

# **U.P. POWER CORPORATION LIMITED**

## **BALANCE SHEET**

AS AT

**31<sup>st</sup> MARCH 2016**

**&**

## **STATEMENT OF PROFIT & LOSS**

FOR THE PERIOD ENDED ON

**31<sup>st</sup> MARCH 2016**

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Registered Office :- 14, Ashok Marg, Lucknow - 226 001.

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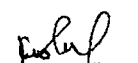
**U.P. POWER CORPORATION LIMITED**  
**14-ASHOK MARG, SHAKTI BHAWAN, LUCKNOW.**  
 CIN: U32201UP1999SGC024928  
**CONSOLIDATED BALANCE SHEET AS AT 31.03.2016**

(Amount in ₹)

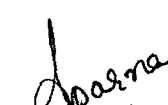
Particulars	Note No.	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
<b>(I.) EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders funds :</b>			
(a) Share Capital	1	568629186000	397510184000
(b) Reserve & Surplus	2	(670449576052)	(768039275223)
(c) Money received under share warrants		-	-
<b>(2) Share Application Money pending Allotment</b>	3	95666834701	101796468229
<b>(3) Non-Current Liabilities</b>			
(a) Long-Term Borrowings	4	194968371580	515234085070
(b) Deferred Tax Liabilities (Net)		-	-
(c) Other Long-Term Liabilities	5	28064919643	24454098908
(d) Other Long-Term Provisions		-	-
<b>(4) Current liabilities</b>			
(a) Short-Term Borrowings	6	11703512883	13372733689
(b) Trade Payable	7	224297441526	202085609931
(c) Other Current Liabilities	8	357342712896	149250894648
(d) Short-Term Provisions	9	294946	206528
<b>TOTAL</b>		<b>810223498123</b>	<b>635665005780</b>
<b>(II.) Assets</b>			
<b>(1) Non-Current Assets</b>			
<b>(a) Fixed Assets</b>			
(i) Tangible Assets	10	225184380780	186987629477
(ii) Assets not in Possession	11	708815419	539500883
(iii) Intangible Assets		-	-
(iv) Capital Work-in-Progress	12	35320126117	13871085782
(v) Intangible Assets under Development		-	-
(b) Non-Current Investments	13	21518227000	22864900000
(c) Deferred Tax Assets (Net)		-	-
(d) Long-Term loans and advances	14	453045513	360461050
(e) Other Non-Current Assets	15	48610280010	33762109735
<b>(2) Current Assets</b>			
(a) Current Investments		-	-
(b) Inventories	16	25978366068	21899313027
(c) Trade Receivables	17	347494103776	252699389724
(d) Cash and Cash Equivalents	18	54226595377	53900487948
(e) Short-Term Loans and Advances	19	1629506158	1368454275
(f) Other Current Assets	20	26150267203	24725672217
Inter Unit Transfers		22949784702	22686001662
Significant Accounting Policies	31(A)		
Notes on Accounts	31(B)		
Note 1 to 31(B) form Integral Part of Accounts.			
<b>TOTAL</b>		<b>810223498123</b>	<b>635665005780</b>

See accompanying Notes to the Financial Statements.

  
 (Pradeep Soni)  
 Company Secretary  
 (Part Time)

  
 (I. M. Kaushal)  
 Chief General Manager  
 (Accounts)

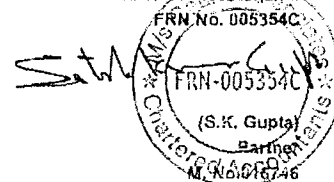
  
 (Sudhanshu Dwivedi)  
 Director (Finance)  
 Din-6533235

  
 (Aparna U)  
 Managing Director  
 Din-6523278

Place : Lucknow  
 Date : 19.02.2018

Subject to our report of even date

For Gaur & Associates  
 Chartered Accountants



# U.P. POWER CORPORATION LIMITED

14-ASHOK MARG, SHAKTI BHAWAN, LUCKNOW.

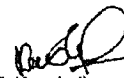
CIN: U32201UP1999SGC024928

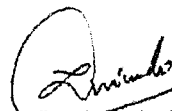
## CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED ON 31<sup>st</sup> MARCH 2016

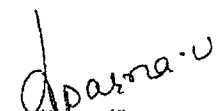
<i>(Amount In ₹)</i>			
Particulars	Note No.	Figures for the current reporting period	Figures for the end of previous reporting period
(I) Revenue from Operations (Gross)	21	360216635701	305375810792
(II) Revenue Subsides & Grants			
(III) Other Income	22	112370790452	88865380044
<b>(IV) TOTAL REVENUE ( I + II+III )</b>		<b>472587426153</b>	<b>394241190836</b>
<b>EXPENSES</b>			
1 Cost of Materials Consumed			
2 Purchases of Stock-in-Trade (Power Purchased)	23	388251314336	382507417527
3 Changes in Inventories of Finished Goods, Work in Progress and Stock-in-Trade			
4 Employee Benefits Expense (Employee Cost)	24	11789112466	12164190794
5 Finance Costs (Interest and Finance Charges)	25	63506199824	51724801698
6 Depreciation and Amortization expense	26	7878851840	4987082874
7 Other Expenses			
a) Administrative, General & Other Expenses	27	8079327194	5387310294
b) Repairs and Maintenance Expenses	28	15821408593	13102223401
c) Bad Debts & Provisions	29	158267060855	133575923233
<b>(V) TOTAL EXPENSES (1+2+3+4+5+6+7)</b>		<b>653593275108</b>	<b>603448949821</b>
(VI) Profit before Prior Period Income/(Expenditure), Exceptional and Extraordinary Items and Tax (IV-V)		(181005848955)	(209207758985)
(VII) Prior period Income/(Expenditure)	30	(2763759786)	6681406781
(VIII) Exceptional Items			
(IX) Profit before Extraordinary Items and Tax (VI - VII - VIII)		(183769608741)	(202526352204)
(X) Extraordinary Items (Subsidy for Operational Losses)			
(XI) Profit before Tax (IX-X)		(183769608741)	(202526352204)
(XII) Tax expense:			
a) Current Tax	305	15506	15506
b) Deferred Tax		305	15506
<b>(XIII) Profit (Loss) for the Period from Continuing Operations (XI - XII)</b>		<b>(183769609046)</b>	<b>(202526367710)</b>
(XIV) Profit/(Loss) from Discontinuing Operations		-	-
(XV) Tax Expense of Discontinuing Operations		-	-
<b>(XVI) Profit/(Loss) from Discontinuing Operations (After Tax) (XIV-XV)</b>		<b>-</b>	<b>-</b>
<b>(XVII) Profit/(Loss) for the Period (XIII + XVI)</b>		<b>(183769609046)</b>	<b>(202526367710)</b>
<b>(XVIII) Earnings per Equity Share:</b>			
a) Basic		(353.67)	(518.31)
b) Diluted		(353.67)	(518.31)
Significant Accounting Policies	31(A)		
Notes on Accounts	31(B)		
Note 1 to 31(B) form Integral Part of Accounts.			

See accompanying Notes to the Financial Statements.

  
(Pradeep Soni)  
Company Secretary  
(Part Time)

  
(I. M. Kaushal)  
Chief General Manager  
(Accounts)

  
(Sudhanshu Dwivedi)  
Director (Finance)  
Din-6533235

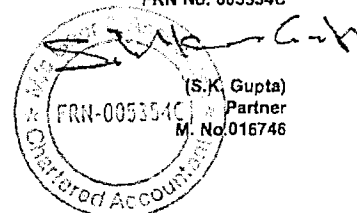
  
(Aparna U)  
Managing Director  
Din-6523278

Place : Lucknow

Date : 19.02.2018

Subject to our report of even date

For Gaur & Associates  
Chartered Accountants  
FRN No. 005354C



**U.P. POWER CORPORATION LIMITED**

14-ASHOK MARG, SHAKTI BHAWAN, LUCKNOW.

CIN: U32201UP1999SGC024928

CONSOLIDATED FINANCIAL STATEMENT

NOTE-1

**SHARE CAPITAL**

*(Amount in ₹)*

Particulars	As at 31.03.2016	As at 31.03.2015
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**(A) AUTHORISED :**

750000000 (Previous Year 600000000) Equity shares of par value of Rs. 1000/- each 750000000000 600000000000

**(B) ISSUED SUBSCRIBED AND FULLY PAID UP**

568629186 (Previous Year 397510184) Equity shares of par value Rs. 1000/- each 568629186000 397510184000  
 (of the above shares 36113400 were allotted as fully paid up pursuant to UP Power Sector Reform Scheme for consideration other than cash)  
 (It includes 2000 shares of 1000/- each of Promoter's Share of Discom)

<b>Total</b>	<b>568629186000</b>	<b>397510184000</b>
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a) During the year, The Company has issued 171119002 Equity Shares (Previous Year 40605916 Equity shares) of Rs. 1000 each only and has not bought back any shares.

b) The Company has only one class of equity shares having a par value Rs. 1000/- per share.

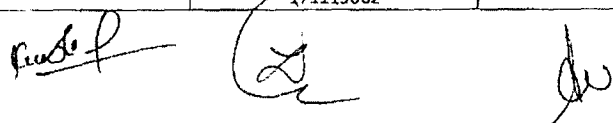
c) During the year ended 31st March 2016, no dividend has been declared by board due to heavy accumulated losses.

**d) Detail of Shareholders holding more than 5% share in the Company:**

Shareholder's Name	As at 31.03.2016	
	No. of Shares	% age holding
Government of UP	568629186	100%

**e) Reconciliation of No. of Shares**

No. of Shares as on 31.03.2015	Issued during the year	Buy Back during the	No. of Shares as on
397510184	171119002		568629186







**U.P. POWER CORPORATION LIMITED**

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**CONSOLIDATED FINANCIAL STATEMENT**

Note-2

**RESERVE AND SURPLUS**

*(Amount in ₹)*

Particulars	As at 31.03.2016	As at 31.03.2015
<b>A. Capital Reserve</b>		
(i) Consumers Contributions towards Service Line and other charges	56883915724	50040485568
(ii) Subsidies towards Cost of Capital Assets.	118887698941	5540622417
(iii) APDRP Grant	8666148939	696993662
(iv) Others	<u>1959511681</u>	<u>1959511681</u>
<b>B. Other Reserve</b>		
(i) Restructuring Reserve	5652167672	5652167672
(ii) Surplus/(Deficit)	<u>(1303923885563)</u>	<u>(1120154276517)</u>
<b>Sub Total</b>	<b>(1111874442606)</b>	<b>(1056264495517)</b>
<b>Add:</b>		
Provision for Diminution of Discoms Reversed	440493689260	287294043000
Provision for B/D interest & Loan to Kesco Reversed	<u>931177294</u>	<u>931177294</u>
<b>Total</b>	<b>(670449576052)</b>	<b>(768039275223)</b>

Note-3

**SHARE APPLICATION MONEY**

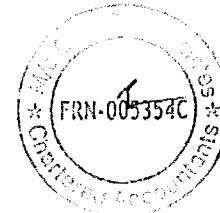
*(Amount in ₹)*

Particulars	As at 31.03.2016	As at 31.03.2015
Share Application Money (Pending for allotment to the Govt. of UP)	9566634701	101796468229
<b>Total</b>	<b>9566634701</b>	<b>101796468229</b>

**Reconciliation of Share Application Money**

*(Amount in ₹)*

Share Application Money as on 31.03.2015	Addition During the Year	Deduction/ Capitalized during the Year	Share Application Money as on 31.03.2016
101796468229	164989168472	171119002000	9566634701



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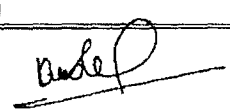
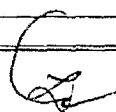

**CONSOLIDATED FINANCIAL STATEMENT**

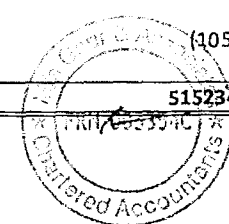
Note-4

**LONG TERM BORROWINGS**

(Amount in ₹)

Particulars	As at 31.03.2016	As at 31.03.2015
<b>(A) SECURED</b>		
REC	12273022239	4608920849
PFC	<u>3141905000</u>	<u>557573655</u>
	15414927239	5166494504
<b>(B) UNSECURED</b>		
APDRP(PFC)	-	512145748
R-APDRP(PFC)	11616978767	6580343822
R-APDRP(REC)	5109235204	3322282336
REC(ABC)	-	543118370
APDRP(REC)	137796100	195804500
REC	-	13753113193
PFC	2564285378	5669911349
U.P. State Industrial Development Corporation Ltd.	54490	64890
Housing Development Finance Corporation Ltd.	<u>6854</u>	<u>6854</u>
	19428356793	30576791062
<b>(C) BONDS/ LOANS RELATE TO DISCOMS</b>		
<b>(i) 9.68% Non Convertible Bonds</b>	52701200000	105402500000
<b>(ii) Interest free Loans (UDAY LOAN)(Unsecured)</b>	60831175000	-
<b>(iii) Loan from Banks</b>		
Central Bank of India	-	32746341728
State Bank of India	-	12512700000
Union Bank of India	-	23414757382
Allahabad Bank	-	11983463001
Dena Bank	-	7084441514
Indian Overseas Bank	-	9409074676
Canara Bank	-	29701300000
Punjab National Bank	-	39916657968
Vijaya Bank	-	9633723987
Bank of Maharashtra	-	4782865454
United Commercial Bank	-	15281866668
Bank of Baroda	-	6535890999
Oriental Bank of Commerce	-	19468895238
Bank of India	-	7937502054
South Indian Bank	-	2014593737
Punjab & Sindh Bank	-	8849951428
Federal Bank	-	1073685714
Corporation Bank	-	11744400000
Syndicate Bank	-	3492711139
Karur Vysaya Bank	-	<u>397628571</u>
		257982451258
<b>(iv) Other than Bank</b>		
REC	22352516136	49983766232
PFC	24240196412	60390714286
HUDDO	-	<u>5836718461</u>
	46592712548	116211198979
<b>Sub Total</b>	<b>194968371580</b>	<b>515339435803</b>
Current Maturity	-	(105350733)
<b>Total</b>	<b>194968371580</b>	<b>515234085070</b>



**U.P. POWER CORPORATION LIMITED**

14-ASHOK MARG, SHAKTI BHAWAN, LUCKNOW.

