being a Private Company, the Constitution of Audit Committee is not mandatory as per the Company's Act, 1956. As a good Corporate Governance practice, your Company has constituted an Independent Audit Committee having three members of Part-time Directors of whom one shall be the Chairman and Director (Finance) as non voting member. The Scope of Audit Committee is in line with the provisions of Company's Act. The said Committee considered the Annual Accounts for the year 2006-07 before submission to the Board. Four Audit Committee meetings have been held during financial year 2006-07. On an average, five items in each meeting were considered by the Audit Committee.

Scope of Audit Committee

- Consideration of Annual Accounts.
- Review of compliance of Internal Control Systems.
- To see that financial statement is correct, sufficient and credible.
- To sort out long pending issues related to Accounting and Finance.
- To review Draft audit Paras of Internal Audit, Statutory Audit & C&AG Audit and qualification in the above audit reports.
- To review the appointment, management and performance of Internal Auditors, Statutory Auditors etc. and adequacy of Internal Audit Functions.
- Discussions with Internal Auditors and issue directions on long pending issues.
- To review the findings of any internal investigations by internal auditors and make necessary directions; if necessary report to Board any fraud, irregularity or failure of Internal Control System of a material nature.
- Discussions with Statutory Auditors before the

Audit commences, about the nature and scope of audit as well as have post audit discussions to ascertain any area of concern.

- Investigation into any matter as referred by the Board

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors state that:

- In the preparation of the Annual Accounts, all the applicable accounting standards have been followed along with proper explanation relating to material departures;
- The Company has selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and



A View of Clock Tower and Sports Stadium at New Tehri Town

prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2007 and Profit and Loss Account of the Company for the year ended on that date;

- The Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- These accounts have been prepared on a going concern basis.

Changes in Board of Directors

During the year, Shri Jayant Kawale, JS(Hydro), Ministry of Power, New Delhi, Shri Rajesh Verma,

JS&FA, Ministry of Power, New Delhi Shri Manjit Singh, Principal Secretary (Irrigation), GOUP, Shri G.B.Pattanaiik, Principal Secretary (Energy), GOUP, were appointed as Part-time Directors on the Board of the Company.

Shri R.S.T.Sai, has taken over the charge as Chairman & Managing Director, THDC on March 08, 2007. Shri S.K. Shukla, has taken over the charge as Director (Technical), THDC on June 01, 2007

During the year, Shri R.K. Sharma, CMD, Shri S.C. Sharma, Director (Technical), Shri A.K.Kutty, JS(Hydro), Ministry of Power, New Delhi, Shri M.Sahoo, JS&FA, Ministry of Power, New Delhi Shri Mohinder Singh, Principal Secretary (Irrigation), GOUP, Shri A.K.Khurana, Principal Secretary (Energy); Shri S.K. Das, Member (D&R), CWC ceased to be on the Board of THDC. The Directors place on record their appreciation of the valuable advice and guidance received from them during their tenure.

AUDITORS

For the Audit of the Accounts of THDC for the year 2006-07, M/s Ravi Verma & Co., Chartered Accountants, No.1 Community Centre, 1st Floor, East of Kailash, New Delhi were appointed as Statutory Auditor of the Company by C&AG vide their letter dated 10.07.2006 under Section 619(2) of the Companies Act, 1956.

As required under Section 224(8) (aa) of the said Act, a proposal for fixation of the remuneration payable to the Statutory Auditor is being placed at the ensuing Annual General Meeting for consideration.

The report of the Statutory Auditor along with the Management Replies thereon is enclosed.

COMMENTS OF THE C&AG

The comments of Comptroller & Auditor General of India as supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the Accounts of the Company for the year ended March 31, 2007 are enclosed along with the Management Replies thereon.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF COMPANY'S ACT, 1956

As there is no employee drawing the specified remuneration, particulars of employees under Section 217 (2A) the Companies Act, 1956 read with the Companies (Particular of Employees) Rules 1975, for

the year ended 31st March 2007 as amended upto date, particulars are not required to be given.

ACKNOWLEDGEMENT

The Board of Directors acknowledges with thanks the guidance and continued assistance extended by the various Ministries/Departments of the Govt. of India particularly the Ministry of Power, Ministry of Water Resources, Planning Commission, Ministry of Finance, Ministry of Environment & Forests, Department of Public Enterprises, Central Water Commission, Central Electricity Authority, Department of Company Affairs, Government of UP and Government of Uttarakhand and their various Departments, notably the Director, Rehabilitation of the Project.

The Directors take this opportunity to thank the Statutory Auditors, Comptroller & Auditor General of India, the Chairman, the Principal Director of Commercial Audit and Ex-Officio Member, Audit Board-II for their valued co-operation during the year. Your Directors further wish to place on record their sincere thanks to the various National/ International Financial Institutions/Banks for the continued trust and confidence reposed by them by rendering continuous timely assistance and patronage for successful implementation of the various projects by the company.

We wish to place on record our appreciation for the untiring efforts and contribution made by the employees at all levels to ensure that the Company continues to grow and excel.

For and on behalf of Board of Directors

(R.S.T.SAI)
Chairman & Managing Director

Date : 27.09.2007
Place : RISHIKESH



Significant Accounting Policies 2006-2007

1. General

The accompanying financial statements have been prepared on the historical cost basis in conformity with the statutory provisions of the Companies Act, 1956 and the Statements, Standards and Guidance Notes issued by the Institute of Chartered Accountants of India.

2. Contribution towards Irrigation Sector by Government of Uttar Pradesh

Contribution received from the Consumer Le Government of Uttar Pradesh towards irrigation component of the project cost of Tehri H.E.P stage - I is treated initially as capital reserve and subsequently adjusted as income in the same proportion as the depreciation written off on the assets acquired out of such contribution.

3. Fixed Assets

- Fixed Assets including intangible assets are stated at their cost of acquisition/construction. Assets and systems common to more than one generating Unit are capitalized on the basis of engineering estimates/assessments. However, fixed assets acquired/constructed especially for construction purposes which would get merged with the main fixed assets or cease to be of use after construction period, are carried as part of Capital Work-in-Progress of the main item of Fixed Asset to be capitalized therewith.
- Fixed assets created on land not belonging to the Corporation are included under Fixed Assets.
- In respect of land acquired through Special Land Acquisition Officer (SLAO)/ lease, those portions of land are capitalized which are utilized / intended to be utilized for construction of buildings and infrastructural facilities of the Corporation. Cost of land acquired through SLAO is capitalized on the basis of compensation paid through SLAO or directly by the Corporation. Expenditure on rehabilitation of the outstays of such land is not considered in arriving at the cost. Leasehold land is capitalized on the basis of lease amount paid.
- In case where the final settlement of bills with contractors is yet to be effected, but the asset is complete and ready for use, capitalization is done on provisional basis subject to necessary adjustment in the year of final settlement.

- Capital expenditure on assets not owned by the company is reflected as a distinct item in Capital work in progress till the period of completion and thereafter in the Fixed Assets.

4. Capital Work-in-Progress

- Cost incurred towards lease amount and rent on lease hold land and compensation for land and properties etc. used for submergence and other purposes (such as re-settlement of oustees, construction of new Township, afforestation, expenses on maintenance and other facilities in the re-settlement colonies until takeover of the same by the local authorities etc.) is carried forward in the Capital Work in Progress of Rehabilitation to be allocated on proportionate basis to Dam & Spillway on the date on which the Project is put to commercial operation.
- Deposit works are accounted for on the basis of statements of account received from the Deposit Works Agencies.
- In respect of supply-contract contracts, the value of supplies received at site is treated as Capital Work-in-Progress.
- Claims for price variation in case of contracts are accounted for on acceptance.
- (a) Incidental Expenditure during Construction (not) including Corporate Office and service units expenses (allocated to the projects pro-rata to the annual capital expenditure) for the year is apportioned to Capital Work-in-Progress on the basis of accretions thereto.
- (b) The policy for allocation of IEDC at 4. v(a) is generally in line with the ICAI guidance note on treatment of expenditure during construction period.
- Incidental Expenditure during Construction relating to rehabilitation Works of Project is carried forward and to be allocated in line with Policy No.4(i)

5. Borrowing Costs

- Borrowing costs directly relating to acquisition and construction of specific qualifying assets are capitalized as a part of the cost of such asset upto the date when such asset is ready for its intended use.
- Borrowing costs in respect of funds borrowed generally and used for the purpose of obtaining a qualified asset but not directly relating to specific Fixed Assets during their

construction are capitalised. Such borrowing costs are apportioned on the average balance of capital work in progress for the year. Other borrowing costs are recognised as expenses in the period in which they are incurred.

6. Foreign Currency Transactions

- Transactions dealt with in foreign currency are recorded at the rates at which transacted.
- At the balance sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items denominated in foreign currency are reported at the exchange rate ruling at the date of transaction.
- Exchange differences in respect of loans / deposits / liabilities relating to fixed assets/ capital work-in-progress arising out of transaction entered into prior to 01/04/2004 is adjusted to the carrying cost of respective fixed asset/capital work-in-progress. However, Exchange differences arising out of transaction contracted on or after 01/04/2004 shall be accounted for in accordance with AS-11 (Revised 2003) 'The Effects of Changes in Foreign Exchange Rates'.
- Other exchange differences are recognised as income & expenses in the period in which they arise.

7. Depreciation

- Depreciation is charged on straight-line method following the rates notified by the Central Electricity Regulatory Commission (CERC) for the purpose of fixation of tariff. In respect of assets, where rate has not been notified by CERC, depreciation is provided on straight line method as per rates prescribed under the Companies Act, 1956.
In case of additions to cost of asset towards increased liability on account of exchange fluctuations, award of Courts, etc. revised unamortised depreciable amount is provided prospectively over the residual useful life of the asset.
- In respect of Assets costing up to Rs 5000/- 100% depreciation is provided in the year of purchase.
- Depreciation is charged from the date the asset becomes 'ready for use'.
- Cost of Leasehold Land is amortized over the lease period.
- Capital expenditure on assets not owned by the company is amortised over a period of five years after commencement of commercial operation and thereafter from the year in

which the relevant asset has been completed and becomes available for use.

- In case of diversion tunnel of Koteswar Hydro Electric Project, the depreciation has been charged on Straight line method over the expected useful life of the Tunnel.
- Cost of computer Software is recognised as intangible asset and amortised on straight line method over a period of legal rights to use or 5 years, whichever is earlier.
- Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the residual useful life of the related plant and machinery.