CIN: U32201UP1999SGC024928

CONSOLIDATED FINANCIAL STATEMENT

Note-5

**OTHERS LONG TERM LIABILITIES**

(Amount in ₹)

Particulars	As at 31.03.2016	As at 31.03.2015
Security Deposits from Consumers	22760347399	20887951348
Interest on Security Deposits from Consumers	3469126370	26229473769
Liability/Provision for Leave Encashment	1577551635	3102672272
Liability/Provision for Gratuity of CPF Employees	257894239	23990623620
		463475288
<b>Total</b>	<b>28064919643</b>	<b>24454098908</b>

Note-6

**SHORT-TERM BORROWINGS**

(Amount in ₹)


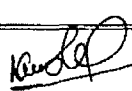
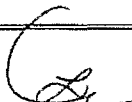

Particulars	As at 31.03.2016	As at 31.03.2015
<b>Overdraft from Banks</b>		
State Bank of India	302773234	303695705
Central Bank of India	1047237047	1062149400
Canara Bank	997600994	1004209628
Punjab National Bank	271161019	299982790
Allahabad Bank	3632323159	3688992522
ICICI Bank	1053848607	1001210146
Indian Overseas Bank	11628536	1011678082
Oriental Bank of Commerce	1207737302	1249936125
Bank of India	431521165	493180515
Karur Vysaya Bank	747681820	9703512883
		757698776
NOIDA Loan	2000000000	10872733689
<b>Total</b>	<b>11703512883</b>	<b>13372733689</b>

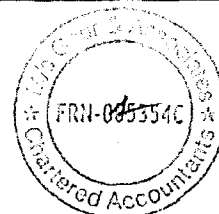
Note-7

**TRADE PAYABLE**

(Amount in ₹)

Particulars	As at 31.03.2016	As at 31.03.2015
Liability for Purchase of Power	177887836305	165215162180
Liability for Wheeling Charges	46409605221	36870447751
<b>Total</b>	<b>224297441526</b>	<b>202085609931</b>





**U.P. POWER CORPORATION LIMITED**

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CIN: U32201UP1999SGC024928

CONSOLIDATED FINANCIAL STATEMENT

Note-8

**OTHER CURRENT LIABILITIES**

*(Amount in ₹)*

Particulars	As at 31.03.2016	As at 31.03.2015
Current Maturity of Long Term Borrowings (Other)	552867174	1683605755
Interest accrued & due (Loans through PCL)	2129333089	6005602540
Interest accrued & due on borrowings	652453603	386797757
Current Maturity of Long Term Borrowings through UPPCL	194486809467	23876526664
Liability for Capital Supplies/works	49645727325	34852262104
Liability for O&M Supplies/works	4762539888	3874596920
Staff related liabilities	12752281817	11073832775
Deposits & Retentions from Suppliers & others	15967613423	7809721531
Electricity Duty & other levies payable to govt.	46714080885	32483583662
Deposit for Electrification works	6656228925	1746318138
Deposit Works	329147116	4249771612
Sundry Liabilities	3631403134	3252836720
<b><u>Payable to UPJVNL</u></b>		
Payable	886608273	384259624
Receivable	-	<u>(1377554)</u>
Liabilities for Expenses	1196905661	834371125
Liabilities towards UPPCL CPF Trust	85877996	148756522
Liabilities for Gratuity on CPF Employees	4171889	-
Liability for Leave Encashment	158178333	-
Interest Accrued but not Due on Borrowings	5307662522	7641333459
<b><u>Liabilities towards UP Power Sector Employees Trust</u></b>		
Provident Fund	8026246877	6789266647
Provision for Interest on GPF Liability	380872142	-
Pension & Gratuity Liability	<u>2806718663</u>	<u>2158553958</u>
VAT Payable	-	95000
Amount Refundable to parties	171000	171000
Others	-	4495
Provision VII Pay Commission	208809500	-
Payable to Noida	-	-
Payable to JVUNL	4194	4194
<b>Total</b>	<b>357342712896</b>	<b>149250894648</b>

Note-9

**SHORT-TERM PROVISIONS**

*(Amount in ₹)*

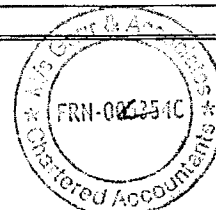
Particulars	As at 31.03.2016	As at 31.03.2015
Provision for Liabilities/Payments	37888	19357
Provision for Audit Expenses	84912	67353
Provision for Legal & Professional Charges	156335	104312
Provision for Income Tax	15811	15506
<b>Total</b>	<b>294946</b>	<b>206528</b>

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**U.P. POWER CORPORATION LIMITED**

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CIN: U32201UP1999SGC024928

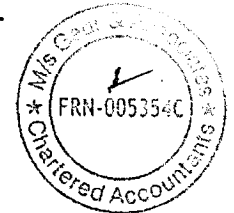
**CONSOLIDATED FINANCIAL STATEMENT**

NOTE-10

**TANGIBLE ASSETS**

*(Amount in ₹)*

Particulars	Gross Block				Depreciation				Net Block	
	As at 31.03.2015	Addition	Adjustment/ Deletion	As at 31.03.2016	As at 31.03.2015	Addition	Adjustment/ Deletion	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Land & Land Rights	107315863	-	0	107315863	8549313	-	(53250)	8602563	98713300	98766550
Buildings	5896775156	1260714852	225236	7157264772	2170175544	116651764	(270881279)	2557708587	4599556185	3726599612
Plant & Pipe Lines	9498207	-	-	9498207	6833414	257808	-	7091222	2406985	2664793
Pacca Road/Kachcha Road	198424426	-	-	198424426	141207881	3764600	-	144972481	53451945	57216545
Other Civil Works	208628096	-	-	208628096	93098182	4938598	-	98036780	110591316	115529914
Plant & Machinery	96607932527	46399724549	29339485106	113668171970	11193319287	5119640788	8062216564	8250743511	105417428459	85414613240
Lines, Cable Networks etc.	153199244805	32733589407	7784042760	178148791452	56751985422	5945989909	(1575747111)	64273722442	113875069010	96447259383
Vehicles	162782726	7461724	852217	169392233	121485917	(29775467)	(34314549)	126024999	43367234	41296809
Furniture & Fixtures	281042521	24008968	3280943	301770546	96616946	17183838	918976	112881808	188888738	184425575
Office Equipments	1390450599	84745729	40062666	1435133662	491193544	142922542	(6109967)	640226053	794907609	899257055
<b>Total</b>	<b>258062094926</b>	<b>80510245229</b>	<b>37167948928</b>	<b>301404391227</b>	<b>71074465450</b>	<b>11321574380</b>	<b>6176029384</b>	<b>76220010446</b>	<b>225184380780</b>	<b>186987629477</b>
<b>Previous Year</b>	<b>230619934024</b>	<b>53605500181</b>	<b>26163339277</b>	<b>258062094926</b>	<b>74683105212</b>	<b>(9812063866)</b>	<b>(6203424104)</b>	<b>71074465450</b>	<b>186987629477</b>	<b>155936828812</b>



**U.P. POWER CORPORATION LIMITED**

14-ASHOK MARG, SHAKTI BHAWAN, LUCKNOW.

CIN: U32201UP1999SGC024928

CONSOLIDATED FINANCIAL STATEMENT

Note-11

**ASSETS NOT IN POSSESSION**

*(Amount in ₹)*

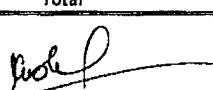


Particulars	As at 31.03.2016	As at 31.03.2015
Lines, Cable & Networks etc.	708815419	539500883
<b>Total</b>	<b>708815419</b>	<b>539500883</b>

Note-12

**CAPITAL WORKS IN PROGRESS**

*(Amount in ₹)*

Particulars	As at 31.03.2016	As at 31.03.2015
CAPITAL WORKS IN PROGRESS (Opening)	13871085782	14125448425
Revenue Expenses Pending for Capitalisation upto Previous Year	-	259999419
Effect of Transfer Scheme	-	132926498
Add- Addition during the year	101993934432	58464305585
Deduction/Adjustment	(34648870)	(2186663530)
Capitalisation during the year	(80510245227)	(56924930615)
<b>Total</b>	<b>35320126117</b>	<b>13871085782</b>





**U.P. POWER CORPORATION LIMITED**

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CIN: U32201UP1999SGC024928

CONSOLIDATED FINANCIAL STATEMENT

Note-13

**NON-CURRENT INVESTMENTS**

*(Amount in ₹)*

Particulars	As at 31.03.2016	As at 31.03.2015
<b>UPPTCL</b>		
Investment in Share Capital	22133352000	22133352000
Investment in Share Application Money	1807231000	1807231000
Provision for Diminution	(2422356000)	(1076308000)
<b>Yamuna PGCL</b>		
Investment in Share Capital	125000	125000
Provision for Diminution	(125000)	-
<b>Jawaharpur PGCL</b>		
	-	500000
<b>Total</b>	<b>21518227000</b>	<b>22864900000</b>

Note-14

**LONG-TERM LOANS AND ADVANCES**

*(Amount in ₹)*

Particulars	As at 31.03.2016	As at 31.03.2015
<b>Capital Advances</b>		
<b>Unsecured Considered Doubtful</b>		
Advance to Supplier/Contractor Interest Free	475466	475466
Provision for Doubtful Loans & Advances	(475466)	(475466)
<b>Unsecured Considered Good</b>		
Advance to Fabricators	453045513	360461050
<b>NPCL</b>		
Loan	56843000	56843000
Interest Accrued and Due	693175620	595720887
Provision for B/D Loan & Interest	(750018620)	(652563887)
<b>Total</b>	<b>453045513</b>	<b>360461050</b>

Note-15

**OTHER NON-CURRENT ASSETS**

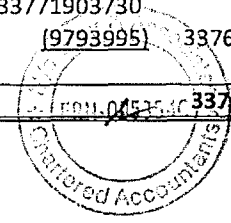
*(Amount in ₹)*

Particulars	As at 31.03.2016	As at 31.03.2015
Advances to Capital Suppliers / Contractors	48620074005	33771903730
Provision for Doubtful Advances	(9793995)	(9793995)
<b>Total</b>	<b>48610280010</b>	<b>33762109735</b>

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**U.P. POWER CORPORATION LIMITED**

14-ASHOK MARG, SHAKTI BHAWAN, LUCKNOW.

CIN: U32201UP1999SGC024928

CONSOLIDATED FINANCIAL STATEMENT

Note-16

**INVENTORIES**

(Amount in ₹)

Particulars	As at 31.03.2016	As at 31.03.2015
<b>(a) Stores and Spares</b>		
Stock of Materials - Capital Works	20393130095	16834992684
Stock of Materials - O&M	5066125784	25459255879
<b>(b) Others</b>	2810088783	4715367837
<b>Sub Total</b>	<b>28269344662</b>	<b>24019743287</b>
Provision for Unserviceable Stores	(2290978594)	(2120430260)
<b>Total</b>	<b>25978366068</b>	<b>21899313027</b>

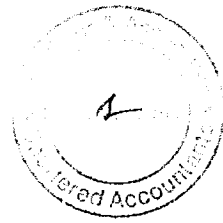
Note-17

**TRADE RECEIVABLES**

(Amount in ₹)

Particulars	As at 31.03.2016	As at 31.03.2015
Sundry Debtors	5299748756	5467642508
<b>Debt outstanding for a period exceeding six month from the date they are due for payment</b>		
Secured & Considered good	27565270549	11010254164
Unsecured & Considered good	274780417344	165283333833
Considered doubtful	54331174937	356676862830
<b>Other Debts</b>		
Secured & Considered good	535454482	745113744
Unsecured & Considered good	55575425620	99652721363
Considered doubtful	4568825580	60679705687
<b>Debt outstanding against theft</b>		
Unsecured & Considered good	-	857591097
Considered doubtful	-	285863699
<b>Sub Total</b>		<b>337022537874</b>
Allowance for Bad & Doubtful Debts	(75138280977)	(72218501743)
Advance received from Consumers	(23932515)	-
Unrealised Late Payment Surcharge	-	(75162213492)
<b>Total</b>	<b>347494103776</b>	<b>252699389724</b>

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**U.P. POWER CORPORATION LIMITED**

14-ASHOK MARG, SHAKTI BHAWAN, LUCKNOW.

CIN: U32201UP1999SGC024928

CONSOLIDATED FINANCIAL STATEMENT

Note-18

**CASH AND CASH EQUIVALENTS**

(Amount in ₹)

Particulars	As at 31.03.2016	As at 31.03.2015
<b>(a) Balance with Banks</b>		
In Current & Other Accounts	45331512523	32345997594
In Fixed Deposit Accounts	<u>3680060252</u> 49011572775	<u>9605610709</u> 41951608303
<b>(b) Cash in Hand</b>		
Cash in Hand (Including Stamps in Hands)	4904804138	11166813996
Cheque in Hand	162424828	631201964
Cash imprest with Staff	<u>147793636</u> 5215022602	<u>150863685</u> 11948879645
<b>Total</b>	<b>54226595377</b>	<b>53900487948</b>

Note-19

**SHORT-TERM LOANS & ADVANCES**

(Amount in ₹)

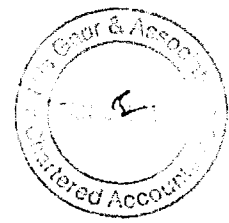
Particulars	As at 31.03.2016	As at 31.03.2015
<b>Advances (Unsecured/Considered Good)</b>		
Suppliers/Contractors	1342396500	1073900564
Provision for Doubtful Advances	<u>(127516331)</u> 1214880169	<u>(102414210)</u> 971486354
Tax Deducted at source		262236878 134849809
TDS- Other Receipts		5602355 4870684
Advance Income Tax		1416393 48591394
Fringe Benefit Tax (Advance Tax)	5887000	7627083
Provision	<u>(4102821)</u> 1784179	<u>(4102821)</u> 3524262
Employees:- Unsecured Considered Good	186472	186472
Unsecured Considered Doubtful	15311140	-
Provision for Doubtful Loans & Advances	<u>(3887903)</u> 11609709	- 186472
<b>Advances recoverable in Cash or in kind of value to be received</b>		
Unsecured Considered Good	15476529	15476529
Unsecured Considered Doubtful	56609452	-
Provision for Doubtful Loans & Advances	<u>(19987957)</u> 52098024	- 15476529
Dther Advances (Unsecured/Considered Good)	11671310	93370476
Provision for Loss in Land acquisition process	<u>(11671310)</u>	-
UPPCL Contributory Provident Fund		15811459
Advance paid to State Govt. for freehold title of Land	74386785	74386785
<b>Misc. Recovery</b>		
Unsecured Considered Good	5491666	5900051
Unsecured Considered Doubtful	29915172	-
Provision for Doubtful Loans & Advances	<u>(29915172)</u> 5491666	- 5900051
<b>Total</b>	<b>1629506158</b>	<b>1368454275</b>

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**U.P. POWER CORPORATION LIMITED**

14-ASHOK MARG, SHAKTI BHAWAN, LUCKNOW.

CIN: U32201UP1999SGC024928

**CONSOLIDATED FINANCIAL STATEMENT**

Note-20

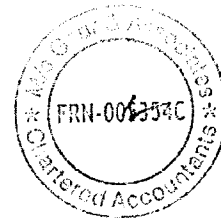
**OTHER CURRENT ASSETS**

*(Amount in ₹)*

Particulars	As at 31.03.2016		As at 31.03.2015	
Income Accrued & Due	119579610		142679301	
Income Accrued but not Due	<u>789477620</u>	909057230	<u>234723225</u>	377402526
<b><u>Receivables (Unsecured)</u></b>				
Uttar Pradesh Government	10575749489		10689558893	
Claims receivable from GoUP against Bunkar Arrears	-	10575749489	<u>63772783</u>	10753331676
<b><u>Uttaranchal PCL</u></b>				
Receivable	1926227134		1926227134	
Payable	<u>(1669870)</u>	1924557264	<u>(1669870)</u>	1924557264
<b><u>UPRVUNL</u></b>				
Receivable	20126498		51567288	
Payable	<u>(5987172)</u>	14139326	<u>(678613)</u>	50888675
<b><u>UPPTCL</u></b>				
Receivable	2909846135		2571879537	
Payable	<u>(29500794)</u>	2880345341	<u>(5442158)</u>	2566437379
Employees	2446901612			2145339433
Provision for Doubtful receivables from Employees	<u>(80506241)</u>	2366395371		
Others		9122380490		8450822481
Prov. For Doubtful Receivables		(1684481126)		(1581946215)
Prepaid Expenses		12211840		8930078
Theft of Fixed Assets Pending Investigation	1213107153		1108331049	
Prov. For Estimated Losses	<u>(1183235230)</u>	29871923	<u>(1078459126)</u>	29871923
Advance tax and tax deducted at source		40055		-
Income Tax Deducted at Source (Income from Investments)		-		36997
<b>Total</b>		<b>26150267203</b>		<b>24725672217</b>







**U.P. POWER CORPORATION LIMITED**

14-ASHOK MARG, SHAKTI BHAWAN, LUCKNOW.

CIN: U32201UP19995GC024928

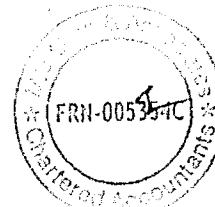
CONSOLIDATED FINANCIAL STATEMENT

Note-21

**REVENUE FROM OPERATIONS (GROSS)**

(Amount in ₹)

Particulars	For the Year ended on 31.03.2016	For the Year ended on 31.03.2015
<b>Supply in Bulk</b>		
Torrent Power Ltd.	8366727459	6495511023
<b>Large Supply Consumer</b>		
Industrial	99534041562	89613120463
Traction	5515138204	8315547584
Irrigation	5340286578	5313587169
Public Water Works	8946453894	8659524613
	119335920238	111901779829
<b>Small &amp; Other Consumers</b>		
Domestic	113032502804	88327769909
Commercial	49021251149	39148563984
Industrial Low & Medium Voltage	20480219413	19441126307
Public Lighting	5961667112	5155028360
STW & Pump Canals	11919460582	9753220968
PTW & Sewage Pumping	12320957166	10407072453
Institution	1524985033	1863720739
Railway	581223533	403420112
Assessment against Theft	295403849	309841266
Regulatory Surcharge	6818694132	3468478930
Miscellaneous Charges from Consumers	10725636467	9459950090
Others (Unbilled)	596154556	-
Electricity Duty	(1279130909)	(1199436577)
	231999024887	186538756541
<b>Other Operating Revenue</b>		
Delayed Payment Charges from Consumers	123800957	103143860
Other recoveries from Consumers	4195253	8760235
Sale of Scrap	7642080	16830949
Penalty from Contractor	8810943	7922631
Extra State Consumer	370513884	303105724
	514963117	439763399
<b>Total</b>	<b>360216635701</b>	<b>305375810792</b>





**U.P. POWER CORPORATION LIMITED**

14-ASHOK MARG, SHAKTI BHAWAN, LUCKNOW.