8. Stores & Spares

- Stores and spares are carried at cost determined on weighted average basis.
- Diminution in value of obsolete and unserviceable stores and spares is ascertained on review and provided for.

9. Income & Expenditure

Income Recognition

- Sale of energy is accounted for as per final tariff notified by Central Electricity Regulatory Commission (CERC). In case of Power Station where final tariff is not notified, recognition of revenue is based on the parameters and method provided in the applicable Regulations framed by the appropriate authority i.e. CERC. The recognition of Revenue would be independent of the Provisional Rate adopted for the purpose of collection pending notification of 'Annual Fixed Charges' by CERC. Recovery / refund towards foreign currency variation in respect of foreign currency loans and recovery towards income tax are accounted for on year to year basis.
- Incentive / disincentives are accounted for based on the applicable norms notified / approved by the Central Electricity Regulatory Commission or agreements with the beneficiaries. In case of Power Station where the same have not been notified/ approved/agreed with beneficiaries, incentives/ disincentives are accounted for on provisional basis.
- Advance Against Depreciation allowed as a component of tariff in the initial years to facilitate repayment of loans is reduced from Sales and considered as deferred income to be included in Sales in subsequent years.



- iv. Surcharge recoverable from sundry debtors for sale of energy is not treated as accrued due to uncertainty of its realization, and is therefore accounted for on receipt/certainty of receipt basis.
- v. Interest earned on advances to contractors as per the terms of contract, are reduced from the cost incurred on construction of the respective asset by credit to related Capital Work-In-Progress Account.
- vi. Value of scrap is accounted at the time of sale.
- vii. Claims recoverable from insurance companies on account of damages, shortages is recognised on lodgement of claims by giving corresponding credit to respective works / claim suspense Account. Final adjustment is made on settlement of the claims.

Expenditure

- viii. Expenses common to operation and construction activities are allocated to Profit and Loss Account and Incidental Expenditure during Construction in proportion of sales to annual capital expenditure in the case of Corporate Office & service centers and sales to accretion to Capital Work-In-Progress in the case of projects.
- ix. Cost of stores and spares used on repairs and maintenance are charged to the Repairs and Maintenance Account.

- x. Prepaid expenses and prior period expenses/income of items of Rs.10,000/- or below in each case, are charged off to the natural heads of accounts.
- xi. Net income/expenditure prior to Commercial operation is adjusted directly in the cost of related assets and systems.
- xii. Expenditure on Leave Travel Concession to Employees is recognised in the year of availment due to uncertainties in accrual.

10. Retirement Benefits

- i. Liability for retirement benefits to employees in respect of gratuity, leave encashment and post retirement medical benefits is accounted for on accrual basis based on actuarial valuation determined as at the year end.
- ii. The company has established a separate Trust for administration of Provident Fund and the company's contribution to the Fund is charged to expenditure every year.

11. Miscellaneous Expenditure

Deferred revenue expenditure upto 31,3.04 is written off over a period of 10 years from the year of expenditure. However, thereafter the same is being fully charged in the year of expenditure.



Statement of Accounts 2006-2007



BALANCE SHEET AS AT 31st MARCH, 2007

Amount in Thousands

PARTICULARS	Schedule	As at 31/03/2007		As at 31/03/2006	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
SHAREHOLDERS FUNDS					
a) Share Capital	1	31296204		30503204	
b) Share Capital Contribution Pending allotment		0		68000	
			31296204		30571204
RESERVE & SURPLUS	2		12873257		11703038
DEFERRED REVENUE ON ACCOUNT OF ADVANCE AGAINST DEPRECIATION	3		140126		0
LOAN FUNDS	4				
Secured Loans		42573702		32754069	
Unsecured loans		1226636		4494222	
			43800338		37248291
DEFERRED TAX LIABILITY (NET) LESS: RECOVERABLE		297516		0	
		297516	0	0	0
TOTAL			88109925		79522533
APPLICATION OF FUNDS					
FIXED CAPITAL EXPENDITURE					
FIXED ASSETS					
Gross Block	5	76723447		2884983	
Less: Depreciation		1458974		1016101	
Net Block			75264473		1868882
CAPITAL WORK IN PROGRESS	6		9391602		75815397
CONSTRUCTION STORES & CAPITAL ADVANCES	7		1775877		2598452
INVESTMENTS			0		0
CURRENT ASSETS, LOANS & ADVANCES					
Sundry Debtors	8	2492617		0	
Cash and Bank Balances	9	388281		569783	
Other Current Assets	10	66952		12606	
Loans and Advances	11	1759771		1494271	
		4707621		2076660	
LESS : CURRENT LIABILITIES & PROVISIONS					
Current Liabilities	12	2088027		1772724	
Provisions	13	949256		1073049	
		3037283		2845773	
NET CURRENT ASSETS (A-B)			1670338		(769113)

PARTICULARS	Schedule	As at 31/03/2007		As at 31/03/2006	
		Rs.	Rs.	Rs.	Rs.
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)					
Deferred Revenue Expenditure		7073		8293	
Shortage Pending Investigation		562		622	
			7635		8915
NOTES ON THE ACCOUNTS	23				
TOTAL			88109925		79522533

Schedules 1 to 23 and Statement of Significant Accounting Policies form an integral part of the accounts.

(S.Q.Ahmad)
Company Secretary

(A.S.Bisht)
Director (Personnel)

(R.S.T.Sai)
Chairman & Managing Director

As Per Our Report of Even Date Attached
For Sri Ravivarma & Co
Chartered Accountants

(R.Ravinder)
Partner
M.No.10421

Date : AUGUST 31, 2007
Place : NEW DELHI



Profit & Loss Account For The Year Ended 31st March, 2007

Amount in Thousands

PARTICULARS	Schedule	For the Year 2006-07		For the Year 2005-06	
		Rs.	Rs.	Rs.	Rs.
INCOME					
Energy Sales	14		441588		0
Other Income	15		17152		
Total Income - A			4458740		0
EXPENDITURE					
Employee's Remuneration & Benefits Generation, Administration & Other Expenses	16		285989		0
Interest And Financing Charges	17		182501		0
Depreciation	18		1995314		0
Provisions	19		685518		0
			288		0
Total Expenditure - B			3149610		0
Profit Before Tax And Prior Period Adjustment (A-B)			1309130		0
Add Prior Period Income / (Expenditure) - (Net)	20		0		0
Net Profit Before Taxation			1309130		0
Provision For Taxation	21				
Income Tax		131976		0	
Fringe Benefit Tax		2345	134321	0	0
Profit After Current Year's Tax			1174809		0
Provision For Deferred Tax		297516		0	
Deferred Tax Recoverable		(297516)	0	0	0
Balance Carried To Balance Sheet			1174809		0

The Current Year's figures are not comparable with the Previous year's figures since commercial activities started during 06-07.

-Incidental Expenditure During Construction 22

Earning per share (Equity share of Rs.1000 each)-Basic & Diluted (Rs.) 38.05 0.00

Schedules 1 to 23 and Statement of Significant Accounting Policies form an integral part of the accounts.

(S.Q.Ahmad)
Company Secretary

(A.S.Bisht)
Director (Personnel)

(R.S.T. Sai)
Chairman & Managing Director

As Per Our Report of Even Date Attached
For Sri Ravivarma & Co
Chartered Accountants

(R.Ravinder)
Partner
M.No.10421

Date : AUGUST 31, 2007
Place : NEW DELHI

SCHEDULES Annexed to the Accounts

SCHEDULE '1'

SHARE CAPITAL

PARTICULARS	As at 31/03/2007		As at 31/03/2006	
	Rs.	Rs.	Rs.	Rs.
Authorised Capital 40000000 Equity Shares of Rs. 1000/- each		40000000		40000000
Issued, Subscribed & Paid up Capital 31296204 (Previous year 30503204) Fully Paid Up Equity Shares of Rs. 1000/- each: Out of the above shares 7078600 shares (Previous year 7078600) are allotted as fully paid for consideration other than cash.		31296204		30503204
TOTAL		31296204		30503204

SCHEDULE '2'

RESERVE & SURPLUS

Capital Reserve Contribution due from Government of Uttar Pradesh towards Irrigation Sector Less : Contribution in Arrear	13746181 1938142		12886479 1183441	
Less : Adjustment towards Depreciation	11808039	11698448	11703038	11703038
Other Capital Reserve	109591	0	0	0
Surplus Balance in Profit & Loss Account		1174809	0	0
TOTAL		12873257		11703038

SCHEDULE '3'

DEFERRED REVENUE-ON ACCOUNT OF ADVANCE AGAINST DEPRECIATION

Revenue Deferred during the year		140126	0
TOTAL		140126	0



SCHEDULES Annexed to the Accounts

SCHEDULE '6'

CAPITAL WORK IN PROGRESS

PARTICULARS	Schedule	Amount in Thousands			
		As at 31/03/2007		As at 31/03/2006	
		Rs.	Rs.	Rs.	Rs.
Construction Work in Progress					
Building & other civil works		46214		76562	
Roads, Bridges & culverts		1817		0	
Water Supply, Sewerage & Drainage		891		22270	
Generation Plant and Machinery		4199307		16438144	
Hydraulic Works, Dam, Spillway, Water-Channels, Weirs, Service Gate & other Hydraulic Works		4042395		47663269	
Afforestation catchment area		66963		1023409	
Electrical Installation & Sub-Station Equipments		7384		16959	
Intangible Assets-Software		1677		1675	
Capital expenditure on assets not owned by Company		27387	8394035	34177	65276465
Generation Plant and Machinery in transit			442780		405199
Expenditure Pending Allocation					
Survey & Development Expenses		243677		216473	
Exchange Variation		(49937)		32188	
Interest Pending Allocation		0		12399	
Incidental Expenditure During Construction	22	123342	317082	552410	813470
Rehabilitation					
Rehabilitation Expenses (net of recoveries towards token cost and rent)			237705	9320263	9320263
Total			9391602		75815397

SCHEDULES Annexed to the Accounts

SCHEDULE '7'