CIN: U32201UP1999SGC024928

**CONSOLIDATED FINANCIAL STATEMENT**

Note-22

**OTHER INCOME**

*(Amount in ₹)*

Particulars	For the Year ended on 31.03.2016	For the Year ended on 31.03.2015
-------------	----------------------------------	----------------------------------

**From U.P. Govt.**

RE Subsidy from Govt. of U.P.	19229533701	16078200000
Revenue Subsidy from Govt. of U.P.	42203200000	43041900000
Subsidy for Operational Losses of 2015-16	25089200000	18713200000
Subsidy for Operational Losses of 2014-15	211781079	-
Subsidy Against Loan	2551357025	-
Subsidy from Govt.	1787850328	-
Subsidy against UDAY/Govt. Guarantee Loan	<u>1556376612</u>	-
	92629298745	77833300000

**(a) Interest from :**

Loans to Staff	256810	1954702
Loans to NPCL (licencee)	97454733	84791815
Fixed Deposits	642447469	808115801
Advance to Contractors	1215058	
Banks (Other than on Fixed Deposits)	47910390	70311154
Others	<u>2258773530</u>	<u>1416004349</u>
	3048057990	2381177821

**(b) Other non operating income**

Delayed Payment Charges	15544927736	8172440555
Income from Contractors/Suppliers	832345632	356789192
Profit on Sale of Stores	800	
Rental from Staff	10217235	7265963
Miscellaneous Receipts	302223353	113046931
Excess found on Verification of Stores	1854610	219758
Sale of Tender Forms	<u>1864351</u>	<u>1139824</u>
	16693433717	8650902223

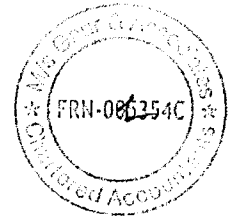
<b>Total</b>	<b>112370790452</b>	<b>88865380044</b>
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**U.P. POWER CORPORATION LIMITED**

14-ASHOK MARG, SHAKTI BHAWAN, LUCKNOW.

CIN: U32201UP1999SGC024928


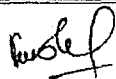


CONSOLIDATED FINANCIAL STATEMENT

Note-23

**PURCHASE OF POWER**

(Amount in ₹)

Particulars	For the Year ended on 31.03.2016	For the Year ended on 31.03.2015
Transmission Charges	16257882390	13954354111
<u>Power Purchase from:</u>		
NTPC	83155376141	86202630949
Power Trading Corporation Ltd.	13850498150	3711063531
NPCIL	7946789589	6470568836
UPRVUNL	94036728340	82115459597
Satlaj JVNL	5183895610	4793145735
NHPC	13298494506	13725211904
UPJVNL	614973347	778732204
Adani Exports	296602210	307014989
NTPC (VVNL)	3850111315	2965139272
Tata Power Trading Co. Ltd.	251126419	-
LANCO EU Ltd./NETS	-	101605871
THDC	8395703732	17144559114
Vishnu Prayag	3758970473	3935042989
Rosa Power Co. Ltd.	36620803910	46485147491
Arawali Power Co. Pvt. Ltd.	1876295192	3436180699
Power Purchased through Energy Exchange	993815497	7410531631
Bajaj Energy Pvt. Ltd.	14107151792	18925631936
Lanco Anpara Power Ltd.	23484685120	28461079290
SASAN (UMPP)	5454914056	1765688773
GMR Energy Pvt. Ltd.	202612358	383144128
Lalitpur Power Projects	1758045642	284187069
Co- Generating Units	27948845048	15651122589
Surcharge	5002982898	3973347819
Unscheduled Interchange & Reactive Energy Charges	3006497763	4265597965
<u>Inter-state Transmission &amp; Related Charges to:</u>		
Power Grid Corporation Ltd.	18056502482	15480355524
Power System Operation Corp.	58140785	48871895
<b>Sub Total</b>	<b>389468444765</b>	<b>382775415911</b>
Rebate against Power Purchase	(1217130429)	(267998384)
<b>Total</b>	<b>388251314336</b>	<b>382507417527</b>



**U.P. POWER CORPORATION LIMITED**

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CIN: U32201UP1999SGC024928

**CONSOLIDATED FINANCIAL STATEMENT**

Note-24

**EMPLOYEES COST**

*(Amount in ₹)*


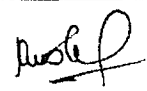
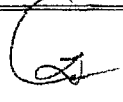

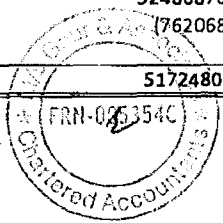
Particulars	For the Year ended on 31.03.2016	For the Year ended on 31.03.2015
Salaries & Allowances	7882629571	7576873183
Dearness Allowance	6858955797	6462220805
Other Allowances	586323509	558498115
Bonus/Ex.Gratia	71517929	43476937
Medical Expenses (Reimbursement)	512600550	232893421
Leave Travel Assistance	76099	441342
Earned Leave Encashment	2619260314	1520602216
Compensation	9936779	7745249
Staff Welfare Expenses	40529302	35158672
Pension & Gratuity	2229482909	1692432649
Other Terminal Benefits	355370078	339769574
Interest on GPF	167715451	
Gratuity (CPF)	372868918	
Other Terminal Benefit (CPF)	108300389	
Expenditure on Trust	16482097	25521816
Contributions to provident and other funds	155894036	142764898
<b>Sub Total</b>	<b>21987943728</b>	<b>18638398877</b>
Expense Capitalised	(10198831262)	(6474208083)
<b>Total</b>	<b>11789112466</b>	<b>12164190794</b>

Note-25

**FINANCE COSTS**

*(Amount in ₹)*

Particulars	For the Year ended on 31.03.2016	For the Year ended on 31.03.2015
<b>(a) Interest on Loans</b>		
Working Capital	629770097	1442328974
Interest expenses on Borrowings	2854950130	2649910888
Less- Rebate of Timely Payment of Interest	<u>(919208)</u>	-
	3483801019	4092239862
<b>(b) Other borrowing costs</b>		
Finance Charges	546004164	15379286
Bank Charges	60455288	310679038
Guarantee Charges	<u>6235460</u>	<u>14860464</u>
	612694912	340918788
<b>(c) Interest on Loans</b>		
PFC	8750458915	5755754771
Others	1373578	30133
R-APDRP	296677278	166400064
APDRP	60316995	89346104
HUDCO	814368474	1399139777
REC	12818327358	6921129227
Bank Loan	33039581866	31741012556
Interest on GPF	170071708	267251587
Interest to Consumers	1767851911	535616777
Provision of Int. on ED/Licence Fee/GPF	1146206417	
Interest on Secured Loan	<u>1953824681</u>	<u>1178031028</u>
	60819059181	48053712024
<b>Sub Total</b>	<b>64915555112</b>	<b>52486870674</b>
Interest Capitalised	(1409355288)	(762068976)
<b>Total</b>	<b>63506199824</b>	<b>51724801698</b>

**U.P. POWER CORPORATION LIMITED**

14-ASHOK MARG, SHAKTI BHAWAN, LUCKNOW.

CIN: U32201UP1999SGC024928

CONSOLIDATED FINANCIAL STATEMENT

Note-26

**DEPRECIATION AND AMORTIZATION EXPENSE**

(Amount in ₹)

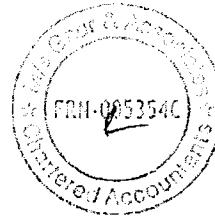
Particulars	For the Year ended on 31.03.2016	For the Year ended on 31.03.2015
<b>Depreciation on -</b>		
Buildings	113219092	246855489
Hydraulic Work	272398	1430156
Other Civil Works	8069848	633411582
Plant & Machinery	4385712097	1613073952
Lines, Cables & Networks etc.	5676277963	5417769370
Vehicles	5911598	12787898
Furnitures & Fixtures	16225979	19518645
Office Equipments	135541992	43021843
Computer & Communication	6681291	9685481
Equivalent amount of dep. on assets acquired out of the consumer's contribution & GoUP subsidy	(2491452542)	(3020456948)
Capital Expenditure Assets not pertaining to Corporation/Nigam	22392124	9985406
<b>Total</b>	<b>7878851840</b>	<b>4987082874</b>

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**U.P. POWER CORPORATION LIMITED**

14-ASHOK MARG, SHAKTI BHAWAN, LUCKNOW.

CIN: U32201UP1999SGC024928

**CONSOLIDATED FINANCIAL STATEMENT****Note-27****ADMINISTRATIVE, GENERAL & OTHER EXPENSES****(Amount in ₹)**

Particulars	For the Year ended on 31.03.2016	For the Year ended on 31.03.2015
Interest Expense on Electricity duty	405299354	349859731
Rent	23653554	21902307
Lease Rent on leasehold land to UPPCL	11735	12
Rates & Taxes	42987745	39755064
Insurance	23502273	20521286
Communication Charges	133339723	196367300
Legal Charges	123585684	121487968
Auditors Remuneration & Expenses	11235126	5653568
Internal Audit Fees	4917313	10000
Consultancy Charges	203235870	141543438
Licence Fees	76986000	75494552
Technical Fees & Professional Charges	33633992	51122576
Travelling & Conveyance	226129762	177161929
Vehicle Expenses	-	65504
Printing & Stationery	156974986	134666129
Advertisement Expenses	122585820	105607021
Electricity Charges	3514642840	2190117340
Water Charges	977162	699505
Entertainment Expenses	560781	1149709
Expenditure on Trust	7181207	1720451
Miscellaneous Expenses	707020481	846049076
Expenses incurred for Revenue Realisation	119501577	117661769
Compensation	16562493	-
Compensation(Other than Staff)	48350649	51905695
Fees & Subscription	39537052	34747718
Online, Spot Billing & Camp Charges	439428007	742217783
Security Charges	111944275	86272155
Bank Charges	-	700
Rebate to consumer	14738305	4360743
Payment to Contractual Persons	391399271	132628821
Honrarium	37617077	-
Professional Charges	10106341	9044928
Interest on Late payment of VAT	20583	-
Revenue Expenses	1031660156	998760996
<b>Sub Total</b>	<b>8079327194</b>	<b>6658555774</b>
Expense Capitalised	-	(1271245480)
<b>Total</b>	<b>8079327194</b>	<b>5387310294</b>



**U.P. POWER CORPORATION LIMITED**

14-ASHOK MARG, SHAKTI BHAWAN, LUCKNOW.

CIN: U32201UP1999SGC024928

**CONSOLIDATED FINANCIAL STATEMENT**

Note-28

**REPAIRS AND MAINTENANCE**

*(Amount in ₹)*

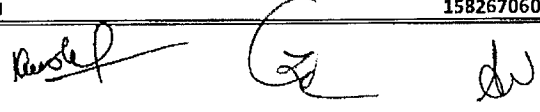
Particulars	For the Year ended on 31.03.2016	For the Year ended on 31.03.2015
Plant & Machinery	7145599197	5139110775
Buildings	955154709	821971269
Other Civil Works	16777358	6937558
Lines, Cables & Networks etc.	7677251773	7112657498
Vehicles - Expenditure	185574413	159797497
Transferred to different Capital & O&M Works/ Administrative Exp.	<u>(185574413)</u>	<u>(159797497)</u>
Furnitures & Fixtures	2688316	1137701
Office Equipments	23937240	20408599
Payment to Contractual Persons	790337277	576358325
Transferred to different Capital & O&M Works/ Administrative Exp.	<u>(790337277)</u>	<u>(576358325)</u>
<b>Total</b>	<b>15821408593</b>	<b>13102223401</b>

Note-29

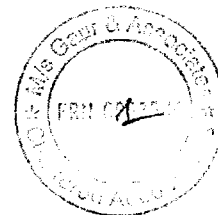
**BAD DEBTS & PROVISIONS**

*(Amount in ₹)*

Particulars	For the Year ended on 31.03.2016	For the Year ended on 31.03.2015
<b><u>PROVISIONS</u></b>		
Doubtful Debts (Sale of Power)	2919779234	3013773764
Doubtful Loans and Advances	-	3201110
<b>Doubtful Loans and Advances</b>		
Short Term	26703977	12194405
Long Term	<u>97454733</u>	-
Provision Other/Loss in Land acquisition process	3043937944	3029169279
<b><u>Doubtful Advances(Suppliers/ Contractor)</u></b>		
Long Term	-	4140253387
Doubtful Other Current Assets (Receivables)	183041152	1224734290
Diminution in Investments	154545819260	124910915000
Loss of Materials	25390752	-
Provision for Contingencies (TDS)	38000000	20300000
Provision for Theft of Fixed Assets	104776103	60610058
Provision for Bad & Doubtful Trade Receivables	-	<u>189941219</u>
<b>Total</b>	<b>158267060855</b>	<b>133575923233</b>







**U.P. POWER CORPORATION LIMITED**

14-ASHOK MARG, SHAKTI BHAWAN, LUCKNOW.

CIN: U32201UP1999SGC024928

CONSOLIDATED FINANCIAL STATEMENT

Note-30

**PRIOR PERIOD INCOME/(EXPENDITURE)**

*(Amount in ₹)*

Particulars	For the Year ended on 31.03.2016	For the Year ended on 31.03.2015
<b>I INCOME</b>		
a) Other Income	688316	(454712822)
b) Other Excess Provision	-	3081164961
c) Prior Period Interest	-	1360966964
d) Interest Income for Prior Periods	(5000000)	5767921
e) Recept. From Consumers relating to Prior Period	58324573	(7979666)
f) Revenue from Sale of Power	(594160310)	217744320
g) Power Purchase (Wheeling Charges)	-	60858209
<b>SUB TOTAL</b>	<b>(540147421)</b>	<b>4263809887</b>
<b>II EXPENDITURE</b>		
a) Employee Cost	263376484	571576551
b) Interest & Finance Charges	1031129597	168792271
c) Power Purchase	4553531	(165425833)
d) Administrative & General Exp.	37791768	(8429685)
e) Depreciation Under/Excess Provided	974570034	(2600833258)
f) Operating Expenses	(99219853)	(392726999)
g) Others	7014751	(11571678)
h) Arrears of Previous Year	3606777	7826072
i) O&M Expenses	171935	13195665
j) Legal & Professional Charges	0	-
k) Wheeling Charges	617032	-
l) Statutory Audit Fees	309	-
<b>SUB TOTAL</b>	<b>2223612365</b>	<b>(2417596894)</b>
<b>NET PRIOR PERIOD INCOME/(EXPENDITURE)</b>	<b>(2763759786)</b>	<b>6681406781</b>

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# U.P. POWER CORPORATION LIMITED

CIN - U32201UP1999SGC024928

## NOTE NO. 31(A)

### SIGNIFICANT ACCOUNTING POLICIES OF CONSOLIDATED FINANCIAL STATEMENT

#### 1. GENERAL

- (a) The financial statements are prepared in accordance with the applicable provisions of the Companies Act, 2013. However where there is a deviation from the provisions of the Companies Act, 2013 in preparation of these accounts, the corresponding provisions of Electricity (Supply) Annual Accounts Rules 1985 have been adopted.
- (b) The accounts are prepared under historical cost convention, on accrual basis unless stated otherwise and on accounting assumption of going concern.
- (c) Subsidy, Grant, Insurance and Other Claims, Refund of Custom Duty Interest on Income Tax & Trade Tax and Interest on loans to staff is accounted for on receipt basis after the recovery of principal in full.