CONSTRUCTION STORES & CAPITAL ADVANCES

PARTICULARS	Amount in Thousands			
	As at 31/03/2007		As at 31/03/2006	
	Rs.	Rs.	Rs.	Rs.
Construction Stores (At Cost, as certified by Management)				
Cement	713		463	
Other civil and building material	27628		31621	
Others	127215		124423	
Material in Transit (Valued at cost)	2062		2759	
Material Under Inspection (Valued at cost)	13908		2517	
	171526		161783	
Less : Provision for Stores & Spares	24413	147113	9674	152109
Capital Advances				
For Capital Expenditure (Unsecured)				
Against Bank Guarantee	420645		548265	
Rehabilitation & Resettlement (Govt. of Uttarakhand / SLAO)	662386		1451631	
Others	464978		372469	
Accrued interest on Advances	80755		73978	
	1628764		2446343	
Less : Provision for Bad & Doubtful Advances	0	1628764	0	2446343
TOTAL		1775877		2598452
Capital Advances				
Considered Good (Unsecured)		1628764		2446343
Considered doubtful and provided for		0		0
Total Capital Advances		1628764		2446343

SCHEDULE '8'

SUNDRY DEBTORS

Debts outstanding over six months				
Unsecured, Considered Good	0		0	
Considered Doubtful	0		0	
Other Debts				
Unsecured, Considered Good	2492617		0	
Considered Doubtful	0	2492617	0	0
Less : Provision for Bad and Doubtful debts		0		0
TOTAL		2492617		0



SCHEDULES Annexed to the Accounts

SCHEDULE '9'

CASH AND BANK BALANCES

PARTICULARS	As at 31/03/2007		As at 31/03/2006	
	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances				
Cash, Cheques, Demand Drafts & Stamps in hand		634		85179
Balances with Scheduled Banks				
Current account (Including Auto Sweep, Flexi deposits with Scheduled Banks)		387647		484604
Term Deposits		0		0
Short Term Deposits other than Schedule banks				
		0		0
TOTAL		388281		569783

SCHEDULE '10'

OTHER CURRENT ASSETS

Interest Accrued		296	150
Prepaid Expenses		66656	12456
TOTAL		66952	12606

SCHEDULE '11'

LOANS AND ADVANCES

Loans				
To Employees				
Secured	212590		219445	
Unsecured	61660	274250	47899	267344
Interest accrued on Loans to employees				
Secured	84755		75190	
Unsecured	34245	119000	25074	100264
Others		284		345
Advances		393534		367953
(Advances recoverable in cash or in kind or for value to be received)				
To Employees				
Unsecured	13967		6203	
For Purchases	34626		24230	
To Others	1071121		850260	
		1119714		880693
Deposits				
Security Deposits	13153		12496	
Deposits With Govt. / Court	238541		237310	

SCHEDULES Annexed to the Accounts

Amount in Thousands

PARTICULARS	As at 31/03/2007		As at 31/03/2006	
	Rs.	Rs.	Rs.	Rs.
Other Deposits	1228		1210	
		252922		251016
SUB-TOTAL		1766170		1499662
Less : Provision for Bad & Doubtful Advances		6399		5391
TOTAL		1759771		1494271
Note : Due from Directors (maximum amount due during the year Rs. 78 (Previous year Rs. 163))				
Principal		0		0
Interest		0		78
TOTAL		0		78
Note : Due from Officers (maximum amount due during the year Rs. 5720 (Previous year Rs. 4850))				
Principal		1873		2030
Interest		1826		1771
TOTAL		3699		3801
Particulars of Loans & Advances				
Considered Good				
Loans & Advances (Secured)	297345		294635	
Loans & Advances (Unsecured)	1462426		1199636	
		1759771		1494271
Considered doubtful and provided for		6399		5391
TOTAL		1766170		1499662

SCHEDULE- '12'

CURRENT LIABILITIES

Sundry Creditors			
For Capital Expenditure	808619		624451
For Small Scale Industrial Units	1245		3032
For Others	357142		246934
		1167006	875217
Cash credit with Bank		80000	0
Deposits, Retention money from Contractors etc.		194918	186817
Interest Accrued but not due			
Government of India	0		175293
Financial Institutions	610950		486443
Others (Bank)	43		0
		610993	661736
Other Liabilities		35110	48954
TOTAL		2088027	1772724



SCHEDULES Annexed to the Accounts

SCHEDULE '13'

PROVISIONS

PARTICULARS	Amount in Thousands			
	As at 31/03/2007		As at 31/03/2006	
	Rs.	Rs.	Rs.	Rs.
Works				
Opening Balance	380292		91130	
Addition during the year	223296		380684	
Used / Adjusted during the year	(385331)	218257	(91522)	380292
Employee Related				
Retirement Benefits				
Opening Balance	460347		412754	
Addition during the year	139711		53796	
Used / Adjusted during the year	(25131)	574927	(6203)	460347
Pay Arrear etc.				
Opening Balance	224654		175224	
Addition during the year	8682		71230	
Used / Adjusted during the year	(213040)	20296	(21800)	224654
Others				
Opening Balance	7756		56997	
Addition during the year	132852		4180	
Used / Adjusted during the year	(4832)	135776	(53421)	7756
TOTAL		949256		1073049

SCHEDULE '14'

ENERGY SALES

PARTICULARS	Amount in Thousands			
	2006-07		2005-06	
	Rs.	Rs.	Rs.	Rs.
Energy Sales	4392790		0	
Less:				
Advance Against Depreciation - Deferred	140126	4252664	0	0
Income Tax Recovery From Customer		133981		0
U.I.Charges		54943		0
TOTAL		4441588		0

SCHEDULES Annexed to the Accounts

SCHEDULE '15'

OTHER INCOME

PARTICULARS	Amount in Thousands			
	2006-07		2005-06	
	Rs.	Rs.	Rs.	Rs.
Interest				
On Bank Deposits (Gross, TDS Rs. 58,946 . Previous year - 8,721)	5386		4552	
From Employees	22494		22430	
Others	101		6137	
		27981		33119
Machine Hire charges		1708		964
Rent Receipts		2268		3041
Sundry Receipts		29251		2533
Excess provision written back		1419		21037
Profit on sale of Assets		5292		9917
TOTAL		67919		70611
Less:				
TRANSFERRED TO IEDC SCHEDULE		50767		70611
TOTAL		17152		0

SCHEDULE '16'

EMPLOYEE'S REMUNERATION & BENEFITS

Salaries, Wages, Allowances & Benefits	775576	605039
Contribution to Provident & other Funds	83367	53990
Gratuity	63930	26917
Welfare	35255	37057
TOTAL	958128	723003
Less:		
TRANSFERRED TO IEDC SCHEDULE	672139	723003
TOTAL	285989	0

SCHEDULE '17'

GENERATION, ADMINISTRATION & OTHER EXPENSES

Rent, Rates & Taxes			
Rent for office	6514	5380	
Rent for employee residence	16240	14585	
Rates & Taxes	2501	1813	
		25255	21778
Power & Fuel		75763	81938
Insurance		13701	5582
Communication		10736	7147



SCHEDULES Annexed to the Accounts

Amount in Thousands

PARTICULARS	2006-07		2005-06	
	Rs.	Rs.	Rs.	Rs.
Repair & Maintenance				
Plant & Machinery	65952		5971	
Building	21004		16410	
Others	72379		56914	
		159335		79295
Travelling & Conveyance		74867		60098
Vehicle hire & running		31683		40031
Security		56732		50488
Publicity & Public relation		16808		15201
Other General Expenses		89545		47218
Loss on Assets		91		683
Deferred revenue expenditure written off		1220		1222
TOTAL		555736		410881
Less :				
TRANSFERRED TO IEDC SCHEDULE		373235		410881
TOTAL		182501		0

SCHEDULE '18'

INTEREST AND FINANCING CHARGES

Interest on Loans		3631321		3134532
Rebate to customer		38306		0
TOTAL		3669627		3134532
Less :				
TRANSFERRED AND CAPITALISED WITH CWIP ACCOUNT		1674313		3134532
TOTAL		1995314		0

SCHEDULE '19'

PROVISIONS

Provisions for Doubtful debts, loans & Advances		16243		4972
Provisions for Stores & Spares		14740		9674
TOTAL		30983		14646
Less :				
TRANSFERRED TO IEDC SCHEDULE		30695		14646
TOTAL		288		0

SCHEDULES Annexed to the Accounts

SCHEDULE '20'

PRIOR PERIOD INCOME/ (EXPENDITURE)- (NET)

Amount in Thousands

PARTICULARS	2006-07		2005-06	
	Rs.	Rs.	Rs.	Rs.
EXPENDITURE				
Personnel Exp	113		2964	
Power & Fuel	0		(4737)	
Repair and maintenance	0		121	
Other General Expenses	1954		(14324)	
Depreciation	(907)		2696	
Misc. Receipt	(8)		0	
Preliminary Expenses	0		4003	
Deferred revenue Expenses	0		13459	
Security	0		34	
Advertisement & Publicity	0	1152	50	4266
TOTAL		1152		4266
Less :				
TRANSFERRED TO IEDC SCHEDULE		1152		4266
TOTAL		0		0

SCHEDULE '21'

PROVISION FOR TAXATION

INCOME TAX				
Current Year		133629		4758
TOTAL		133629		4758
Less :				
TRANSFERRED TO IEDC SCHEDULE		1653		4758
TOTAL		131976		0
Fringe Benefit Tax				
Current year		9715		8914
TOTAL		9715		8914
Less :				
TRANSFERRED TO IEDC SCHEDULE		7370		8914
TOTAL		2345		0



SCHEDULES Annexed to the Accounts

SCHEDULE '22'

INCIDENTAL EXPENDITURE DURING CONSTRUCTION

Amount in Thousands

PARTICULARS		2006-07		2005-06	
		Rs.	Rs.	Rs.	Rs.
EXPENDITURE					
EMPLOYEE'S REMUNERATION & BENEFITS	16				
Salaries, Wages, Allowances & Benefits		545014		605039	
Contribution to Provident & other Funds		57842		53990	
Gratuity		45383		26917	
Welfare		23900	672139	37057	723003
ADMINISTRATION & OTHER EXPENSES	17				
Rent, Rates & Taxes					
Rent for office		5143		5380	
Rent for employee residence		12522		14585	
Rates & Taxes		2354	20019	1813	21778
Power & Fuel			66121		81938
Insurance			5363		5582
Communication			8103		7147
Repair & Maintenance					
Plant & Machinery		7848		5971	
Building		15476		16410	
Others		48394	71718	56914	79295
Travelling & Conveyance			52129		60098
Vehicle hire & running			25195		40031
Security			44643		50488
Publicity & Public relation			13310		15201
Other General Expenses			66024		47218
Loss on Assets			59		883
Deferred revenue expenditure written off			551		1222
PROVISIONS	19				
Provisions for Doubtful debts, loans & Advances		15955		4972	
Provisions for Stores & Spares		14740	30695	9674	14646
Depreciation			116659		214610
TOTAL EXPENDITURE (A)			1192728		1363140

SCHEDULES Annexed to the Accounts

Amount in Thousands

PARTICULARS		2006-07		2005-06	
		Rs.	Rs.	Rs.	Rs.
RECEIPTS					
OTHER INCOME	15				
Interest		3287		4552	
From Employees		17472		22430	
Others		101	20860	6137	33119
Machine hire charges			1292		964
Rent Receipts			1563		3041
Sundry Receipts			21753		2533
Excess provision written back			1423		21037
Profit on sale of Assets			3876		9917
TOTAL RECEIPTS (B)			50767		70611
PRIOR PERIOD ADJUSTMENT	20		1152		4266
NET EXPENDITURE BEFORE TAXATION			1143113		1296795
PROVISION FOR TAXATION	21				
Income Tax		1653		4758	
Fringe Benefit Tax		7370	9023	8914	13672
NET EXPENDITURE INCLUDING TAXATION			1152136		1310467
Balance brought forward from last year			552410		487894
TOTAL IEDC			1704546		1798361
Less :					
IEDC Allocated to CWIP			1581204		1245951
BALANCE CARRIED TO CWIP			123342		552410



SCHEDULE '23'

NOTES ON ACCOUNTS

- The Corporation has prepared Profit & Loss Account besides 'Statement of Incidental Expenditure During Construction Account' and Balance Sheet as Corporation has commenced commercial generation of Power at Tehri HPP stage - I from the year 2006-07.
- Estimated amount of contracts remaining to be executed to the capital accounts and not provided for (net of advances) is Rs. 57671.47 lac (Previous year Rs. 60399.78 lac)
- CONTINGENT LIABILITIES

	2006-07	(Rs. Lac) 2005-06
(i) Claims against the Corporation, not Acknowledged as debts : Arbitration/Court cases (Includes Rs 2244.12 lac (Previous year Rs. 2181.09 lac) decreed against the Corporation in different arbitration/ Labour court cases and deposited by the Corporation but disputed in appeals.)	37642.97	31048.35
(ii) Disputed Income Tax, Trade Tax, Commercial Tax, Entry tax	892.00	643.61
(iii) Establishment expenditure and interest 'on Capital Expenditure during construction period claimed by Uttar Pradesh Irrigation Department, GOUP.	5517.48	5517.48
(iv) Others (Contractors claims and demand of royalty on clay etc.)	42719.90	36007.70
(v) Amount of liability, if any, in respect of claims/court cases filed by the employees / oustees and others is not ascertainable.		

- (i) Income Tax provision amounting to Rs. 116.79 lac (previous year Rs. 165.28 lac) in respect of certain income viz, hire charges on construction equipments, rent recoveries from employees, other receipts etc. has not been made as the same is contested in appeal in view of Hon'ble Supreme Court decision holding the same to be capital receipt. The Corporation has deposited the disputed tax. However as an abundant caution the same has been included in contingent liabilities.

The Income Tax Department has filed an appeal before High Court, Nainital, against decision of Income Tax Appellate Tribunal for the Assessment years (A.Y) 1991-92, 1994-95, 1996-97, 1998-99 & 2000-01. High Court has awarded the decision in favour of Income tax department in the cases for A.Y 1994-95, 1996-97, 1998-99 & 2000-01. In these cases review petition has not been accepted by the High Court. No demand for tax has been received from Income Tax Department. Corporation has decided to file Special leave Petition (S.L.P) before Hon'ble Supreme Court against the decision of Hon'ble High Court. However, as an abundant caution an amount of Rs. 260.29 lac including interest Under Section 234 B & 234 C

of Income Tax Act, 1961 has been included in Contingent liabilities.

- (ii) The Trade Tax Authority has made assessment / re assessment for the A.Y. 2000-01, 2002-03 & 2003-04 against Entry Tax and demand of Rs. 346.33 lac, Rs. 6.08 lac & Rs. 0.70 lac respectively (including interest) has been raised. The demand for the Assessment Year 2002-03 & 2003-04 has been deposited by the Corporation which is shown as deposit. Corporation has gone into appeal against all these orders before the Appellate Authority. The reassessment for the assessment Year 2001-02 has been made with nil demand.

Considering the above, no provision of Entry Tax has been made in accounts and an amount of Rs. 353.11 lac (including interest) has been included in the contingent liabilities.

- (iii) The Corporation has contested in Appeal the demand of Rs. 3.18 lac on account of interest for the year 1990-91 raised by Trade / Commercial Tax Deptt. against which an amount of Rs. 1.06 lac has been deposited by Corporation which is shown as deposit. In view of this, no provision of above Trade / Commercial Tax has been made in accounts. However, as an abundant caution the same has been included in contingent liabilities.

The Trade Tax / Commercial Tax Department has filed an appeal before High Court, Nainital during July '07 against decision of Trade Tax/ Commercial Tax Tribunal for the year 1993-94 & 1994-95 setting aside the levy of interest of Rs. 0.33 lac & Rs. 0.88 lac imposed by Trade Tax / Commercial Tax Department. However, as an abundant caution the same has been included in Contingent liabilities.

- (iv) Claim of District Magistrate towards royalty on clay/ shell material used in Dam amounting to Rs. 6448.54 lac has been included in Contingent Liabilities pending final decision. However an amount of Rs. 1900 lac paid under protest against the above claims to avoid seizure of THDC property has been shown as a Deposit.

- Corporation has also accepted EMD/Security Deposit in the shape of FDR/CDR amounting to Rs 613.66 lac (previous year Rs. 598.39 lac) besides the "Deposits, Retention money from Contractors" amounting to Rs. 1949.18 lac (Previous year Rs. 1868.17 lac) as disclosed in Schedule - 12.

- The Corporation is holding confirmed letters of credit (LCs) from various beneficiaries of power as backup security for payment amounting to Rs. 3466.50 lac.

- (i) Govt. of India has sanctioned loan of Rs. 97176 lac from 1998 onwards. However, Govt. of India vide its sanctioned orders dt. 17.03.2005 and 31.03.2005 has conveyed the approval for conversion of loan of Rs. 56319 lac into equity with effect from the dates of drawl of the loan. Due to conversion of loan into equity the excess of interest paid over interest due upto 31.03.2006 was Rs. 9184.86 lac. During the year GOI loan of Rs. 40857.00 lac less interest recoverable from GOI of Rs. 9184.86 lac, net amount of Rs. 31672.14 lac has been prepaid to GOI on 17th April, 2006.

- (ii) An amount of Rs. 7800 lac was spent for providing extra space to Govt./Semi Govt. Deptt. in New Tehri Town. The amount is recoverable from Govt. of Uttarakhand. Govt. of India has accorded approval vide letter no. 12/19/95-H.I. (Vol -V) dt. 6th April 2005 to raise term loan of Rs. 7800 lac on behalf of Govt. of Uttarakhand from PFC / Bank / Fis. The loan amount alongwith interest is to be recovered from Govt. of Uttarakhand from their share of 12% free power from Tehri HEP Stage-I. Accordingly, the Corporation has raised a term loan of Rs. 7800 lac from Punjab National Bank on behalf of Govt. of Uttarakhand with a moratorium period of two years which is shown as secured loan in Schedule-4, correspondingly the outstanding amount including interest on loan amounting to Rs. 8808.96 lac is shown as



recoverable from Govt. of Uttarakhand in Schedule-11.

8. (i) The total interest on Borrowed funds for the year is Rs. 36371.27 lac (previous year Rs. 31494.42 lac). The amount of borrowing cost capitalized during the year is Rs. 16743.13 lac (previous year Rs. 31467.61 lac) after adjustment of an amount of Rs 58.06 lac (previous year Rs. 26.81 lac) towards interest earned on short term deposit of surplus borrowed funds during the year.
- (ii) The amount of foreign exchange fluctuation during the year Rs. 740.13 lac (Previous Year Rs. 986.34 lac) is adjusted to the Capital Work In Progress/Assets.
9. Diversion Tunnel in Koteshwar Project was capitalized on 28th December 2003. During the previous years the amortization on Diversion Tunnel had been charged on straight line method over the expected useful life of the Tunnel since its use shall cease after the construction of the Project. The anticipated rescheduled date of completion of the Project is 30th June-2010 instead of 31st March 2008. The un-amortized amount of asset shall be amortized over prospective useful life of the asset. Accordingly during the year the rate of amortization to be adjusted has been worked out as 11.05%.
10. The Corporation has recommended NHPC scales of pay in respect of below Board level Executives effective from 1.1.1997. Pending approval of the same by the Government, the payment is being made based on provisional scales of pay as approved by the Board
11. Pending completion of legal formalities, title deeds of freehold land measuring 785.738 acres amounting to Rs 1277.76 lac (Previous year 814.596 acres amounting to Rs. 1227.94 lac) are yet to be registered in the name of the Corporation.
12. (i) Rehabilitation Expenses under Capital Work-in-Progress include Rs. 421.92 lac (Previous year Rs. 831.15 lac) towards cost of 597.253 acres (Previous year 669.718 acres) of land acquired for rehabilitation of oustees / execution of project works.
Further, Rehabilitation CWIP and IEDC thereon relating to Tehri HPP stage-I amounting to Rs. 111013.23 lac have been capitalized during the year 2006-07 which include Rs. 16273.19 lac (Previous year Rs. 14131.59 lac) towards cost of 12450.703 acres (Previous year 12452.703 acres) of land acquired for rehabilitation.
- (ii) Land measuring 14.01 acres (Previous Year 14.01 acres) at Jolly Grant, Dehradun acquired for rehabilitees has been encroached upon by the Airport Authority of India. Out of 14.01 acres of land, cost of 2 acre of land is to be deposited by Airport Authority of India in the treasury at market rates as per DM, Dehradun order dated 21.11.92 for payment to the Corporation, which will be accounted for on receipt basis. The matter also stands referred to the Coordination Committee.
- (iii) Registration of property allotted to the oustees at the new locations for resettlement is in process and is being looked after by Govt. of Uttarakhand who has been assigned the responsibility of rehabilitation & resettlement of Dam Ousteas.
- (iv) Pursuant to the Government of India, MOE&E, New Delhi's order no.F.No.8-3/89-FC dated 17/23rd Oct., 2002- the Government of Uttarakhand vide its office order no. GI-18777-1-2002-300/88 dated 30 Oct., 2002 has issued order for diversion of 338.932 hectare Civil Soyam and Forest land on lease for a period of 30 years in favour of the Corporation, for the purpose of construction of Koteshwar Dam Project (4x100 MW). The lease deed for 337.057 hectare land has been executed w.e.f. 01.01.2003 with Govt. of Uttarakhand. The lease deed for 1.875 hectre Forest land, for which payment has been made, is pending for completion of legal formalities and has been shown as lease hold Land. Out of 338.932

hectre, 218.307 hectre is below submergence area and is shown under rehabilitation to be capitalized on completion of Dam. The amount of Rs. 67.84 lac against 120.625 hectare land above submergence area are being amortized in 30 years.