#### 2. BASIS OF CONSOLIDATION

The consolidated financial statements related to U.P Power Corporation Ltd. (the Company), its Subsidiaries and Associates together referred to as "Group".

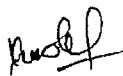
##### (a) Basis of Accounting:

- i) The financial statements of the Subsidiary Companies and Associates in the consolidation are drawn up to the same reporting date as of the Company for the purpose of consolidation.
- ii) The consolidated financial statements have been prepared in accordance with the Accounting Standard (AS) 21- 'Consolidated Financial Statements' and Accounting Standard (AS) 23- 'Accounting for Investments in Associates in Consolidated Financial Statements' as specified in Companies Act, 2013 and generally accepted accounting principles in India.

##### (b) Principles of consolidation:

The consolidated financial statements have been prepared as per the following principles:

- i) The financial statements of the company and its Subsidiaries are combined on a line basis by adding together the like items of the assets, liabilities, income and expenses after eliminating intra-group balances, intra-group transactions, unrealized profits or losses.





- ii) The consolidated financial statements include the investment in Associates, which has been accounted for using the method of accounting by diminution in investment in associates.
- iii) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements except as otherwise stated in the significant accounting policies/Notes on accounts.

### 3. FIXED ASSETS

- (a) Fixed Assets are shown at historical cost less accumulated depreciation.
- (b) All costs relating to the acquisition and installation of fixed assets till the date of commissioning are capitalized.
- (c) Consumer Contribution, Grants and Subsidies received towards cost of capital assets are treated initially as capital reserve and subsequently amortized in the proportion in which depreciation on related asset is charged.
- (d) In the case of commissioned assets, where final settlement of bills with the contractor is yet to be affected, capitalization is done, subject to necessary adjustment in the year of final settlement.
- (e) Due to multiplicity of functional units as well as multiplicity at particular unit, Employees cost to capital works are capitalized @ 15% on deposit works, 13.50% on Distribution works and @ 9.5% on other works on the amount of total expenditure.
- (f) Borrowing cost during construction stage of capital assets are capitalized as per provisions of AS-16.

### 4. DEPRECIATION

- (a) Depreciation is charged on Straight Line Method as per Schedule II of the Companies Act 2013.
- (b) Depreciation on additions to / deductions from Fixed Assets during the year is charged on Pro rata basis.
- (c) The Fixed Assets are depreciated up to 95% of original cost except in case of temporary erections/constructions where 100% depreciation is charged.

### 5. INVESTMENTS

Long term investments are carried at cost. Provision is made for diminution, wherever required, other than temporary, in the value of such investments.

### 6. STORES & SPARES

- (a) Stores and Spares are valued at cost.
- (b) As per practice consistently following by the Company, Scrap is accounted for as and when sold.

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- (c) Any shortage /excess of material found during the year end are shown as "material short/excess pending investigation" till the finalization of investigation.

**7. REVENUE/ EXPENDITURE RECOGNITION**

- (a) Revenue from sale of energy is accounted for on accrual basis.
- (b) Late payment surcharge recoverable from consumers on energy bills is accounted for on cash basis due to uncertainty of realisation.
- (c) The sale of electricity does not include electricity duty payable to the State Government.
- (d) Sale of energy is accounted for based on tariff rates approved by U.P. Electricity Regulatory Commission.
- (e) In case of detection of theft of energy, the consumer is billed on laid down norms as specified in Electricity Supply Code.
- (f) Penal interest, over due interest, commitment charges, restructuring charges and incentive/rebates on loans are accounted for on cash basis after final ascertainment.
- (g) All prior period income & expenditure are shown in the current period as a distinct item.

**8. POWER PURCHASE**

Power purchase is accounted for in the books of Corporation as below:

- (a) In respect of Central Sector Generating Units and unscheduled interchange/reactive energy, at the rates approved by Central Electricity Regulatory Commission (CERC).
- (b) In respect of State Sector Generating Units and unscheduled interchange/reactive energy, at the rates approved by U.P. Electricity Regulatory Commission (UPERC).
- (c) In respect of Power Trading Companies, at the mutually agreed rates.
- (d) Transmission charges are accounted for on accrual basis on bills raised by the U.P. Power Transmission Corporation Limited at the rates approved by UPERC.

**9. EMPLOYEE BENEFITS**

- (a) Liability for Pension & Gratuity in respect of employees has been determined on the basis of actuarial valuation and has been accounted for on accrual basis.
- (b) Medical benefits and LTC are accounted for on the basis of claims received and approved during the year.
- (c) Leave encashment has been accounted for on accrual basis.

**10. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

- (a) Accounting of the Provisions is made on the basis of estimated expenditures to the extent possible as required to settle the present obligations.
- (b) Contingent liabilities are disclosed in the Notes on Accounts.

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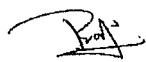
(c) The Contingent assets of unrealisable income are not recognised.

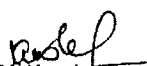
11. **DEFERRED TAX LIABILITY**

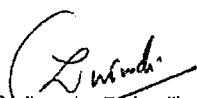
Deferred tax liability of Income Tax (reflecting the tax effects of timing difference between accounting income and taxable income for the period) is provided on the profitability of the Company and no provision is made in case of current loss and past accumulated losses.

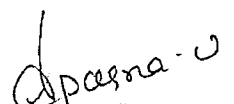
12. **CASH FLOW STATEMENT**

Cash Flow Statement is prepared in accordance with the indirect method prescribed in Accounting Standard – 3 on Cash Flow Statement.

  
(Pradeep Soni)  
Company Secretary  
(Part Time)

  
(I.M. Kaushal)  
Chief General Manager  
(Accounts)

  
(Sudhanshu Dwivedi)  
Director (Finance)  
DIN - 6533235


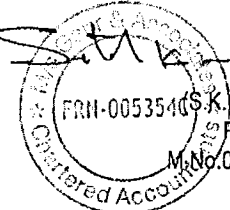
  
(Aparna U)  
Managing Director  
DIN - 6523278

Place : Lucknow

Date : 19.02.2018

Subject to our report of even date

For Gaur & Associates  
Chartered Accountants  
FRN No. 005354C

  
  
FRN-005354C (S.K. Gupta)  
Partner  
M.No.016746

# U.P. Power Corporation Limited

CIN:U32201UP1999SGC024928

## Note No. 31 (B)

### Notes on Accounts forming part of Consolidated Financial Statements for the F.Y 2015-16

1. The Holding, Subsidiary, and Associate companies considered in the Consolidated Financial Statements are as follows:

S No.	Name of Company	Status	Proportion (%) of Shareholding as on*	
			31-03-2016	31-03-2015
1	U.P Power Corporation Limited	Holding	NA	NA
2	Purvanchal Vidyut Vitran Nigam Limited**	Subsidiary	100	100
3	Pashchimanchal Vidyut Vitran Nigam Limited**	Subsidiary	100	100
4	Madhyanchal Vidyut Vitran Nigam Limited**	Subsidiary	100	100
5	Dakshinanchal Vidyut Vitran Nigam Limited**	Subsidiary	100	100
6	Kanpur Electricity Supply Company Limited**	Subsidiary	100	100
7	Sonebhadra Power Generation Company Limited	Subsidiary	100	100
8	Southern Power Generation Company Limited	Subsidiary	100	100
9	Yamuna Power Generation Company Limited	Associate	25	25
10	U.P Power Transmission Corporation Limited	Associate	25.61	33.35

\* Includes the shares of promoters subsequently held by their Nominees.

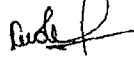
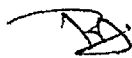
\*\* It represents the Distribution Companies (DISCOMS).

2. The amount of Loans, Subsidies and Grants were received from the State Government by the Uttar Pradesh Power Corporation Limited centrally, being the Holding Company and distributed by the Holding Company to the DISCOMS, which have been accounted for accordingly.
3. The loan taken by the Subsidiary Companies during the financial year 2015-16 amounting to ₹ 11951.7101 Crore out of which ₹ 1394.1682 Crore directly and ₹ 10557.5419 Crore by Holding Company i.e. UPPCL for and on behalf of Discoms as per details given below:-

(₹ In Crores)

Sl. No.	Particulars	DVVNL	PuVVNL	PVVNL	MVNNL	Kesco	UPPCL	Total
1	REC	420.6575	170.4786	95.7638	82.9315	0	5050.0000	5819.8314
2	PFC	0	114.2000	193.2800	316.8568	0	2500.0000	3124.3368
3	HUDCO	0	0	0	0	0	0	0
4	BANK LOAN	0	0	0	0	0	149.7300	149.7300
5	Govt.LOAN (UdaY)	0	0	0	0	0	2857.8119	2857.8119
	Total	420.6575	284.6786	289.0438	399.7883	0	10557.5419	11951.7101

4. The Board of Directors of distribution companies have escrowed all the Revenue receipt accounts in favour of U.P. Power Corporation Limited, Lucknow. The Holding Company has been further authorized to these escrow revenue accounts for raising or borrowing the funds for & on behalf of distribution companies for all necessary present and future financial needs including Power Purchase obligation.
5. Accounting entries after reconciliation (IUT) have been incorporated in the current year. Reconciliation of outstanding balances of IUT is under progress and will be accounted for in coming years.
6. Provision for Employees Cost has been made amounting to ₹ 62.52 Crore for the period 01.01.2016 to 31.03.2016 regarding 7th Pay Commission order no.999/कविनी एवं वे०प्र०-29/पाकालि/2017-5-कविनी एवं वे०प्र०/16 dated 01.09.2017.

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7. (a) The fixed assets including Land remained with the company after notification of final transfer scheme are inherited from erstwhile UPSEB which had been the title holder of such Assets. The title deeds of new assets created after incorporation of the company, are held in the respective units where such assets were created/purchased.
- (b) Where historical cost of a discarded/ retired/ obsolete fixed asset is not available, the estimated value of such asset and depreciation thereon has been adjusted and accounted for.
- (c) In terms of powers conferred by the Notification no. GSR 627(E) dated 29 August 2014 of Ministry of Corporate Affairs, Govt. of India, the depreciation on Fixed Assets have been calculated taking into consideration the useful life of assets as approved in the orders of UPERC (terms & conditions for determination of distribution tariff) Regulation, 2006.
8. Capitalisation of Interest on borrowed fund utilized during construction stage of Capital Assets has been done by identifying the Schemes/Assets and the funds used for the purpose to the extent established.
9. (a) The Provision for Bad & Doubtful Debts against revenue from sale of power has been made @ 5 % on the incremental debtors during the year.
- (b) The details of provision for doubtful loans & advances are as under:-
- (i) Provision @ 10% on the balances of suppliers/ contractors (O&M) have been made by UP Power Corporation Limited, Purvanchal Vidyut Vitran Nigam Limited, Pashchimanchal Vidyut Vitran Nigam Limited and an amount of ₹ 5.11 Lakh by Kanpur Electricity Supply Company Limited against the unadjusted advances for more than two year under the head of Short term Loans & Advances.
- (ii) Provision @ 100% on interest accrued and due during the year on loan of NPCL has been made by UP Power Corporation Limited under the head of Long term Loans & Advances.
- (c) A provision for doubtful receivables @ 10% on the balances appearing under the different heads of "Other Current Assets (excluding Receivable on account of loan)" has been made by UP Power Corporation Limited, Purvanchal Vidyut Vitran Nigam Limited, Pashchimanchal Vidyut Vitran Nigam Limited and an amount of ₹ 10.92 Lakh by Kanpur Electricity Supply Company Limited against the doubtful receivables from Employees.
- (d) The provision for unserviceable store has been made @10% of closing balance by Pashchimanchal Vidyut Vitran Nigam Limited.
10. Transmission charges are accounted for as per the bills raised by UPPTCL.
11. Government dues in respect of Electricity Duty and other Levies amounting to ₹ 4671.40 Crore shown in Note-08 include ₹ 1035.20 Crore on account of Other Levies realized from consumers.
12. Liability towards staff training expenses, medical expenses and LTC has been provided to the extent established.
13. (a) Some balances appearing under the heads 'Current Assets', 'Loans & Advances', 'Unsecured Loans', 'Current Liabilities', Material in transit/ under inspection/lying with contractors are subject to confirmation/ reconciliation and subsequent adjustments, as may be required.
- (b) On an overall basis the current assets, loans and advances have a value on realization in the ordinary course of business, at least equal to the amounts at which these are stated in the Balance Sheet.
14. Basic and diluted earnings per share has been shown in the Statement of Profit & Loss in accordance with AS-20"Earnings Per Share". Basic earnings per share have been computed by dividing net loss after tax by the weighted average number of equity shares outstanding during the year. Number used for calculating diluted earnings per equity share includes the amount of share application money (pending for allotment).

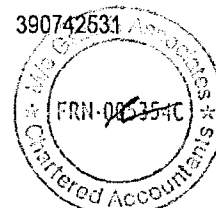
	<u>31.03.2016</u>	(Amount in ₹) <u>31.03.2015</u>
<u>Earning per share:</u>		
(a) Net loss after tax (numerator used for calculation)	(183769609046)	(202526367710)
(b) Weighted average number of Equity Shares* (denominator for calculating Basic EPS)	519611201	390742531

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(c)	Weighted average number of Equity Shares* (denominator for calculating Diluted EPS)	560262063	422542321
(d)	Basic earnings per share of Rs. 1000/- each	(353.67)	(518.31)
(e)	Diluted earnings per share of Rs. 1000/- each	(353.67)	(518.31)

(As per para 41 of AS-20 issued by Institute of Chartered Accountants of India, Potential Equity Shares are treated as Anti Dilutive as their conversion to Equity Share would decrease loss per share, therefore, effect of Anti Dilutive Potential Equity Shares are ignored in calculating Diluted Earnings Per Share) \* Calculated on monthly basis.

15. Based on actuarial valuation report dt.9.11.2000 submitted by M/s Price Waterhouse Coopers to UPPCL (the Holding Company) provision for accrued liability on account of Pension and Gratuity has been made @16.70% and 2.38% respectively on the amount of Basic pay, Grade pay and DA paid to employees.
16. Amount due to Micro, Small and medium enterprises (under the MSMED Act 2006) could not be ascertained and interest thereon could not be provided for want of sufficient related information. However, the company is in the process to obtain the complete information in this regard.
17. Debts due from Directors were Rs. NIL (previous year Nil).
18. Payment to Directors and Officers in foreign currency towards foreign tour was NIL (Previous year NIL).
19. Additional Information required under the Schedule-III of the Companies Act, 2013 are as under:-

(a) Quantitative Details of Energy Purchased and Sold:-

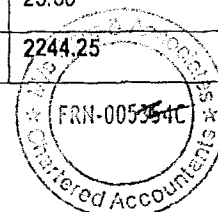
Sl. No.	Details	F.Y 2015-16	F.Y 2014-15
		(Units in MU)	(Units in MU)
(i)	Total number of units purchased	93651.569	87571.234
(ii)	Total number of units sold	68886.257	61234.60
(iii)	Distribution Losses	24765.312	26336.634

(b) Contingent Liabilities and Commitments:-

Sl. No.	Details	Amount (₹ In Crore)	
		F.Y 2015-16	F.Y 2014-15
1	Estimated amount of contracts remaining to be executed on capital account and not provided for.	23.84	1520.10
2	Power Purchase	468.00	453.69
3	Interest on RAPDRP Loan	155.91	80.50
4	Amount involved in court cases	160.06	162.03
5	Statutory Dues	5.51	2.33
6	Other Contingencies	46.21	25.60
	Total	859.53	2244.25

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## (c) Disclosure as per Schedule III to the Companies Act, 2013

Sl. No.	Name of the entity	Net Assets i.e Total Assets minus total liabilities as at 31.03.2016		Share in Profit or Loss for the Year 2015-16	
		As % of Consolidated Net Assets	Amount (₹ Crore)	As % of Consolidated Profit or Loss	Amount (₹ Crore)
	1	2	3	4	5
<b>A</b>	<b>Parent</b>				
	UPPCL	777.66	4785.56	(84.05)	(15445.00)
<b>B</b>	<b>Subsidiary</b>				
	Madhyanchal Vidyut Vitran Nigam Limited	256.38	1577.72	(2.11)	(388.09)
	Pashchimanchal Vidyut Vitran Nigam Limited	(20.32)	(125.02)	(3.17)	(582.96)
	Purvanchal Vidyut Vitran Nigam Limited	(192.09)	(1182.10)	(2.19)	(401.85)
	Dakshinanchal Vidyut Vitran Nigam Limited	(696.80)	(4287.95)	(8.60)	(1581.02)
	Kanpur Electricity Supply Company Limited	(223.59)	(1375.95)	0.13	23.13
	Sonebhadra Power Generation Company Limited	(0.99)	(6.12)	(0.01)	(1.17)
	Southern Power Transmission Corporation Limited	(0.25)	(1.52)	00	0.00007
	<b>Total</b>	<b>(100)</b>	<b>(615.38)</b>	<b>(100)</b>	<b>(18376.96)</b>

20. Since the Company is principally engaged in the business of Electricity and there is no other reportable segment as per AS-17, hence the disclosure as per AS-17 on segment reporting is not required.

21. Disclosure as per AS-18 (related party): -

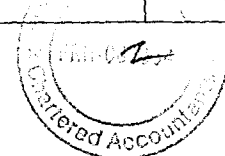
(a) Key management personnel:-

S. No.	Name	Designation	Working Period (For FY 2015-16)	
			Appointment	Retirement/ Cessation
<b>A- UPPCL (Holding Company)</b>				
1	Shri Sanjay Agarwal	Chairman	17/05/2013	Working
2	Shri Ayodhya Prasad Mishra	Managing Director	31/07/2012	Working
3	Shri S K Agarwal	Director (Finance)	09/01/2009	09/12/2015
4	Shri Sanjay kumar singh	Director (Finance)	10/12/2015	Working
5	Shri Radhey Mohan	Director (P.M. & Admin)	19/11/2012	18/11/2015
6	Shri Ramanand Yadav	Director (P.M. & Admin)	20/11/2015	Working
7	Shri Krishna Murari Mittal	Director (Distribution)	06/12/2014	Working
8	Shri Ramanand Yadav	Director (Corporate Planning)	23/02/2015	Working
9	Shri Sanjay Kumar Singh	Director (Commercial)	06/03/2013	Working
<b>B- Subsidiary &amp; Associates (Having Related Party Transactions)</b>				
<b>I- Madhyanchal Vidyut Vitran Nigam Limited</b>				
1	Shri Sanjay Agarwal	Chairman	17/05/2013	Working
2	Shri Shamim Ahmad	Managing Director	27/03/2015	Working

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3	Shri Anil Kumar Agarwal	Director (Finance)	15/05/2013	Working
4	Shri Ved Prakash Verma	Director (P.M. & Admin)	24/03/2015	Working
5	Shri Sanjay Kumar Singh	Director (Commercial)	17/03/2015	02/09/2015
6	Shri Subhash Chandra Gupta	Director (Commercial)	03/09/2015	Working
7	Shri Pradeep Tandon	Director (Tech.)	11/10/2012	10/10/2015
<b>II- Pashchimanchal Vidyut Vitran Nigam Limited</b>				
1	Shri Sanjay Agarwal	Chairman	01/04/2015	Working
2	Shri Vijay Vishwas Pant	Managing Director	01/04/2015	04/12/2015
3	Shri Abhishek Prakash	Managing Director	03/01/2016	Working
4	Shri R.P. Gupta	Director	01/04/2015	09/10/2015
5	Shri Alok Kr. Verma	Director	04/04/2015	09/10/2015
6	Shri Anil Kumar	Director	01/04/2015	Working
7	Dr. Jyoti Arora	Company Secretary	02/11/2015	Working
8	Shri P.K. Agarwal	CFO	30/03/2016	Working
<b>III- Purvanchal Vidyut Vitran Nigam Limited</b>				
1	Shri Sanjay Agarwal	Chairman	01/04/2015	Working
2	Shri Ajay Kumar Singh	Managing Director	01/04/2015	Working
3	Shri Sanjay Prasad	Managing Director (UPPTCL)	01/04/2015	16/06/2015
4	Shri Vishal Chauhan	Managing Director (UPPTCL)	18/06/2015	Working
5	Shri A. P. Mishra	Managing Director (UPPCL)	01/04/2015	Working
6	Shri S.K. Agarwal	Director (F) UPPCL	01/04/2015	09/12/2015
7	Shri Sudhanshu Dwivedi	Director (F)	01/04/2015	Working
8	Shri M.L. Sharma	Director (T)	01/04/2015	14/06/2015
9	Shri Ajit Singh	Director (C)	01/04/2015	Working
<b>IV- Dakshinanchal Vidyut Vitran Nigam Limited</b>				
1	Shri Sanjay Agarwal	Chairman	17/05/2013	Working
2	Shri Prabhu N. Singh	Managing Director	01/10/2013	20/01/2016
3	Shri S.V.S Rathore	Managing Director	04/02/2016	Working
4	Shri S.K. Mishra	Director (Finance)	07/11/2012	Working
5	Shri S.C. Bharti	Director (Technical)	24/03/2015	Working
6	Shri S.V.S Rathore	Director (Commercial)	24/03/2015	Working
7	Shri N.C. Agarwal	Director (P & A)	24/03/2015	Working
<b>V- Kanpur Electricity Supply Company Limited</b>				
1	Shri Sanjay Agarwal	Chairman	17/05/2013	Working

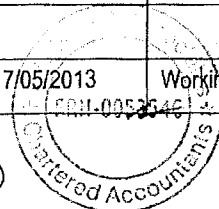
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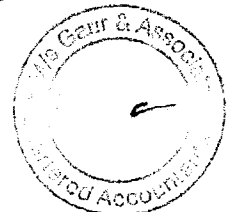
2	Smt Selva Kumari J.	Managing Director	10/12/2014	Working
<b>VI- Uttar Pradesh Power Transmission Corporation Limited</b>				
1	Shri Sanjay Agarwal	Chairman	07/11/2014	Working
2	Shri Sanjay Prasad	Managing Director	07/11/2014	16/06/2015
3	Shri Vishal Chauhan	Managing Director	18/06/2015	Working
4	Shri A.P. Mishra	MD, UPPCL & Director	22/04/2013	Working
5	Shri A.P. Singh	Director (Works & Project)	06/12/2014	Working
6	Shri A.P. Singh	Director (Finance)	14/12/2015	Working
7	Shri Ram Sawarath	Director (SLDC)	13/02/2015	Working
8	Shri Neel Ratan Kumar	Director	06/10/2010	Working
9	Smt Ritu Maheshwari	Addl. Director	27/11/2015	Working
10	Shri Pramod Gopal Rao Khandalkar	Director (Commercial)	17/01/2014	Working
11	Shri Shatanshu Agarwal	Director (Operation)	06/12/2013	05/02/2016
12	Shri Ram Vishal Pandey	Director (P & A)	06/12/2013	Working
13	Smt Manju Shankar	Director	10/12/2015	Working
<b>VII- Sonebhadra Power Generation Company Limited</b>				
1	Shri Sanjay Agarwal	Chairman	17/05/2013	Working
2	Shri S K Agarwal	Director	25/02/2009	09/12/2015
3	Shri Ayodhya Prasad Mishra	Director	19/09/2012	Working
4	Shri Ramanand Yadav	Director	07/09/2015	Working
<b>VIII- Southern UP Power Transmission Company Limited</b>				
1	Shri Sanjay Agarwal	Chairman	08/08/2013	Working
3	Shri Ayodhya Prasad Mishra	Director	08/08/2013	Working
4	Shri S.K. Agarwal	Director	08/08/2013	09/12/2015
5	Shri Vishal Chauhan	Director	18/06/2015	Working
<b>IX- Yamuna Power Generation Company Limited</b>				
1	Shri Rama Raman	Chairman	04/05/2013	Working
2	Shri Ayodhya Prasad Mishra	Managing Director	31/07/2012	Working
3	Shri S.K. Agarwal	Director	20/04/2010	09/12/2015
4	Shri Rama Raman	Director	04/07/2010	Working

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(b) Transactions with related parties- Remuneration and Benefits paid to key management personnel (Chairman, Managing Director and Directors) are as follows: -

	(₹ In Crores)	
	2015-2016	2014-2015
Salary & Allowances	3.525	1.952
Leave Encashment	0.156	---
Contribution to Gratuity/ Pension/ PF	0.425	0.271

(c) The company has no related party enterprises other than State owned enterprises, detail/ transactions of which have not been disclosed in view of Para '9' of AS-18 "Related Party disclosures" which exempts State Controlled Enterprises from making any disclosure pertaining for their transactions with other related parties which are also State Controlled.

22. Due to heavy carried forward losses / depreciation and uncertainties to recover such losses/ depreciation in near future, the deferred tax assets have not been recognized in accordance with AS-22 issued by ICAI.
23. In the opinion of management, there is no specific indication of impairment of any assets as on balance sheet date as envisaged by AS 28 of ICAI. Further, the assets of the corporation have been accounted for at their historical cost and most of the assets are very old where the impairment of assets is very unlikely.
24. During the year the Capitalization of administrative & general expenses has been discontinued. Consequently the rate of capitalization of employee cost on the basis of total expenditure on capital works was changed from 15% to 13.5% on Distribution works and 11% to 9.5% on other work consequently a sum of ₹ 174.55 Crore has been less capitalized during the F.Y. 2015-16 due to change in Accounting policy.
25. Statement containing salient features of the financial statements of Subsidiaries and Associates of UP Power Corporation Limited pursuant to first proviso to sub section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014, in form AOC-I is attached.
26. Jawaharpur Vidyut Utpadan Nigam Limited (a Subsidiary of UPPCL) was transferred to Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited on 16.06.2015 (Refer GoUP letter No. 836 dated 24.09.2014 read with letter No. 1029 dated 27.11.2014 and the decision of 116<sup>th</sup> BoD of UPPCL dated 03.06.2015). Thus, Jawaharpur Vidyut Utpadan Nigam Limited (JVUNL) was no more a subsidiary of UPPCL as on 31.03.2016. Hence, the balances of JVUNL have not been considered in Consolidated Financial Statements for the F.Y 2015-16 with a corresponding effect in Previous Year.
27. The Consolidated Annual Accounts of F.Y 2014-15 have yet to be adopted in Annual General Meeting.
28. The figures as shown in the Balance Sheet, Statement of Profit & Loss, and Notes thereto have been rounded off to the nearest rupee and figures shown within "( )" denotes negative figures.
29. Previous year figures have been regrouped, reclassified & adjusted/substituted wherever considered necessary.
30. Other separate relevant notes given by the Holding, Subsidiary & Associates are given below:

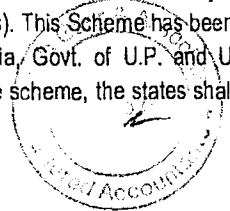
U.P Power Corporation Limited (Holding Company)

- 1) Govt. of India, Ministry of Power with an objective to improve the operational and financial efficiency of the state Discom has issued vide his order no-06/02/2015-NEF/FRP dated 20-11-2015, UDAY (Ujwal Discom Assurance Yojna) Scheme for Operational and Financial Turnaround of power Distribution Companies (DISCOMs). This Scheme has been approved by the Govt. of U.P. and tripartite MOU amongst Ministry of Power, Govt. of India, Govt. of U.P. and U.P. Power Corporation Ltd. (on behalf of DISCOMs) has been signed on 30-01-2016. As per the scheme, the states shall take over

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75% of DISCOM debt as on 30-09-2015 over two years, 50% of DISCOM debt shall be taken over in 2015-16 and 25% in 2016-17. Accordingly in March, 2016 Govt. of U.P. has taken over the DISCOM debt of ₹ 24332.47 Crore by issue of SDL bonds. The Govt. of U.P. has transferred this transaction by adjustment in the following ways:-

1. 50% ₹ 12166.235 crore has been transferred as Grant vide GO No. 49 and 50 dated 31-03-2016.
2. 25% ₹ 6083.1175 crore has been transferred as Equity vide GO No. 51 dated 31-03-2016.
3. 25% ₹ 6083.1175 crore has been transferred as Interest free loan vide GO No. 52 dated 31-03-2016.

The above adjustment has been accounted for in the books of UPPCL.



- II) The Company is making efforts to recognize and identify the location of land along with its title deed as well as of other fixed assets, transferred under various Transfer Schemes for the purpose of maintaining fixed assets registers.
- III) In spite of formation of UPPTCL, few units of the company like finance, audit, and HQ are not fully equipped to operate the entire working of the company, so the corresponding units of UPPCL are still performing the work of UPPTCL. Therefore, the 25% of the employee cost of these units are apportioned to UPPTCL.
- IV) Accounting policy regarding Leave encashment, which has been earlier accounted for on the basis of claims received and approved during the year; has been changed and account has been made on accrual basis. Due to change in accounting policy the provision of ₹ 6771.08 lakhs has been made and grouped in Staff related liabilities in "other current liabilities".
- V) The Annual Accounts of F.Y 2014-15 have yet to be adopted in Annual General Meeting.

#### Purvanchal Vidyut Vitran Nigam Limited (Subsidiary Company)

I) In respect of Mobilization advance of ₹ 7.14 crore the agreement was terminated in July 2015 on account of Fake Bank Guarantee produced by M/s Bisco Laware Ltd. for 10% mobilization advances amounting to ₹ 0.27 Crore has been made by superintending engineer, electricity distribution Circle-Mau and payment of Bill amounting to ₹ 6.99 Crore has been withheld by superintending engineer, electricity distribution circle-Azamgarh, which is in process of recovery. In the same manner bills against supply of materials and erection of works are also lying in electricity distribution circle-Basti and siddhartnagar. From above it is clear that mobilization advances paid to M/s Bisco Laware Ltd is not irrecoverable. Hence, the provision of irrecoverable Mobilization advance is not made in the accounts of PuVVNL Varanasi.

#### Sonebhadra Power Generation Company Limited (Subsidiary Company)

- I) As per Guidelines issued by Ministry of Power, Govt. of India for the implementation/development of project, the Company initiated the preparatory activities such as process of land acquisition, arrangement for coal linkage, arrangement for water resources and environmental clearance etc. The Company reviewed the progress of the project work and observed the following facts:-
  - Ministry of Coal, GoI did not communicate about allotment of coal to the project, though the application was submitted in July 2009 and too much time had elapsed since then.
  - Due to practical problems and resistance from land owners there was no considerable progress in the land acquisition.
  - Ministry of Environment and Forest, GoI, finding Singauralli region (which is adjoining to project area) as critically polluted declared moratorium on establishing new projects in this area.
  - The concerned department did not communicate regarding allocation of water to the project.
- II) Board of Directors took cognizance of the facts narrated in above note and decided to abandon/close the Project with dissolution of the company and directed to present the case before the Energy Task Force, Govt. of U.P. for its approval in its meeting dated 07-10-2013.
- III) The Energy Task Force, GoU.P. also recommended for abandoning the Project with dissolution of M/s Sonebhadra Power Generation Company Ltd. and further directed to get this decision approved by the Hon'ble Cabinet, GoUP. The decision of Hon'ble Cabinet is still awaited.
- IV) The Board of Directors approved to account for the amount of ₹ 1,16,71,310/- as expenditure, being deduction made by Zila Bhoomi Adhyapti Adhikari (Sichai), Mirzapur on a/c of terminating/stopping the land acquisition process in between, in its meeting dated 13-06-2016. The provision for the same is made in the accounts of 2015-16 in accordance with the provisions of AS-4.



Yamuna Power Generation Company Limited (Associates)

I) Due to non-availability of required land and uncertainty of allocation of fuel (coal/gas) for the project, ultimately lead Energy Task Force (ETF) Govt. of UP, come to conclusion to abandon the project in its meeting dated 07-05-2012 and on recommendation of said Task Force, Govt. of UP took the decision to abandon the project and wind up the Company and conveyed its decision on 05-05-2015. In view of the above, there is no probability that the Company shall carry-out any business in future; hence treatment to various items in the balance sheet has been given accordingly.

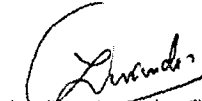
II) The Annual Accounts of F.Y. 2010-2011 to 2014-15 have yet to be adopted by the members in Annual General Meeting.