- (v) The Land measuring 14.37 acres transferred free of cost by Govt. of Uttarakhand for construction of Koteshwar Dam Project (4x100 MW) to the Corporation has been accounted for at notional value of Re 1/-.
13. (i) Discrepancies found during physical verification of fixed assets, which are not significant in nature are being examined and reconciled. Necessary adjustment shall be made on final reconciliation.
- (ii) In the absence of actual cost, certain assets, found in excess during physical verification, have been recorded at a notional value of Re 1/- each.
14. Balances shown under advances, debtors, creditors and materials in transit / lying with contractors are subject to confirmation / reconciliation and consequent adjustments, if any.
15. The Company is generally deducting Income Tax at source at the time of determination of liability liable for Income Tax Deduction at Source except in cases of liability created at the year end, where deduction is made on payment.
16. Balance with banks includes Rs. 776.17 lac (Previous year Rs. 460.12 lac) on which lien has been exercised by the concerned Authorities for recovery on account of Royalty, Spillway Escalation and Electricity charges.
17. Losses / Shortages pending investigation Rs. 5.62 lac (Previous year Rs. 6.22 lac) represents shortages and insurance claims declined/passed in short by the insurance Companies. Pending the approval of the competent authority, adjustment of the claims is yet to be made.
18. The net realizable value of BER / substantially damaged assets has been got ascertained. These assets have been shown in fixed assets at net book value or net realizable value, whichever is less. Accordingly, impairment loss amounting to Rs. Nil (Previous Year Rs. 8.39 lac) on these assets has been recognized in the Books.
19. Consequent upon transfer of transmission line to Power Grid Corporation Ltd., Govt. of India accorded approval for the reduction in share capital of Rs. 841 lac in the year 1998-99 which was subsequently confirmed by Deptt. of Company Affairs. The current liabilities of transmission system transferred to Power Grid Corporation of Rs. 278 lac should have been adjusted against the advance outstanding from M/s. TPE. On further consideration of the matter, Govt. of India vide OM No. 12/9/2004-PG dt. 9th June, 2006 approved that the net purchase consideration of transmission system would be increased by Rs. 278 lac and consequently there shall be corresponding reduction of the share capital of the Corporation. Pending approval for reduction of capital from Company Law Board, an amount of Rs. 278 lac has been included in capital advances.
20. (i) 43 flats (Previous Year 30 flats) on the land acquired by the Corporation are in the un-authorized occupation of various persons. The Government of India has appointed Estate Officers for necessary action in the matter.
- (ii) Transit camp constructed in THDC complex at 26, E.C. Road, Dehradun having value of Rs. 20.10 lac is being used by THDC and various departments of Govt. of Uttarakhand who are responsible for Rehabilitation works of Tehri Dam Project. However, after completion of rehabilitation activities such assets will remain in the possession of the Corporation
21. Pursuant to the memorandum of Government of Uttar Pradesh No. 585/TNP/23C-4/T-1B dated



29th May 1989, the Corporation took over the assets and liabilities of the Tehri Hydro Project in the year 1989-90 from the Uttar Pradesh Irrigation Department. Net consideration of Rs.20966 lac. (consists of Rs.12550 lac. on account of Irrigation contribution and Rs.8416 lac. for Power Component) was determined as payable to the Government of Uttar Pradesh as certified by a firm of Chartered Accountants appointed for the said purpose and necessary accounting entries were passed subject to obtaining balance confirmation certificate and reconciliation of account with the Accountant General of Uttar Pradesh.

In addition to the net consideration determined as above, further liabilities aggregating to Rs.470.64 lac have been provided in respect of certain additional costs and overheads incurred by the various divisions of Tehri Dam of the Uttar Pradesh Irrigation Department and Rs.450.82 lac has been provided in respect of difference in cost of assets taken over from UPSEB.

The Uttar Pradesh Irrigation Department has raised additional demands for Rs.1398 lac towards establishment and overhead charges and Rs.4119.48 lac on account of interest on Capital Expenditure during construction period which in the opinion of the Management is untenable. However, the same has been included in Contingent liabilities as a matter of abundant caution.

22. As per funding pattern, the Irrigation Component of the 1000 MW Tehri HPP Project which is 20% of the total cost has to be met by Government of Uttar Pradesh and work has to be carried out by the Corporation on Deposit Basis. Total cost incurred on the project upto 31.03.2007 works out to Rs.804648.76 lac (Previous year Rs.764432.34 lac) out of which, as per the formula laid down in the Articles of Association Cost of Irrigation sector works out to Rs.137461.81 lac (Previous year Rs.128864.79 lac). The Government of Uttar Pradesh has contributed Rs.118080.38 lac as on 31.03.2007 (Previous year Rs.117030.38 lac).
23. a) Electricity generation is the business activity of the Corporation. Therefore, there is no other reportable segment as per the Accounting Standard -17 on Segment Reporting issued by the Institute of Chartered Accountants of India.
- b) The Corporation has power stations located within the country and therefore, geographical segments are not applicable.
24. In compliance to the Accounting Standard 22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, The net increase in the deferred tax liability of Rs.2975.16 Lakhs (previous year Rs. Nil) has been debited to Profit and Loss Account. However, the same is recoverable from customers. The item-wise details of cumulative Deferred Tax Liability are as under:

		(Rupees in Lakhs)	
Sl.no		31.03.2007	31.03.2006
	Deferred Tax Liability		
i)	Difference of Book Depreciation and Tax Depreciation	3571.27	0
	Less: Deferred Tax Assets		
ii)	Advance against Depreciation to be considered as income in tax computation	471.66	0
iii)	Provision for doubtful debts	0.97	0
iv)	Provision for employee benefit schemes	123.48	0
	Deferred Tax Liability (Net)	2975.16	0

25. In the opinion of the Management, the value of Fixed Assets, construction stores Loans & Advances on realisation will not be less than the value at which these are stated in the Balance-Sheet.
26. List of Small Scale Industrial undertaking, to whom Payment is outstanding for more than 30 days as on 31st March '07 is as under:-
1. M/s. Jaiswal Battery Service.
2. M/s United Elevators.
27. Repairs and Maintenance expenses include spare parts & components amounting to Rs.44.79 lac (Previous year Rs.64.00 lac) (Indigenous only)
28. Common expenditure of Corporate Office, service centers and Tehri stage-I project on different dates of commercial operation of respective Units of Tehri stage-I have been worked out pro-rata to the number of days each machine has been in commercial operation during the year. The same have been allocated between O&M and a construction project in line with Corporation's relevant accounting policy.
29. The Corporation is assisting the Govt. of Uttarakhand in the work of stabilization of Varunavat Parvat as per instructions of Govt of India as a social responsibility. The expenditure incurred is to be reimbursed by the Govt. of Uttarakhand. Against an expenditure of Rs.239.76 lac incurred as on 31.03.2007 a sum of Rs.38.25 Lac has already been reimbursed. The Govt. of Uttarakhand has assured that the balance amount will be reimbursed.
30. As decided by the Govt. of India in Dec. 1998, the State Govt. of U.P./Uttarakhand (GOUP/ Govt. of Uttarakhand) have been entrusted with the responsibilities of rehabilitation activities of the Project to be handled directly by them out of the funds to be made available by the Corporation. The expenditure incurred has been accounted for in the books of accounts of the Corporation as per consolidated expenditure details provided by Govt. of Uttarakhand which is compiled based on the monthly account rendered by the respective divisions of the Govt. of Uttarakhand to the AG, Uttarakhand. Establishment expenses of the Personnel of the Govt. of Uttarakhand engaged in the rehabilitation work have been booked to the extent reflected in the account statements received. Reimbursement of charges met directly by Govt. of Uttarakhand to be accounted for on receipt of claim for the same.
31. Liquidated damages are accounted for on settlement of final bills/delivery schedule.
32. (i) H.T. Electrification (Underground Cable) work of Baurari under Rehabilitation & Resettlement amounting to Rs.217.75 lac has been abandoned. Rs.150.90 lac towards loss on the said works has been written off during the current year after retrieving material worth Rs.66.85 Lac.
- (ii) Recovery from contractors towards rebate against variation as per Contract provisions of Power House & Spillways have been contested by the contractors in the Court of Law and interim stay has been taken against recovery by THDC. The value of assets created under these agreements will vary depending upon the outcome of the Court judgement.
33. The Central Electricity Regulatory Commission (CERC) has notified by regulations in March 2004, the terms and conditions for determination of tariff applicable with effect from 1st April 2004 for a period of five years. During the year 2006-07 the Corporation has declared commercially operative Unit IV, III & II each having a rated capacity of 250 MW and filed the petition with CERC for fixation of provisional tariff following the principles enunciated by the CERC in Regulations, 2004 and based on audited accounts for the year 2005-06. CERC issued provisional tariff orders dated 28th December 2006 stating that the tariff approved is an interim



measure, and is in derogation of Annual Fixed Charges claimed in the petition and accordingly, there shall not be any computation of secondary energy & capacity index for the period upto 31.03.2007. However, against the impugned order Corporation filed appeal before the Hon'ble Appellate Tribunal for Electricity which in its order stated that Commission while determining the final tariff will consider all the relevant contentions of the parties involved. Accordingly, Corporation has billed sales for Rs. 43927.90 lac (Previous year Rs Nil) as per annual fixed charges for provisional tariff based on Audited accounts of the year 2005-06 considering the actual dates of commercial operation of various units respectively. The revenues for the year have been provisionally recognised pending final determination of the tariff by CERC.