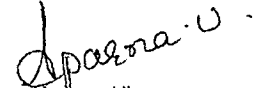
(Pradeep Soni)  
Company Secretary  
(Part Time)



(I.M. Kaushal)  
Chief General Manager  
(Accounts)



(Sudhanshu Dwivedi)  
Director (Finance)  
DIN - 6533235



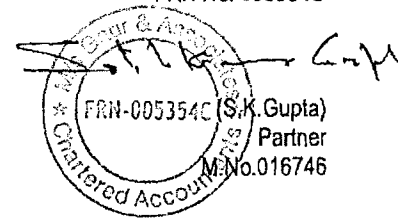
(Aparna U)  
Managing Director  
DIN - 6523278

Place : Lucknow

Date : 13.02.2018

Subject to our report of even date

For Gaur & Associates  
Chartered Accountants  
FRN No. 005354C



U.P. POWER CORPORATION LIMITED  
 CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016  
 CIN - U32201UP1999SGC024928  
 Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries or associate companies or joint ventures as at 31st March 2016

Part A:- Subsidiaries

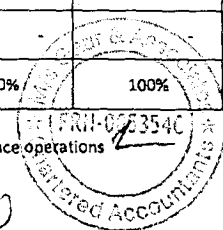
(Amount in ₹)

1. Sl. No.	1	2	3	4	5	6	7
2. Name of the subsidiary	MVVNL, Lucknow	DVVNL, Agra	PurVVNL, Varanasi	PVVNL, Meerut	KESCO, Kanpur	Sonebhadra PGCL	Southern UPPTCL
3. The date since when subsidiary was acquired	12.08.2003	12.08.2003	12.08.2003	12.08.2003	15.01.2000	14.02.2007	08.08.2013
4. Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5. Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6. Share capital	42964017000	40000000000	62161973000	41388982000	1631474000	665000	500000
7. Reserves and surplus	(91213243301)	(159634252671)	(127227479011)	(90071615750)	(26282083434)	(61866394)	(15741293)
8. Total assets	185831802330	184528449395	230397226007	145770993786	27740156558	30939	9331846
9. Total Liabilities	234081028631	304162702066	295462732018	194453627536	52390765992	61232333	24573139
10. Investments	-	-	-	-	-	-	-
11. Turnover	66356051687	75377878044	77448450335	119914945068	21119310567	-	-
12. Profit/(Loss) before taxation	(3880924456)	(15810213232)	(4018526726)	(5829579741)	231310064	(11739914)	987
13. Provision for taxation	-	-	-	-	-	-	305
14. Profit/(Loss) after taxation	(3880924456)	(15810213232)	(4018526726)	(5829579741)	231310064	(11739914)	682
15. Proposed Dividend	-	-	-	-	-	-	-
16. Extent of shareholding (in percentage)	100%	100%	100%	100%	100%	100%	100%

**Note:-**

- Sonebhadra Power Generation Company Ltd., & Southern UP Power Transmission Corporation Ltd are yet to commence operations
- Jawaharpur Vidyut Utpadan Nigam Ltd. has been sold during the year.

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**U.P. POWER CORPORATION LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016**  
**CIN - U32201UP1999SGC024928**

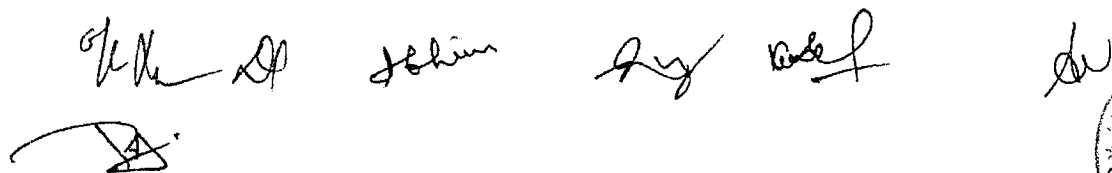
Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures  
 Statement containing salient features of the financial statement of subsidiaries or associate companies or joint ventures as at 31st March 2016

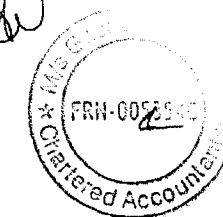
**Part B:- Associates and Joint Ventures**

(Amount in ₹)

Name of Associates or Joint Ventures	Uttar Pradesh Power Transmission Corporation Ltd.	Yamuna Power Generation Company Ltd.
1. Latest audited Balance Sheet Date	2014-15	2015-16
2. Date on which the Associate or Joint Venture was associated or acquired	21.09.2012	20.04.2010
3. Shares of Associate or Joint Ventures held by the company on the year end		
No.	22133352	12500
Amount of Investment in Associates or Joint Venture	23940583000	125000
Extent of Holding (in percentage)	33.35%	25%
4. Description of how there is significant influence	NA	NA
5. Reason why the associate/joint venture is not consolidated	NA	NA
6. Networth attributable to shareholding as per latest audited Balance Sheet	82527152228	(25017623)
7. Profit or Loss for the year		
i. Considered in Consolidation	(718697444)	(91611)
ii. Not Considered in Consolidation	NA	NA

In the case of Uttar Pradesh Power Transmission Corporation Ltd. the figures are based on the Last Audited Balance sheet of 2014-15.





**U.P. POWER CORPORATION LIMITED**  
14-ASHOK MARG, SHAKTI BHAWAN, LUCKNOW.  
CIN: U32201UP1999SGC024928


**CONSOLIDATED CASH FLOW STATEMENT AS AT 31.03.2016**

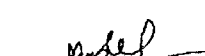
(₹ in Crores)


Sl. No.	Particulars	As at 31.03.2016	As at 31.03.2015
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	Net Loss Before Taxation & Extraordinary Items	(18100.58)	(20932.72)
	Adjustment For:-		
a	Depreciation	787.89	571.86
b	Interest & Financial Charges	6350.62	5280.76
c	Bad Debts and Provisions	15826.71	13267.47
d	Interest income & Non operating Income	(304.81)	(81.34)
e	Prior Period Expenditure (net)	(276.38)	690.99
f	Extraordinary items	-	1110.04
g	subsidy from U.P government received	(9262.93)	(121.80)
h	Current Tax	-	-
	Sub Total	13121.10	20717.98
	Operating Profit Before Working Capital Changes	(4979.48)	(214.74)
	Adjustment For:-		
a	Inventories	(407.91)	(692.00)
b	Trade Receivable	(9771.45)	(10824.05)
c	Other Current Assets	(177.58)	(26911.41)
d	Short-Term Loans and Advances	(28.77)	(30.92)
e	Intra Unit Transfer	(26.38)	(8.01)
f	Other Current Liabilities	20809.18	9338.72
g	Short-Term Borrowings	(166.92)	127.23
h	Trade payable	2221.18	6406.75
i	Short Term Provision	0.01	0.05
j	Other long term liabilities	-	118.34
k	Decrease / (increase) in Long Term Loan & Advances	-	(0.89)
	Sub Total	12451.36	(22476.19)
	<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>7471.88</b>	<b>(22690.93)</b>
<b>B</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
a	Decrease / (increase) in Fixed Assets	(4607.57)	(3858.87)
b	Decrease / (increase) in Work in Progress	(2144.90)	22.86
c	Decrease / (increase) in Investments	(15319.91)	(12814.78)
d	Decrease / (increase) in Other Non-Current Assets	(1517.43)	19695.40
e	Decrease / (increase) in Long Term Loans & Advances	(19.00)	1.60
f	Decrease / (increase) in Assets not in Possession	(16.93)	-
g	Decrease / (increase) in Intangible Assets	-	-
h	Interest income & Non operating income	304.81	81.32
	<b>NET CASH GENERATED FROM INVESTING ACTIVITIES (B)</b>	<b>(23320.93)</b>	<b>3128.53</b>
<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	Proceeds from Borrowing	(32026.57)	(1297.47)
a	Increase from Borrowing	-	(478.58)
	Repayment of Borrowing	-	(142.77)
b	Proceeds from Share Capital	17111.90	7842.85
c	Proceeds from Share Application Money	(612.99)	13975.86
d	Proceeds from consumers contribution & GoUP capital subsidy ( Reserve & Surplus)	28135.93	4938.05
e	Other long term Liabilities	361.08	43.06
f	Interest & Financial Charges	(6350.62)	(5325.19)
g	subsidy from U.P government received	9262.93	236.06
	<b>NET CASH GENERATED FROM FINANCING ACTIVITIES ( C)</b>	<b>15881.66</b>	<b>19791.87</b>
	<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<b>32.61</b>	<b>229.47</b>
	<b>CASH &amp; CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>5390.05</b>	<b>5160.57</b>
	<b>CASH &amp; CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>5422.66</b>	<b>5390.05</b>

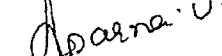
**Notes to the Cash-Flow Statement**

- This Statement has been prepared under indirect method as prescribed by AS-3.
- Cash & Cash equivalent consists of cash in hand, bank balances with scheduled banks and fixed deposits with banks.
- The figures in this statement have been rounded off to the Rupees in Crores upto two decimals.
- Previous year figures have been regrouped, reclassified & adjusted/substituted wherever considered necessary.

  
(Pradeep Soni)  
Company Secretary  
(Part Time)

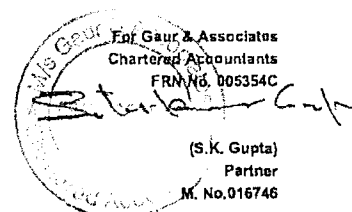
  
(I.M. Kaushal)  
Chief General Manager  
(Accounts)

  
(Sudharishu Dwivedi)  
Director (Finance)  
DIN- 6533235

  
(Aparna U.)  
Managing Director  
DIN-6523278

Place : Lucknow  
Date : 19.02.2018

Subject to our report of even date

  
(S.K. Gupta)  
Partner  
M. No.016746



**INDEPENDENT AUDITOR'S REPORT**

TO,  
THE MEMBERS OF  
UP POWER CORPORATION LIMITED

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of UP Power Corporation Limited (hereinafter referred to as "the Holding Company"), its seven subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and two associates which comprise the Consolidated Balance Sheet as at 31st March, 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

**Management's Responsibility for the Consolidated Financial Statements**

The Holding Company's Board of Directors is responsible for the preparation of these Consolidated Financial Statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the Companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.





## **Auditors' Responsibility**

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

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

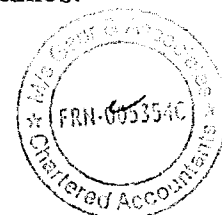
An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Holding Company has in place an adequate internal financial controls system over financial reporting and operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred in Other Matters paragraph below is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.

## **Basis for Qualified Opinion**

The consolidated financial statements include the financial statements/financial information of the Holding Company and its Subsidiaries and Associates Company.

The Accounts of the Holding company is audited by us and the Accounts of Subsidiary and Associate Companies are audited by other Auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far it relates to the amounts and disclosures included in respect of these Subsidiary and Associate Companies, our report is qualified, to the extent applicable, on the basis of our audit report of Holding Company and the audit reports furnished to us by the management related to Subsidiary and Associate Companies.



## Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effect of the matters described in the "Basis for Qualified Opinion" paragraph above, the aforesaid Consolidated Financial Statement give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

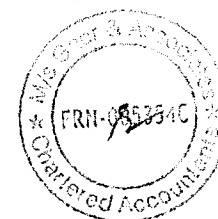
- (a) In the case of Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2016  
(b) In the case of Consolidated Statement of Profit and Loss, of the Loss for the year ended on that date; and  
(c) In the case of Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

## Other matter

We did not audit the financial statements/financial information of following subsidiaries and associate companies whose financial statements/financial information reflect the details given below of assets as at 31st March 2016, total revenues and net cash flows for the year ended on that date to the extent to which they are reflected in the consolidated financial statements:

Name of the Companies	<i>(Rupees in Lakhs)</i>		
	Assets	Total Revenues	Net Cash Flow
<b>Subsidiaries:</b>			
Madhyanchal Vidyut Vitran Nigam Limited, Lucknow	1858318.02	931824.79	91218.89
Purvanchal Vidyut Vitran Nigam Limited, Varanasi	2303972.26	1124708.27	75123.59
Pashchimanchal Vidyut Vitran Nigam Limited, Meerut	1457709.94	1359031.24	102442.50
Dakshinanchal Vidyut Vitran Nigam Limited, Agra	1845284.49	1087435.28	101916.01
Kanpur Electricity Supply Company Limited, Kanpur	277401.57	216643.67	20597.52
Sonebhadra Power Generation Company Limited	0.31	0.00	0.24
Southern UP Power Transmission Company Limited	93.32	1.15	22.88
<b>Total</b>	<b>7742779.91</b>	<b>4719644.40</b>	<b>391321.63</b>
<b>Associates:</b>			
Uttar Pradesh Power Transmission Corporation Ltd., Lucknow (F.Y 2014-15)	1833868.04	134780.04	85804.22
Yamuna Power Generation Company Limited	0.37	0.00	0.26
<b>Total</b>	<b>1833868.41</b>	<b>134780.04</b>	<b>85804.48</b>
<b>Grand Total</b>	<b>9576648.32</b>	<b>4854424.44</b>	<b>477126.11</b>

These financial statements/financial information have been audited by other Auditor whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far it relates to the amounts and disclosures included in respect of these subsidiaries and associate companies, and our report in terms of sub-sections (3) and (11) of section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associate companies is based solely on the reports of other auditors.



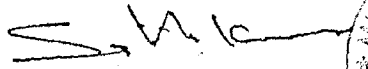
## Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
  - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
  - d) In our opinion, except for the effect of the matters described in the basis for Qualified Opinion paragraph above, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e) Being a Government Company, pursuant to the Notification No. GSR 463 (E) dated 5<sup>th</sup> June 2015 issued by Ministry of Corporate Affairs, Government of India, provisions of sub-section (2) of Section 164 of the Companies Act, 2013, are not applicable to the Holding Company. Further, on the basis of the reports of the Statutory Auditors of its Subsidiary and Associate companies incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164 (2) of the ACT.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in **Annexure-1**.
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries and associate companies, as noted in the 'other matter' paragraph:
    - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates.
    - ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.



- iii. There has been no requirement to transfer the amounts, to the Investor Education and Protection Fund by the Holding Company and its subsidiary and associate companies incorporated in India.

**For Gaur & Associates**  
Chartered Accountants  
FRN: 005354C

  
**CA S. K. Gupta**  
Partner  
Membership No.: 016746



Place: Lucknow  
Date: 19.02.2018

## **ANNEXURE-1 TO THE INDEPENDENT AUDITORS' REPORT**

**Referred to in paragraph 1 (f) of the Independent Auditors' Report of even date to the members of UPPCL on the consolidated financial statements as of and for the year ended March 31st, 2016**

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

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31<sup>st</sup> March 2016, we have audited the internal financial controls over financial reporting of UP Power Corporation Limited ("the Holding Company") and its Subsidiary companies and its Associate companies, which are companies incorporated in India, as of that date.

#### **Management's Responsibility for Internal Financial Controls**

The respective Board of Directors of the Holding company, its Subsidiary companies and its Associate companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company and the components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by "the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

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



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

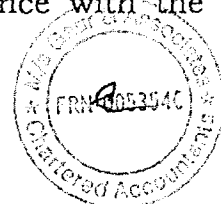
We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in Other Matters Paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system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

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

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

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

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



policies or procedures may deteriorate.

**Opinion**

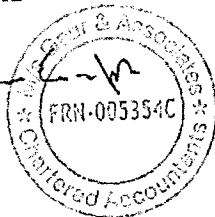
In our opinion, the holding Company, its subsidiary companies and its associate companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March 2016, based on the internal controls over financial reporting criteria established by the Company considering the components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

**Other Matters**

Our Aforesaid report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to seven Subsidiaries companies and two Associate companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

**For Gaur & Associates**  
Chartered Accountants  
FRN: 005354C

*S. K. Gupta*



**CA S. K. Gupta**  
Partner  
Membership No.: 016746

Place: Lucknow  
Date: 19.02.2018

**MANAGEMENT'S REPLY TO THE STATUTORY AUDITOR'S REPORT ON THE  
CONSOLIDATED FINANCIAL STATEMENTS OF THE CORPORATION FOR  
THE YEAR ENDED ON 31.03.2016**

AUDITOR'S REPORT	MANAGEMENT REPLY
<p>TO,  THE MEMBERS OF  UP POWER CORPORATION LIMITED</p> <p><b>Report on the Consolidated Financial Statements</b></p> <p>We have audited the accompanying consolidated financial statements of UP Power Corporation Limited (hereinafter referred to as "the Holding Company"), its seven subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and two associates which comprise the Consolidated Balance Sheet as at 31st March, 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").</p>	<p>No Comments</p>
<p><b>Management's Responsibility for the Consolidated Financial Statements</b></p> <p>The Holding Company's Board of Directors is responsible for the preparation of these Consolidated Financial Statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the Companies included in the Group and of its associates</p>	<p>No Comments</p>



AUDITOR'S REPORT	MANAGEMENT REPLY
<p>are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.</p>	
<p><b>Auditors' Responsibility</b></p> <p>Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.</p> <p>We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.</p> <p>An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures</p>	<p>No Comments</p>

AUDITOR'S REPORT	MANAGEMENT REPLY
<p>selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Holding Company has in place an adequate internal financial controls system over financial reporting and operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.</p> <p>We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred in Other Matters paragraph below is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.</p>	
<p><b>Basis for Qualified Opinion</b></p> <p>The consolidated financial statements include the financial statements/financial information of the Holding Company and its Subsidiaries and Associates Company.</p> <p>The Accounts of the Holding company is audited by us and the Accounts of Subsidiary and Associate Companies are audited by other Auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far it relates to the amounts and disclosures</p>	<p>No Comments</p>

AUDITOR'S REPORT	MANAGEMENT REPLY								
<p>included in respect of these Subsidiary and Associate Companies, our report is qualified, to the extent applicable, on the basis of our audit report of Holding Company and the audit reports furnished to us by the management related to Subsidiary and Associate Companies.</p>									
<p><b>Opinion</b></p> <p>In our opinion and to the best of our information and according to the explanations given to us, except for the possible effect of the matters described in the "Basis for Qualified Opinion" paragraph above, the aforesaid Consolidated Financial Statement give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;</p> <p>(a) In the case of Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2016</p> <p>(b) In the case of Consolidated Statement of Profit and Loss, of the Loss for the year ended on that date; and</p> <p>(c) In the case of Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.</p>	<p>No Comments</p>								
<p><b>Other matter</b></p> <p>We did not audit the financial statements/financial information of following subsidiaries and associate companies whose financial statements/financial information reflect the details given below of assets as at 31st March 2016, total revenues and net cash flows for the year ended on that date to the extent to which they are reflected in the consolidated financial statements:</p> <p style="text-align: center;"><i>(Rupees in Lakhs)</i></p> <table border="1" data-bbox="167 1939 842 2016"> <thead> <tr> <th data-bbox="167 1939 435 1991">Name of the Companies</th> <th data-bbox="435 1939 557 1991">Assets</th> <th data-bbox="557 1939 699 1991">Total Revenues</th> <th data-bbox="699 1939 842 1991">Net Cash Flow</th> </tr> </thead> <tbody> <tr> <td colspan="4" data-bbox="167 1991 842 2016">Subsidiaries:</td> </tr> </tbody> </table>	Name of the Companies	Assets	Total Revenues	Net Cash Flow	Subsidiaries:				<p>No Comments</p>
Name of the Companies	Assets	Total Revenues	Net Cash Flow						
Subsidiaries:									

AUDITOR'S REPORT				MANAGEMENT REPLY
Madhyanchal VidyutVitrان Nigam Limited, Lucknow	1858318.02	931824.79	91218.89	
Purvanchal VidyutVitrان Nigam Limited, Varanasi	2303972.26	1124708.27	75123.59	
Pashchimanchal VidyutVitrان Nigam Limited, Meerut	1457709.94	1359031.24	102442.50	
Dakshinanchal VidyutVitrان Nigam Limited, Agra	1845284.49	1087435.28	101916.01	
Kanpur Electricity Supply Company Limited, Kanpur	277401.57	216643.67	20597.52	
Sonebhadra Power Generation Company Limited	0.31	0.00	0.24	
Southern UP Power Transmission Company Limited	93.32	1.15	22.88	
<b>Total</b>	<b>7742779.91</b>	<b>4719644.40</b>	<b>391321.63</b>	
<b>Associates:</b>				
Uttar Pradesh Power Transmission Corporation Ltd., Lucknow (F.Y 2014-15)	1833868.04	134780.04	85804.22	
Yamuna Power Generation Company Limited	0.37	0.00	0.26	
<b>Total</b>	<b>1833868.41</b>	<b>134780.04</b>	<b>85804.48</b>	
<b>Grand Total</b>	<b>9576648.32</b>	<b>4854424.44</b>	<b>477126.11</b>	
<p>These financial statements/financial information have been audited by other Auditor whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far it relates to the amounts and disclosures included in respect of these subsidiaries and associate companies, and our report in terms of sub-sections (3) and (11) of section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associate companies is based solely on the reports of other auditors.</p>				
<p><b>Report on Other Legal and Regulatory Requirements</b></p> <p>1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:</p>				

AUDITOR'S REPORT	MANAGEMENT REPLY
<p>a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.</p>	<p>No comment</p>
<p>b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.</p>	<p>No comment</p>
<p>c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.</p>	<p>No comment</p>
<p>d) In our opinion, except for the effect of the matters described in the basis for Qualified Opinion paragraph above, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.</p>	<p>No comment</p>
<p>e) Being a Government Company, pursuant to the Notification No. GSR 463 (E) dated 5<sup>th</sup> June 2015 issued by Ministry of Corporate Affairs, Government of India, provisions of sub-section (2) of Section 164 of the Companies Act, 2013, are not applicable to the Holding Company. Further, on the basis of the reports of the Statutory Auditors of its Subsidiary and Associate companies</p>	<p>No comment</p>

AUDITOR'S REPORT	MANAGEMENT REPLY
<p>incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164 (2) of the ACT.</p>	
<p>f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in <b>Annexure-1</b>.</p>	<p>No comment</p>
<p>g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries and associate companies, as noted in the 'other matter' paragraph:</p>	<p>No comment</p>
<p>i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates.</p>	<p>No comment</p>
<p>ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.</p>	<p>No comment</p>
<p>iii. There has been no requirement to transfer the amounts, to the Investor Education and</p>	

AUDITOR'S REPORT	MANAGEMENT REPLY
Protection Fund by the Holding Company and its subsidiary and associate companies incorporated in India.	No comment



(A.K. AWASTHI)  
Chief General Manager (Accounts)



(SUDHIR ARYA)  
Director (Finance)

**ANNEXURE-1 TO THE INDEPENDENT AUDITORS' REPORT**

**Referred to in paragraph 1 (f) of the Independent Auditors' Report of even date to the members of UPPCL on the consolidated financial statements as of and for the year ended March 31st, 2016**

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

<p>In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31<sup>st</sup> March 2016, we have audited the internal financial controls over financial reporting of UP Power Corporation Limited ("the Holding Company") and its Subsidiary companies and its Associate companies, which are companies incorporated in India, as of that date.</p>	<p>No comment</p>
<p><b>Management's Responsibility for Internal Financial Controls</b></p> <p>The respective Board of Directors of the Holding company, its Subsidiary companies and its Associate companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company and the components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by "the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal</p>	<p>No comment</p>



<p>financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.</p>	
<p><b>Auditors' Responsibility</b></p> <p>Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.</p> <p>Our audit involves performing procedures to obtain audit</p>	<p>No comment</p>

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

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

**Meaning of Internal Financial Controls over Financial Reporting**

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

No comment

<p><b>Inherent Limitations of Internal Financial Controls over Financial Reporting</b></p> <p>Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.</p>	<p>No comment</p>
<p><b>Opinion</b></p> <p>In our opinion, the holding Company, its subsidiary companies and its associate companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March 2016, based on the internal controls over financial reporting criteria established by the Company considering the components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.</p>	<p>No comment</p>

<p><b>Other Matters</b></p> <p>Our Aforesaid report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to seven Subsidiaries companies and two Associate companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.</p>	<p>No comment</p>
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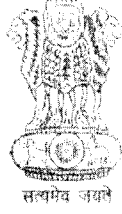


(A.K. AWASTHI)  
Chief General Manager (Accounts & Audit)



(SUDHIR ARYA)  
Director (Finance)

भारतीय लेखापरीक्षा और लेखा विभाग  
कार्यालय महालेखाकार  
(आर्थिक एवं राजस्व लेखापरीक्षा), उ.प्र.  
"आडिट भवन", टीसी-35-V-1, विभूति खण्ड,  
गोमती नगर, लखनऊ-226010



Indian Audit & Accounts Department  
Office of the Accountant General  
(Economic & Revenue Sector Audit), U.P.,  
"Audit Bhawan" TC-35-V-1, Vibhuti Khand,  
Gomti Nagar, Lucknow-226010

स्पीड पोस्ट / गोपनीय

पत्रांक: प्र.म.ले.(ऑडिट-II) / ए.एम.जी-II / लेखा-16(2017-18) / यू.पी.पा.का.लि. / 2015-16 / Vol-II-57  
दिनांक: 09-06-2020

सेवा में,

प्रबन्ध निदेशक,  
उत्तर प्रदेश पॉवर कारपोरेशन लिमिटेड,  
शक्ति भवन, 14-अशोक मार्ग,  
लखनऊ

महोदय,

एतत्सह कम्पनी अधिनियम, 2013 की धारा 143(5) के अधीन उत्तर प्रदेश पॉवर कारपोरेशन लिमिटेड के 31 मार्च 2016 को समाप्त वर्ष के समग्र वित्तीय लेखों पर भारत के नियंत्रक-महालेखापरीक्षक की टीका-टिप्पणियों कम्पनी अधिनियम, 2013 की धारा 143(6)(b) के निबन्धनों के अनुसरण में कम्पनी की वार्षिक सामान्य बैठक के समक्ष प्रस्तुत करने हेतु अग्रेषित की जा रही है। कृपया वार्षिक सामान्य बैठक के समक्ष इन टीका-टिप्पणियों के प्रस्तुत किये जाने की वास्तविक तिथि की सूचना दें।

The report has been prepared on the basis of information furnished and made available by the auditee. The Office of the Principal Accountant General (Audit-II), Uttar Pradesh disclaims any responsibility for any misinformation and/or non-information on the part of auditee.

कृपया पत्र की पावती भेजें।

संलग्नक: यथोपरि

CGM(A&A)

1/5/20

निदेशक (उत्तर)

1639/P50 F/2020  
15/06/2020

भवदीया

हंसा

(हंसा मिश्रा)

वरि.उपमहालेखाकार

No. 754 / CGM (A&A)  
Date 16/6/2020  
Dy. GM (Audit) (Admin)  
Accorp Acct

CGM (A&A)  
16/6/2020

**Comments of the Comptroller And Auditor General of India under Section 143(6)(B) read with Section 129(4) of the Companies Act, 2013 on the Consolidated Financial Statements of Uttar Pradesh Power Corporation Limited for the year ended 31 March 2016**

The preparation of consolidated financial statements of Uttar Pradesh Power Corporation Limited for the year ended 31 March 2016 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller & Auditor General of India under section 139 (5) read with section 129 (4) of the Act is responsible for expressing opinion on the financial statements under section 143 read with section 129 (4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated 19 February 2018.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of Uttar Pradesh Power Corporation Limited for the year ended 31 March 2016, under section 143 (6) (a) read with section 129 (4) of the Act. We conducted a supplementary audit of the financial statements of parent company Uttar Pradesh Power Corporation Limited, subsidiary companies- Purvanchal Vidyut Vitran Nigam Limited, Paschimanchal Vidyut Vitran Nigam Limited, Madhyanchal Vidyut Vitran Nigam Limited, Dakshinanchal Vidyut Vitran Nigam Limited, Kanpur Electricity Supply Company Limited and Southern UP Power Transmission Company Limited and associate companies- Uttar Pradesh Power Transmission Company Limited and Yamuna Power Generation Company Limited but did not conduct supplementary audit of the financial statements of subsidiary company Sonebhadra Power Generation Company Limited for the year ended 31 March 2016. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under section 143 (6) (b) read with section 129 (4) of the Act 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 Consolidated Profitability**

### **Statement of Profit and Loss**

#### **Income**

#### **1. Revenue from Operations (Gross) (Note 21): ₹ 36,021.66 crore**

(a) The above does not include ₹ 43.81 crore on account of electricity internally consumed in Electricity Urban Distribution Division-I, II and III, Aligarh of Dakshinanchal Vidyut Vitran Nigam Limited (DVVNL). This resulted in understatement of Revenue from Operations as well as Administrative, General & Other Expenses by ₹ 43.81 crore.

(b) The above does not include ₹ 6.90 crore on account of energy sold but not billed in Electricity Distribution Division-II, Kosikalan of DVVNL due to omission in consolidation. This resulted in understatement of Revenue from Operations as well as overstatement of Loss for the period to this extent.

(c) The above is understated by an amount of ₹ 6.24 crore due to short booking of revenue against the sale of power to the railway traction consumer, in Madhyanchal Vidyut Vitran Nigam Limited (MVVNL). The sales to railway traction consumer (HV-3 category) in LESA zone, Faizabad zone and Devipatan zone were understated by ₹ 6.87 crore (₹ 5.88 crore + ₹ 92.00 lakh + ₹ 7.00lakh) whereas in Bareilly zone, this was overstated by ₹ 63.00 lakh. As a result, Revenue from Operations and Sundry Debtors were understated by net amount of ₹ 6.24 crore (₹ 6.87 crore – ₹ 63.00 lakh) and Loss for the year was also overstated by the same amount.

(d) The above includes an amount of ₹ 13.60 crore on account of energy consumed internally by Electricity Urban Distribution Division-I and II, Meerut, in Paschimanchal Vidyut Vitran Nigam Limited (PVVNL). However, the Units did not book the amount of energy consumed internally as expenditure. This resulted in overstatement of Trade Receivables and understatement of Administrative, General & Other Expenses as well as Loss for the year by ₹ 13.60 crore.

(e) The revenue from Sale of Power is initially accounted for on the basis of commercial statements (CS-3 & CS-4) which is reconciled with the revenue registers of the divisions. Sale of power is finally accounted for on the basis of the revenue registers. Sale of power in two divisions of Purvanchal Vidyut Vitran Nigam Limited (PuVVNL) was reported to be ₹ 219.50 crore (₹ 51.72 crore in Electricity Distribution Division (EDD)-I, Gazipur and ₹ 167.78 crore in EDD II



Gazipur) as per the revenue registers whereas these divisions accounted for sale of power as ₹ 251.12 crore (₹ 54.12 crore in EDD I, Gazipur and ₹ 197.00 crore in EDD II Gazipur) which resulted in excess accountal of sale of power by ₹ 31.62 crore by these Divisions. Consequently, Current Assets were overstated and Loss for the year was understated by ₹ 31.62 crore.

(f) The above includes the meter box charges of ₹ 1.35 crore recovered from consumers in PuVVNL. Since the meter box charges are recovered from consumers as fixed line charges, the same should have been shown under consumers' contribution towards Service Line and Other Charges under the head Capital Reserve. This resulted in understatement of Loss for the year as well as Capital Reserve by ₹ 1.35 crore.

**2. Other Income (Note 22): ₹ 11237.08 crore**

(a) The above includes subsidy received from Government of Uttar Pradesh (GoUP) as reimbursement against the payment of principal and interest amount on loans. The Government subsidy received towards reimbursement of the principal repayment of ₹ 68.06 crore (₹ 52.31 crore in DVVNL + ₹ 14.00 crore in PuVVNL + ₹ 1.75 crore in KESCO) should have been treated as capital grant instead of income and credited Capital Reserve. Thus, accounting of above capital subsidy as income resulted in understatement of Loss for the year and Capital Reserve by ₹ 68.06 crore.

(b) The above includes penalty of ₹ 1.10 crore deducted from the contractors executing the work under Rajiv Gandhi Gramin Vidyutikaran Yojna (RGGVY)/Restructured Accelerated Power Development and Reforms Programme (R-APDRP) and forfeited amount of ₹ 50.00 lakh from the contractors on account of non-performance of contracts under RGGVY in DVVNL. Any incidental income earned in the scheme/projects during construction period should have been credited to the respective project thereby reducing the project cost. However, the Company accounted above items as its own income. This has resulted in understated of Loss for the year and overstatement of Capital Work in Progress by ₹ 1.60 crore.