In view of above, book profit for the year 2006-07 was not anticipated by the Corporation, therefore advance tax for tax payable under section 115JB of Income Tax Act 1961 i.e. Minimum Alternative Tax (MAT) was not deposited. Hence, the Corporation has made provision for MAT without interest applicable under section 234C of the Income Tax Act, 1961 since the reason for non deposit of tax is considered valid.

34. During the year the company has provided depreciation at the rates notified for the purpose of recovery of tariff, by Central Electricity Regulatory Commission (A body constituted under erstwhile Electricity Regulatory Commission Act, 1998 and recognized under the Electricity Act, 2003) which are different from the rates specified under Companies Act, 1956. The MOP-GOI has notified Tariff policy which provides that rates of depreciation notified by CERC would be applicable for the purpose of tariffs as well as accounting. Pending formalization of norms by CERC in accordance with the Tariff Policy, the rates notified under present tariff norms are considered appropriate for charging depreciation for the year. However, by charging depreciation at aforesaid rates the depreciation charge for the year is lower by Rs. 9747.427 Lac (Previous Year NIL) as compared to the depreciation as per rates provided in the Schedule XIV of Companies Act, 1956.
35. The Company has taken on lease/rent premises for employees / offices / Guest Houses/Transit camps. These lease arrangements are usually renewable on mutually agreed terms but are not cancelable. Rent, rate and taxes include Rs. 219.82 lac (Previous year Rs. 179.37 lac) towards lease payment (net off recoveries).
36. The Company has made provision as below:

(Rs. lac)

Sl. No.	Particulars	Opening Balance	Additions	Used/ Adjusted	Closing Balance
1.	Works	3802.92	2232.96	3853.31	2182.57
2.	Employees related				
	(i) Retirement Benefits	4603.47	1397.09	251.29	5749.27
	(ii) Pay arrear	2246.54	86.82	2130.40	202.96
3.	Others	77.56	1328.52	48.32	1357.76
	Total	10730.49	5045.39	6283.32	9492.56

The above table shows that provisions have been made for works, employees and others. Works include mainly for un-measured works as on 31.3.2007. For employees, the provision has been made for retirement benefits such as leave encashment, Gratuity, Post Retirement Medical Benefits in line with the Accounting Policy No.10(i). The provision for pay arrear on account of

allowances linked with pay relating to employees has been made. The others include the income tax provisions on interest income etc. as per the Income Tax Act, 1961.

37. Change in Accounting Policy:

Sl. No.	Policy	Impact
1.	Modification in Accounting Policy no.2 regarding Contribution towards Irrigation Sector by Government of Uttar Pradesh which is treated initially as capital reserve and subsequently adjusted as income in the same proportion as the depreciation written off on the assets acquired out of such contribution	Decrease in depreciation by Rs. 1095.91 Lac and corresponding decrease in Irrigation contribution by Rs. 1095.91 lac.
2.	Modification in Accounting Policy no. 3(i) & (iii) regarding Fixed Assets.	No impact as similar accounting treatment was accorded in the previous year also. The changes have been made for elaboration and better clarity.
3.	Modification in Accounting Policy no. 4(i) regarding capital work in progress the words "lease amount and rent on lease hold land and compensation for land and properties etc. used for submergence and other purposes" have been added.	No impact as similar accounting treatment was accorded in the previous year also. The changes have been made for elaboration and better clarity.
4.	Modification in Accounting Policy no. 5(i) & 5(ii) regarding Borrowing Costs with respect to directly relatable to specific qualifying assets and not directly relatable to specific qualifying assets.	No impact as similar accounting treatment was accorded in the previous year also. The changes have been made for elaboration and better clarity.
5.	Accounting Policy no. 6(ii) regarding Foreign Currency Transactions has now been modified as policy no 6 (ii), 6(iii) & 6(iv) keeping in view the requirement of AS-11 (Revised 1994) and AS-11 (Revised 2003) and Companies Act 1956.	No impact as similar accounting treatment was accorded in the previous year also. The changes have been made for elaboration and better clarity.
6.	Accounting Policy no. 7(i) regarding charging of depreciation as per the rates prescribed in CERC Regulations	Decrease in depreciation by Rs. 9747.425 Lac resulted corresponding increase in gross block.
7.	Modification in Accounting Policy no. 7(ii) regarding not charging 100% depreciation on assets having WDV Rs. 5000/- or less.	Decrease in depreciation by Rs. 27.232 Lac resulted corresponding increase in gross block.
8.	Modification in Accounting Policy no. 7(viii) regarding treatment of mandatory Spares.	No impact as the policy requirement is due to start of commercial operations by the corporation during the year 2006-07.
9.	Accounting Policy no. 8(ii) regarding treatment of Obsolete and unserviceable Stores & Spares.	No impact as similar accounting treatment was accorded in the previous year also. The changes have been made for elaboration and better clarity.
10.	Accounting Policy no. 9(i), 9(ii), 9(iii) & 9(iv) regarding income Recognition on account of sale of energy, Incentive/dis-Incentive, Advance against depreciation & Surcharge respectively.	No impact as the policy requirement is due to start of commercial operations by the corporation during the year 2006-07.
11.	Accounting Policy no. 9(viii) & 9(xi) regarding Allocation of common expenses to operations & construction activities and account of pre-commercial operation expenses/income.	No impact as the policy requirement is due to start of commercial operations by the corporation during the year 2006-07.
12.	Modification in Accounting Policy no. 11 regarding Deferred revenue expenditure.	No impact as similar accounting treatment was accorded in the previous year also. The changes have been made for elaboration and better clarity.



38. Payment to Directors:

Particulars	(Rs. lac)	
	2006-07	2005-06
(i) Remuneration to Whole-time Directors:		
Salaries and allowances including Provisions	19.46	20.73
Contribution to Provident Fund	2.54	2.41
Other Benefits	7.05	16.00
(ii) Directors' Traveling Expenses	36.73	17.59

In addition to the above remuneration, the whole-time Directors have been allowed the use of staff car including for private journey on payment of Rs.780/- p.m.(as applicable in accordance with the provisions of the Ministry of Industry, Deptt. of Public Enterprises Circular No.2(53)/90-DPE (WC)-GIV dt.26th March 1999).

39. Payment to Auditors

Particulars	(Rs. lac)	
	2006-07	2005-06
Audit Fee (including service tax)	2.53 *	2.53
In other capacity	1.57	0.00
Out of pocket expenses	1.33	1.23
*Subject to approval in Annual General Meeting		

40. Expenditure incurred in foreign Currency (on cash-basis)

Particulars	(Rs. lac)	
	2006-2007	2005-2006
Travelling	33.58	26.52
Consultancy & Professional charges	1103.46	1078.35
Management/Commitment fee	5.97	6.16
Repayment of loan & Interest	2751.61	46287.74
Refund of EMD	0	8.89
Import of goods	326.67	633.98
Others (Handling Charges)	0	0
TOTAL	4221.29	48041.64

41. Value of Imports Calculated on CIF basis

	(Rs. lac)	
	2006-07	2005-06
Capital Goods	729.71	63.61

42. Licenced and Installed Capacities :

Sl.No	Particulars	2006-07	2005-06
(i)	Licenced Capacity (M.W)	NotApplicable	NotApplicable
(ii)	Installed Capacity (M.W)**	750MW	Project Under Construction
(iii)	Approved Capacity(M.W)- Based on investment approval by CCEA	2400 MW	1400 MW
(iv)	Quantitative information in respect of Generation and sale of Electricity (In Million Units)		

(a)	Pre-Commercial period		
	Generation	110.5520	
	Sales	97.2858	
(b)	Commercial period		
	Generation	780.4680	
	Sales	666.6437	

** Tehri HPP-I Project commenced commercial generation of power w.e.f 22.09.2006

43. Previous year figures have been regrouped/ reclassified wherever necessary to make the figures comparable with the figures of the current year.

44. Schedule '1' to '23' form an integral part of the accounts.

(S.Q.Ahmad)
Company Secretary

(A.S.Bisht)
Director (Personnel)

(R.S.T.Sai)
Chairman & Managing Director

As Per Our Report of Even Date Attached
For Sri Ravivarma & Co
Chartered Accountants.

(R.Ravinder)
Partner
M.No.10421

Date : AUGUST 31, 2007
Place : NEW DELHI



Additional Information as required under Part IV of Schedule VI of the Companies Act, 1956

Balance Sheet Abstract and Company's General Business Profile

i) Registration Details

Registration No.	0 0 0 0 9 8 2 2
State Code	0 0 0 0 0 0 2 0
Balance Sheet Date	31 / 03 / 2007

ii) Capital raised during the year

(Amount in Rs. Thousands)

Public Issue	NIL
Right Issue	NIL
Private Placement:	
(i) Shares issued to Government of India (Nos.)	0 0 1 6 8 0 0 0
(ii) Shares issued to Government of Uttar Pradesh (Nos.)	0 0 6 2 5 0 0 0
Share Capital Contribution Pending Allotment to:	
Government of India	NIL
Government of Uttar Pradesh	NIL
Bonus Issue	NIL

iii) Position of mobilisation and deployment of funds

Total Liabilities	9 1 1 4 7 2 0 8
Total Assets	9 1 1 4 7 2 0 8
Source of funds	
Paid up capital	3 1 2 9 6 2 0 4
Capital Pending Allotment	NIL
Reserves and surplus including contribution from GOUP	1 2 8 7 3 2 5 7
Secured Loans	4 2 5 7 3 7 0 2
Unsecured Loans	0 1 2 2 6 6 3 6
Deferred Tax Liability	NIL

Application of Funds

Net Fixed Assets	7 5 2 6 4 4 7 3
Capital Work-in-progress including Construction stores and advances and IEDC (Pending Allocation)	1 1 1 6 7 4 7 9
Investment	NIL
Net Current Assets	0 1 6 7 0 3 3 8
Miscellaneous Expenditure	0 0 0 0 7 6 3 5

iv) Performance of Company

Turnover	0 4 4 4 1 5 8 8
Total Expenditure	0 3 1 4 9 6 1 0
Profit / loss before Tax	0 1 3 0 9 1 3 0
Profit / loss after tax	0 1 1 7 4 8 0 9
Earning per share (Rs.)	3 8 . 0 5
Dividend Rate (%)	NIL

v) Generic names of Principal product / Service of company

Item Code No	NOT APPLICABLE
Product Description	Generation of Electricity

(S.Q.Ahmad)
Company Secretary

(A.S.Bisht)
Director (Personnel)

(R.S.T.Sai)
Chairman & Managing Director

Date : AUGUST 31, 2007
Place : NEW DELHI



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March 2007

Amount in thousands

PARTICULARS	For the Year 2006-07		For the Year 2005-06	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax and Prior Period adjustments		1309130		0
Adjustment for :				
Depreciation	685518		0	
Provisions	288		0	
Advance Against Depreciation - Deferred	140126		0	
Interest on loans	3631321		0	
Robate to Customers	38306		0	
Prior Period Adjustment	0		0	
Operating profit Before Working Capital Changes		4495559		0
Capital Changes:		5804689	0	0
Sundry Debtors	(2492617)		0	
Other Current Assets	(54346)		(1931)	
Loans and Advances	(281743)		(245410)	
Current Liabilities	315303		(547977)	
Provisions	(123793)	(2637196)	336944	(458374)
Cash Generated From Operations		3167493		(458374)
Direct Tax Paid	(134321)		0	
		(134321)		0
Net Cash From Operations (A)		3033172		(458374)
B. CASH FLOW FROM INVESTING ACTIVITIES CHANGE IN				
Fixed Assets and CWIP	(7736210)		(9145737)	
Construction Stores	(9744)		(9923)	
Capital Advances	817579		(1027904)	
Misc. Exp. (To the extent not adjusted)	1280		18724	
Net Cash Flow From Investing Activities (B)		(6927095)		(10164840)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Share Capital	725000		710000	
Irrigation contribution	105001		1251100	
Loans	6552047		8640002	
Interest on loans	(3631321)		0	
Robate to Customers	(38306)		0	
Net Cash Flow from Financing Activities (C)		3712421		10601102

PARTICULARS	For the Year 2006-07		For the Year 2005-06	
	Rs.	Rs.	Rs.	Rs.
NET CASH FLOW DURING THE YEAR (D = A+B+C)		(181502)		(22117)
Opening Cash & Cash Equivalents (E)		569783		591895
Closing Cash & Cash Equivalents (F=D+E)		388281		569783

Note :

- Cash and Cash Equivalents includes Balance with Banks of Rs.776.17 lacs (Previous year Rs.460.12 lacs)which is not available for use by the corporation.
- Previous year's figure have been Regrouped / Rearranged / Recast wherever necessary.

(S.Q.Ahmad)
Company Secretary

(A.S.Bisht)
Director (Personnel)

(R.S.T.Sai)
Chairman & Managing Director

As Per Our Report of Even Date Attached
For Sri Ravivarma & Co
Chartered Accountants

(R.Ravinder)
Partner
M.No.10421

Date : AUGUST 31, 2007
Place : NEW DELHI



AUDITOR'S REPORT

To the Members of Tehri Hydro Development Corporation Limited

1. We have audited the attached Balance Sheet of Tehri Hydro Development Corporation Limited as at 31.3.2007, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed hereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted the 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.
3. As required by the Companies (Auditors Report) order, 2003 issued by Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order to the extent applicable.
4. We draw attention to :-
 - a) Note no. 7(ii) of schedule 23 regarding modalities of recovery of loan amounting to Rs.78 crores and interest thereon taken on behalf of Govt. of Uttarakhand for providing extra space to the Govt. in New Tehri Town.
 - b) Note no. 12(i) of schedule 23 - Rehabilitation expenditure of Rs. 1110.23 crores capitalized in accounts under the head 'Hydraulic Works - Dams and Spillways' has been booked in accounts on the basis of account statements received from Uttarakhand Government/ Govt. Authorities and thus not subject to verification by us.
 - c) Note no. 15 regarding non deduction of Income-Tax at source in case of liabilities created at year end

- d) Note no. 20(i) of schedule 23 - regarding unauthorized occupation of flats by various persons on the land acquired by the Corporation.
- e) Note no. 21 of schedule 23 - Balance confirmation certificate and reconciliation of accounts with Accountant General of Uttar Pradesh
- f) Note no. 29 of schedule 23 - reimbursement of expenditure incurred on the stabilisation work at Varunavat Parbat amounting to Rs. 201.51 lakhs are still to be received.
- g) Note no. 33 of schedule 23 - Accounting of sales on provisional basis pending final fixation of tariff by CERC and recovery of income-tax from beneficiaries is subject to certification.
- h) Note no. 34 of schedule 23 - The Corporation has provided depreciation on SLM basis following the rates notified by CERC for purpose of tariff fixation. In respect of assets for which no rate has been prescribed, depreciation has been provided as per schedule XIV of the Companies Act in the context of Electricity Act of 2003 not presenting the rates of depreciation.

Since the tariff policy cannot override the provisions of companies act, 1956, we are of the opinion that the company should have followed schedule XIV of Companies Act particularly in the absence of any deviation contained in Electricity Act 2003 which could be said to have been saved by section 616 of Companies Act, 1956. This has resulted in under depreciation of Rs. 97.47 crores.

- i) Note no. 37(7) of schedule 23 - decrease in depreciation by Rs. 0.27 crores due to change in accounting policy towards writing off 100% depreciation on WDV of less than Rs.5000 in the previous years.
5. In our opinion the Balance Sheet, Profit & Loss account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 and to the best of our information and according to the explanations given to us the said accounts read together with the Accounting

policies and Notes thereon in Schedule 23 forming part of accounts, except for the effect on the financial statements and subject to our observations in items under paras 4(a)-4(i) mentioned above and further to our comments referred in paragraph (5) above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, the company has kept proper books of accounts as required by law so far as appears from our examination of the books.
- c) The Balance Sheet, Profit & Loss Account and Cash flow Statement dealt with by this report are in agreement with the books of account.
- d) Provision of section 274(1)(g) of the Companies Act, 1956 is not applicable, in view of the general order no. 8/2002 dated 22.3.2002, issued by Department of Company Affairs.

6. We further report that without considering our observations listed in para 5 above, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true & fair view in conformity with the accounting principles generally accepted in India.

- a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2007 and
- 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 Sri Raviverma & Co.,
Chartered Accountants

(R. RAVINDER)
Partner
M.No.10421

Place : New Delhi
Dated : 31 August, 2007



ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (3) of Report of even date)

1. (a) The Company has generally maintained proper records showing full particulars including quantitative details and situation/location, of fixed assets. The records for movement of the asset is properly maintained except in few cases.

(b) In our opinion, the frequency of verification is reasonable having regard to the size of the Company and its operations. Discrepancies found on verification are being dealt properly in the books of accounts except in some cases. However, as per explanations given and having regard to the size of the company, in our opinion, generally the discrepancies found are not material.

(c) There was no substantial disposal of fixed assets during the year.
2. (a) Physical verification of construction stores and spares has been conducted by independent firms of Chartered Accountants once during the year.

(b) Based on the information and explanations given to us, we are of the opinion that the procedures of physical verification of store are reasonable and generally adequate in relation to the size of the Company and nature of its operations. However the procedure for identifying damaged and obsolete items of inventory/stores needs strengthening.

(c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. However, the discrepancies noticed on physical verification has not been adjusted in the books of accounts pending approval for write off by the Competent Authority.
3. The company has not taken/granted any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 clause 4 (iii) b, c & d are not applicable.
4. According to the information given to us, there are generally adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchases of stores and fixed assets. During the course of our audit we understand that there are no continuing failure to correct major weaknesses in internal controls.
5. In our opinion and according to the information and explanations given to us, there are no transactions of purchase and sale of goods and materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.5,00,000/- or more in respect of each party.
6. The Company has not accepted any deposit from the public and therefore, the provisions of section 58A & 58AA of the Companies Act, 1956 and the rules framed there-under are not applicable.
7. The internal audit system of the company has been assigned to different audit firms. The scope and systems of Internal Audit has to be strengthened in order to make it commensurate with the size and nature of business of the company.
8. Maintenance of cost records has been prescribed by the Central Government under section 209(i)(d) of the Companies Act, 1956. The company is yet to start maintaining cost records. The cost auditor has been appointed to undertake the cost audit for the year.
9. (a) According to the records of the Company, Provident Fund, Income Tax, Sales Tax, Wealth Tax, Custom duty, Excise Duty, Service Tax, Cess and any other statutory dues have been deposited in time with the authorities during the year. We are informed that the Employees State Insurance Act is not applicable to the Company. According to the information and explanations given to us by the management, there was no undisputed amount outstanding for a period of more than six months from the due date.

(b) According to the information and explanations given to us, the following are the particulars of the disputed dues on account of Trade tax, Entry tax, and Income-Tax matters that have not been deposited.

Assessment Year	Amount (Rs.)	Nature of Dues	Present Status
1986-87	45.30	Trade Tax	Against the amount of the interest imposed by Assessing Authority, the case has been remanded back by Dy. Commissioner (Appeal), Dehradun against which the Sales Tax Deptt. has gone into second appeal (Tribunal).
1990-91	3.18	Trade Tax	THDC has filed an appeal before trade tax Tribunal against interest demand order of Rs. 3,17,859/- after depositing Rs. 105953.00
1991-92 Intt. w.e.f. 01.05.92	16.71 59.81	Trade Tax	The assessing authority has imposed a tax of Rs. 16,70,603/- + interest thereon u/s 21 (2). The order has been cancelled by DC (Appeal), Dehradun against which Sales Tax Deptt. has gone into second appeal (Tribunal)
1991-92	32.68	Trade Tax	Against the above interest amount imposed by Assessing Authority, the demand has been cancelled by Dy. Commissioner (Appeal), Dehradun against which the Sales Tax Deptt. has gone into second appeal (Tribunal).
1993-94	0.33	Trade Tax	The Trade/ Commercial Tax deptt. has filed an appeal before High Court Nainital against decision of Tribunal for the interest amount imposed by Assessing Authority.
1994-95	0.88	Trade Tax	The Trade/ Commercial Tax deptt. has filed an appeal before High Court Nainital against decision of Tribunal for the interest amount imposed by Assessing Authority.
1997-98	1.91	Trade Tax	THDC has filed an appeal before DC (Appeal) against interest demand order of Rs. 1,90,626/-
1998-99	1.02	Trade Tax	Trade/ Commercial Tax deptt. has filed an appeal before Tribunal against decision Jt. Commissioner (Appeal) in case of interest demand order.
2000-01 Interest @ 2% for 77 months	136.35 209.98	Entry Tax	The Entry Tax case is pending before Add. Commissioner (Appeal), Dehradun.
2002-03	6.08	Entry Tax	The reassessment order dt. 30.06.04 has been received and THDC has gone in to appeal against above demand before DC (Appeal).
2003-04	0.70	Entry Tax	The reassessment order dt. 30.06.04 has been received and THDC has gone in to appeal against above demand before DC (Appeal).
1998-99	22.62	Royalty	Also DM has exercised lien on Rs. 22.62 lac in THDC's Bank Account.
2000-01	6448.55	Royalty	THDC is contesting in High Court and High Court has constituted a senior level committee for sorting the matter. A deposit of 1900 Lac has been deposited under protest.
2001-02	21.26	Royalty	Matter referred to DM
1991-92	9.39 (with interest U/S 234 B & C)	Income Tax	The Income Tax Department has filed an appeal before High Court, Nainital, against decision of Income Tax Appellate Tribunal.
1994-95	165.35 (with interest U/S 234 B & C)	Income Tax	The Income Tax Department has filed an appeal before High Court, Nainital, against decision of Income Tax Appellate Tribunal. High Court has awarded the decision in favour of Income tax department. Review petition has not been accepted by the High Court. No demand for tax has been received from Income Tax Department. Corporation has decided to file Special leave Petition (S.L.P) before Hon'ble Supreme Court against the decision of Hon'ble High Court.



1996-97	26.92 (with Interest U/S 234 B& C)	Income Tax	The Income Tax Department has filed an appeal before High Court, Nainital, against decision of Income Tax Appellate Tribunal. High Court has awarded the decision in favour of Income tax department. Review petition has not been accepted by the High Court. No demand for tax has been received from Income Tax Department. Corporation has decided to file Special leave Petition(S.L.P) before Hon'ble Supreme Court against the decision of Hon'ble High Court.
1998-99	55.96 (with Interest U/S 234 B& C)	Income Tax	The Income Tax Department has filed an appeal before High Court, Nainital, against decision of Income Tax Appellate Tribunal High Court has awarded the decision in favour of Income tax department. Review petition has not been accepted by the High Court. No demand for tax has been received from Income Tax Department. Corporation has decided to file Special leave Petition(S.L.P) before Hon'ble Supreme Court against the decision of Hon'ble High Court.
2000-01	2.67 (with Interest U/S 234 B& C)	Income Tax	The Income Tax Department has filed an appeal before High Court, Nainital, against decision of Income Tax Appellate Tribunal High Court has awarded the decision in favour of Income tax department. Review petition has not been accepted by the High Court. No demand for tax has been received from Income Tax Department. Corporation has decided to file Special leave Petition(S.L.P) before Hon'ble Supreme Court against the decision of Hon'ble High Court.

10. a) The company has no accumulated losses and has not incurred cash losses during the financial year covered by our audit as the company has started commercial production during the year.
- b) In the case of ongoing projects of the company which are under construction stage, this clause of accumulated loss's not applicable.
11. The company has not defaulted in repayment of the dues to financial institution or banks.
12. In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the company is not a chit fund or nidhi/mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditors' Report) order, 2003 is not applicable to the Company.
14. In our opinion and as per the information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, clause 4(xiv) of the Company (Auditor's Report) order, 2003 is not applicable to the Company.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or

financial institutions.

16. In our opinion and as per the information and explanations given to us, the term loan taken by the company has been applied for the purpose for which the loans were obtained. However an amount of Rs 16.58 crores is unutilized as on 31.03.07.
17. No funds have been raised and hence this clause is not applicable.
18. As the company has not made any preferential allotment of shares clause 4(xviii) of the order is not applicable to the company.
19. As no debenture has been issued, clause 4(xix) of the order is not applicable to the company.
20. As the company has not raised any money by public issue, clause 4(xx) of the order is not applicable to the company.
21. According to the information and explanations given by the management no fraud on or by the Company has been noticed or reported during the year.

for Sri Ravivarma & Co.,
Chartered Accountants

(R. RAVINDER)
Partner
M.No.10421

Place : New Delhi
Dated : 31 August, 2007

गोपनीय

संख्या / No: एमएवी-11/सीएडी-11 1-2/2006-07/205

भारतीय लेखा तथा लेखापरीक्षा विभाग
कार्यालय प्रधान निदेशक, वाणिज्यिक लेखापरीक्षा,
एवं पदेन सदस्य, लेखापरीक्षा बोर्ड-11
INDIAN AUDIT & ACCOUNTS DEPARTMENT
OFFICE OF THE PRINCIPAL DIRECTOR OF COMMERCIAL
AUDIT & EX-OFFICIO MEMBER, AUDIT BOARD-11

दिनांक / Dated: 27-09-2007

सेवा में

अध्यक्ष एवं प्रबंध निदेशक
टिहरी हाइड्रो डेवलपमेंट कारपोरेशन लि
गंगा भवन, बाई पास रोड,
ऋषिकेश

विषय : कंपनी अधिनियम 1956 की धारा 619 (4) के अधीन 31 मार्च, 2007 को समाप्त वर्ष के लिए टिहरी हाइड्रो डेवलपमेंट कारपोरेशन लि0 के लेखाओं पर भारत के नियंत्रक एवं महा लेखापरीक्षक की टिप्पणियां।

महोदय,

मैं कंपनी अधिनियम 1956 की धारा 619 (4) के अधीन 31 मार्च, 2007 को समाप्त हुए वर्ष के लिए टिहरी हाइड्रो डेवलपमेंट कारपोरेशन लि. के लेखों पर भारत के नियंत्रक एवं महालेखा परीक्षक की टिप्पणियां अंग्रेजित करता हूँ। इन टिप्पणियों एवं लेखों की समीक्षा को कंपनी की वार्षिक रिपोर्ट में प्रकाशित किया जाए और कंपनी की महासभा में उसी समय व उसी प्रकार से रखा जाए जिस प्रकार से सांविधिक लेखा परीक्षाओं की लेखा परीक्षा रिपोर्ट रखी जाती है।

कंपनी की महा सभा में रखे गए निदेशक मण्डल के उत्तर इस कार्यालय में भी भेज दें। यदि महासभा के अयोजन में समय का अंतराल हो तो महासभा में रखे जाने वाले उत्तर यह बताते हुए कि इन उत्तरों में कोई परिवर्तन नहीं किया जायगा, इस कार्यालय को भेज दिए जाएं।

भवदीया,

(सरोज पुनहानि)
प्रधान निदेशक वाणिज्यिक लेखा परीक्षा
एवं पदेन सदस्य, लेखा परीक्षा बोर्ड-11
नई दिल्ली

संलग्न : 1 टिप्पणियां।

तृतीय तल, 'ए' स्कंध, इन्द्रप्रस्थ भवन, नई दिल्ली-110002
3rd FLOOR 'A' WING, INDRAPRASTHA BHAWAN, NEW DELHI- 110002.
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e-mail: msab2@nda.vsnl.net.in



Comments of the Comptroller and Auditor General of India u/s 619(4) of Companies Act 1956 on the accounts of Tehri Hydro Development Corporation Limited for the year ended 31 March 2007.

The preparation of financial statements of Tehri Hydro Development Corporation Limited for the year ended 31st March 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section, 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 31 August 2007.

I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619 (3) (b) of the Companies Act, 1956 of the financial statements of Tehri Hydro Development Corporation Limited for the year ended 31st March 2007. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to the inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619 (4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report :

A. Comments on Auditors Report

A reference is invited to Auditor's qualification no 4(h) regarding charging of depreciation by the Company as per CERC rates.

The qualification is not required because as per Tariff Policy notified (January 2006) by Ministry of Power, Government of India under section 3(3) of Electricity Act 2003, the rates of depreciation notified by CERC would be applicable for the purpose tariff as well as accounting.

**For and on behalf of the
Comptroller & Auditor General of India**

(Saroj Punhani)
Principal Director of Commercial Audit
& Ex- Officio Member, Audit Board-II, New Delhi

Place: Delhi
Date: 27.09.2007

**Management Replies to the Statutory Auditor's Report
Dated 31.08.2007 on the Accounts of the Corporation
for the year ending 31 March 2007,**

Audit Para(4h)

Sec. 616 of Companies Act, 1956 states that "The provision of this Act shall apply to Companies engaged in the generation or supply of electricity except in so far as the said provisions are inconsistent with the provisions of Electricity Supply Act." The Electricity Supply Act was replaced by Electricity Act 2003, under which, Govt of India introduced the Tariff Policy vide notification no. 23/2/2005- R&R (Vol.III) dated 06.01.2006. As per clause 5 (c) of the said policy, CERC may notify the rates of depreciation in respect of generation and transmission assets. The rates of depreciation so notified would be applicable for the purpose of tariff as well as accounting. As per section 185 (2) (a) of Electricity Act 2003 "Anything done or any action taken or purported to have been done or taken including any rule, notification, inspection, order or notice made or issued or any appointment, confirmation or declaration made or any license, permission, authorization or exemption granted or any document or instrument executed or any direction given under the repealed law shall so far as it is not inconsistent with the provisions of this Act, be deemed to have been done or taken under the corresponding provisions of this Act."

Accordingly, rates notified under CERC Regulations 2004 are considered appropriate for charging depreciation since the Corporation has started commercial generation of Power during the year 2006-07. The same is consistent with matching principle.

Accordingly, Corporation revised its accounting policy for charging depreciation. However, the fact that by charging depreciation at aforesaid rates the depreciation charge for the year is lower by Rs 9747.427 Lac as compared to the depreciation as per rates provided in the Schedule XIV of Companies Act, 1956 has also been disclosed in note 34 besides disclosing the impact of change in accounting policy in note 37(6).

Further, this accounting policy is in line with the policy followed by other CPSUs in Power sector.

**Management Replies to the Comments of the Comptroller and Auditor General of India
Dated 27.09.2007 on the Accounts of the Corporation
for the year ending 31 March 2007**

Noted: The Company's Accounting Policy in reference is upheld by C&AG