(c) The above includes interest of ₹ 60.87 lakh earned from the fixed deposits of RGGVY loan component in 11<sup>th</sup> and 12<sup>th</sup> plans by PuVVNL. Under RGGVY scheme, funds have been received as 90 per cent subsidy from Government of India (GoI) and balance 10 per cent as loan from Rural Electrification

Corporation (REC) to the State Government. The Company transferred interest earned on subsidy component of RGGVY to the GoI amounting to ₹ 5.83 crore but retained the interest of ₹ 60.87 lakh on loan component and included the same under "Other Income". Since the loan under RGGVY has been received by the State Government from REC and not by the Company, hence, interest earned on the loan component should have been credited to the State Government and should not have been treated as its own income. This has resulted in understatement of both Loss for the period and Other Current Liabilities by ₹ 60.87 lakh.

(d) The above includes late payment surcharge of ₹ 24.59 crore accounted on assessment basis by EDD-I, Unnao of MVVNL. The recognition of above income is in contravention to the Company's Accounting Policy (Note-29A) on Recognition of Income/ Expenditure (Para b) which provides for accounting of late payment surcharge from consumers on cash basis due to uncertainty of realisation. As a result, Other Income and Sundry Debtors both were overstated by ₹ 24.59 crore each resulting in understatement of Loss for the year by the same amount.

#### **Expenses**

#### **3. Purchase of Stock-in-Trade (Power Purchased) (Note-23): ₹38825.13 crore**

Alaknanda Hydro Power Company Limited (AHPCL) submitted bill of ₹ 45.04 crore against supply of energy for the period from 01.06.2015 to 29.06.2015. Against this, Uttar Pradesh Power Corporation Limited (UPPCL) verified bills of ₹ 20.63 crore. Bills amounting to ₹ 24.41 crore have remained unverified. The unverified bills were for both firm as well as infirm<sup>1</sup> power supply. As per the provisions of Power Purchase Agreement, infirm power was to be supplied free of cost. Board of Directors accorded their approval to refer the matter to U.P. Electricity Regulatory Commission (UPERC) with the remarks that UPPCL is principally agreed to pay an amount of ₹ 3.21 crore towards cost of firm power supply. However, M/s AHPCL has demanded an amount of ₹ 12.99 crore. As the Board has agreed to power purchase cost of ₹ 3.21 crore, liability for the same should have been booked in the Accounts and the differential amount of ₹ 9.78 crore (₹ 12.99 crore - ₹ 3.21 crore) should have been shown as contingent

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<sup>1</sup>Electricity generated prior to commercial operation of a generating unit

liability. Thus, the Current Liabilities, Power Purchase cost and Loss for the period were understated by ₹ 3.21 crore.

**4. Employee Benefits Expense (Employees' Cost) (Note-24): ₹ 1,178.91 crore**

The above includes an amount of ₹ 29.04 crore towards leave encashment cost in respect of 199 employees posted at the MVVNL headquarters. This amount has been wrongly calculated and the actual amount works out to be ₹ 17.40 crore. As a result, Employees' cost as well as Other Current Liabilities (Note-8) and Loss for the period were overstated by ₹11.64 crore each.

**5. Finance Costs (Note 25): ₹ 6,350.62 crore**

(a) The above does not include interest of ₹ 146.71 crore paid against the bonds issued by the Government to banks on behalf of DISCOMSs (however the bonds have been shown under the head "Secured Loan"). The interest on these bonds is paid by UPPCL on behalf of the PuVVNL. The State Government reimburses the in the form of subsidy to UPPCL. As the amount of bonds have been reflected as Secured Loan in the Company's accounts, the interest on these bonds should have been accounted as expense and the reimbursement of the same as income in its Statement of Profit & Loss.

Further, as per the Significant Accounting Policies of the Company, the subsidy is to be accounted for on receipt basis. The Company, however, did not account for subsidy of ₹ 209.10 crore as income in the Statement of Profit & Loss in violation of its Significant Accounting Policies. Due to non-accountal of interest and subsidy, the Current Assets are understated and Loss for the period was overstated by ₹ 62.39 crore.

(b) The Finance Costs includes interest of ₹ 14.72 crore pertaining to the outstanding loans on assets which were energised during 2015-16 in Uttar Pradesh Power Transmission Corporation Limited (UPPTCL). UPPTCL transferred the amount of interest to the Statement of Profit & Loss without considering the proportionate period before and after capitalisation of the said assets. The Company did not capitalise interest of ₹ 6.79 crore related to the period before the capitalisation of assets in accordance with Accounting Policy No. 27.3(b) and provisions of Accounting Standard-16 on Borrowing Costs. Further, non-capitalization of interest amount of ₹ 6.79 crore also led to non-charging of depreciation of ₹ 17.00 lakh during the year. Thus, non-capitalisation of interest and non-charging of depreciation thereon resulted in overstatement of Loss for the year and understatement of Fixed Assets by ₹ 6.62 crore.

(c) The Finance Costs does not include an amount of ₹ 6.70 crore on account of interest after capitalisation on loans taken for four sub-stations in UPPTCL which were capitalised during 2014-15 and 2015-16. As these sub-stations were capitalised during 2014-15 and 2015-16, the interest pertaining to the period after capitalisation should have been charged as expense in the Statement of Profit & Loss. However, the Company has capitalised the whole amount of interest, which resulted in understatement of Loss for the year and overstatement of Fixed Assets by ₹ 6.70 crore.

**6. Depreciation and Amortization Expenses (Note-26): ₹ 787.89 crore**

(a) As per accounting policy of PVVNL, depreciation is charged on straight line method as per useful life of assets prescribed in Schedule-II of the Companies Act, 2013. However, PVVNL charged depreciation of fixed assets considering the life prescribed in the order of Uttar Pradesh Electricity Regulatory Commission (UPERC). Accordingly, depreciation of ₹ 252.59 crore has been charged instead of ₹ 243.51 crore chargeable as per the above accounting policy. This resulted in overstatement of depreciation as well as loss for the year and understatement of fixed assets by ₹ 9.08 crore.

(b) The Significant Accounting Policies (Para 3) of PuVVNL provide that depreciation is to be charged on Straight Line Method as per Schedule II of the Companies Act, 2013. Further, fixed assets are depreciated up to 95 per cent of their original cost except in case of temporary erections/constructions where 100 per cent depreciation is charged. However, the Company made a provision for depreciation at more than 100 per cent of the cost of certain fixed assets in violation of its Significant Accounting Policy. This resulted in overstatement of Loss for the year and understatement of fixed assets by ₹ 4.55 crore.

**Other Expenses**

**7. Administrative, General & Other Expenses (Note-27): ₹ 807.93 crore**

The above includes an expenditure of ₹ 2.96 crore incurred by PuVVNL in respect of reimbursement of fees paid to the Electrical Inspector for electrification work related to RGGVY. Since the expenditure is for creation of capital assets, the same should have been included as Capital Work-in-Progress instead of booking the same as expenses in the Statement of Profit & Loss. This has resulted in overstatement of Loss for the year and understatement of Capital Work-in-Progress by ₹ 2.96 crore.

**8. Bad Debts & Provisions (Note - 29): ₹ 15826.71 crore**

As per the Notes to Accounts, para 6 (b) (ii) of PVVNL, the provision for doubtful receivable is made at the rate of 10 per cent of the balance appearing under the different heads of Other Current Assets (Note 18). However, the Company has made provision of ₹ 34.79 crore instead of required provision of ₹ 40.76 crore against the Other Current Assets of ₹ 407.56 crore. This has resulted in understatement of Provision for Doubtful Receivables as well as Loss for the year and overstatement of Other Current Assets by ₹ 5.97 crore.

**B. Comments on Consolidated Financial Position  
Consolidated Balance Sheet**

**9. Other Current Liabilities (Note-8): ₹ 35734.27 crore**

(a) UPERC vide its order dated 23.11.15 directed UPPCL to pay ₹ 499.58 crore to M/s Lanco (power supplier) for compensation against past losses (for the period from 10.12.2011 to 11.02.2013) and compensatory tariff for the period 12.02.2013 onwards.

Accordingly, UPPCL provided for the liability of ₹ 499.58 crore for compensation against past losses and ₹ 80.37 crore as compensatory tariff for the period from November 2015 to March 2016. Later on, Appellate Tribunal of Electricity (APTEL) vide its order dated 30.11.2016 set aside UPERC order dated 23.11.2015. In view of APTEL order, the Company withdrew the aforesaid liability by passing the reversal entry thereon during 2016-17. As the reversal was made against the payment of losses related to earlier years i.e. 2011-12 to 2012-13 and 2015-16 and financial statements for the year 2015-16 were approved by the Board of Directors subsequently on 17 January, 2018; therefore, liability of ₹ 579.95 crore (₹ 499.58 crore + ₹ 80.37 crore) was required to be reversed in the financial year 2015-16 in order to depict the correct position of Balance Sheet. This has resulted in overstatement of Current Liabilities as well as Loss for the year by ₹ 579.95 crore.

(b) As per General Instructions for preparation of Balance Sheet given in Schedule III of the Companies Act, 2013, "a liability shall be classified as current when it is expected to be settled within twelve months after the reporting date". In violation of above instructions, Other Current Liabilities included an amount of ₹ 82.67 crore (₹ 79.95 crore in PVVNL + ₹ 2.72 crore in SUPPTCL) payable for

more than one year resulting in overstatement of Other Current Liabilities and understatement of Other Non-Current Liabilities by the same amount.

(c) Above does not include ₹ 43.31 crore being interest payable on account of delay/non-deposit of General Provident Fund (₹ 28.08 crore in UPPCL + ₹ 14.14 crore in MVVNL) and Pension (₹ 57.00 lakh in UPPCL + ₹ 52.00 lakh in MVVNL) as per latest financial statements of Uttar Pradesh Power Sector Employees Trust for the year 2014-15. This has resulted in understatement of both Other Current Liabilities and Loss by ₹ 43.31 crore.

(d) As per Building and Other Construction Workers' Welfare Cess Act, 1996, the executing agency should deduct labour cess at the rate of one per cent of total cost of projects and the same should be deposited with labour cess authority within 30 days of receipt of payment. Various works were executed under different schemes and payment of ₹ 2156.85 crore (DVVNL ₹ 594.77 crore, PuVVNL ₹ 1443.94 crore and PVVNL ₹ 118.14 crore) were released to various contractors. However, labour cess amounting to ₹ 1.24 crore only (DVVNL ₹ 1.18 crore and PVVNL ₹ 6.00 lakh) was deducted against the required amount of ₹ 21.57 crore from the bills of the contractors. This has resulted in understatement of Other Current Liabilities and understatement of Other Current Assets by ₹ 20.33 crore each.

(e) Above does not include provision for late payment surcharge of ₹ 72.13 lakh payable to UPERC (demanded by UPERC on 29 August 2013) against delayed payment of license fees for the period 2007-08 to 2012-13 by MVVNL. This has resulted in understatement of Current Liabilities and provisions as well as Loss for the year by ₹ 72.13 lakh.

(f) Above does not include an amount of ₹ 29.55 crore being amount of interest payable by KESCO to the Government of Uttar Pradesh (GoUP) on account of delayed payment of conversion charges for conversion of *najul land* to freehold land. The request for waiver of interest was finally rejected by GoUP in December 2009. As the interest was not waived off by the GoUP, the provision for same should have been made in the Accounts. However, the Company neither made any provision for the same in the books nor depicted any contingent liability on this account. This has resulted in under-statement of Other Current Liabilities as well as Fixed Assets by ₹ 29.55 crore.

**(g) Other Current Liabilities (Note-8): ₹ 35,734.27 crore**

**Short term Loans & Advances (Note -19): ₹ 162.95 crore**

SUPPTCL has shown ₹ 25.67 lakh as payable under the head "Other Current Liabilities" to Uttar Pradesh Power Transmission Corporation Limited. Further, under the head "Short Term Loans & Advances" ₹ 70 lakh was shown as Advances to Electricity Civil Transmission Division Agra (Division of UPPTCL). These balances pertaining to the same Company should have been shown after netting off. This has resulted in overstatement of Other Current Liabilities and Short Term Loans & Advances by ₹ 25.67 lakh.

**10. Fixed Assets- Tangible Assets (Note -10): ₹ 22518.44 crore**

(a) In case of Assets "Overhead line on wooden support", the cumulative depreciation charged by PVVNL is shown as ₹ 5.79 crore against the gross block of the said assets of ₹ 4.25 crore resulting in negative net value of asset.

(b) PVVNL has charged depreciation of ₹ 62.00 lakh in the earlier years on the value of land and land rights though no depreciation is charged on land as per the Companies Act, 2013. Further, the amount has been wrongly clubbed in the accumulated depreciation on Building.

As a result of (a) and (b) above, fixed assets are understated and accumulated losses are overstated by ₹ 2.16 crore.

**11. Capital Work –in –Progress (Note-12): ₹ 3532.01 crore**

(a) The above includes the cost of ₹ 64.73 crore pertaining to four substations which have been energised in 2014-15 and 2015-16 but not transferred from Capital Work-in- Progress (WIP) to fixed assets by UPPTCL. By not transferring the same to Fixed Assets, depreciation of ₹ 2.44 crore (₹ 97.00 lakh in 2014-15 and ₹ 1.47 crore in 2015-16) also could not be charged against these fixed assets in the Statement of Profit & Loss. This resulted in overstatement of Capital WIP by ₹ 64.73 crore and understatement of Fixed Assets by ₹ 62.29 crore and understatement of Loss for the year by ₹ 2.44 crore.

(b) The above does not include ₹ 13.30 crore against payment made to M/s. HCL during 2015-16 by DVVNL for work of System Integration Project covering software, hardware, field survey and networking and work of GIS Change Management which was covered under R-APDRP scheme. The same being capital expenditure should have been booked as Capital Work-in-Progress.

However, DVVNL has included the amount in Inter Unit Transfers under Current Assets. This resulted in understatement of Capital Work-in-Progress and overstatement of Inter Unit Transfers by ₹ 13.30 crore.

(c) The above includes expenditures incurred under the RGGVY scheme. As per the funding mechanism of the scheme, 90 per cent is being funded as grant and balance 10 per cent is being funded as loan from Rural Electrification Corporation (REC) to the State Government. The interest on the loan paid by the Company is being reimbursed by the State Government to it in the form of subsidy.

Audit noticed that an amount of ₹ 55.38 crore (₹ 12.16 crore by DVVNL + ₹ 43.22 crore by PuVNL) was paid as interest to REC upto 2015-16 and reimbursed by the Government of Uttar Pradesh. Since, the loan was released to create assets/infrastructure under the scheme, hence, the interest on loan should have been booked under the head Capital Work-in-Progress and amount of subsidy should have been shown under the head Capital Reserve. However, the interest paid and subsidy received was accounted as expense and income respectively in the Statement of Profit and Loss. This resulted in understatement of Capital Work-in-Progress and Capital Reserve by ₹ 55.38 crore each.

(d) The above includes an amount of ₹ 2.08 crore being the value of 33 KVA system improvement works executed under Accelerated Power Development and Reforms Programme (APDRP) by KESCO. As the works of APDRP was completed in 2009, it should have been capitalized. Due to non-capitalization of completed works, Capital Work-in-Progress is overstated by ₹ 2.08 crore and Fixed Assets and Depreciation are understated by ₹ 2.03 crore and ₹ 5.66 lakh respectively.

(e) The above includes ₹ 1248.42 crore payment made up to 31 March 2016 to M/s Power Grid Corporation of India Limited (PGCIL) by UPPTCL for construction of transmission system for power evacuation of Lalitpur Thermal Power Project (LTPP) against the agreement dated 04.03.2014. Since the payments have been made to PGCIL against the bills submitted for the above work up to 31.03.2016, hence, the same should have been booked under Capital Work-in-Progress (CWIP) instead of showing the same under the head Long Term Loans and Advances.

This has resulted in overstatement of Long Term Loans and Advances and understatement of Capital Work-in-Progress by ₹ 1248.42 crore.



## **Current Assets**

### **12. Inventories (Note-16): ₹ 2597.84 crore**

In DVVNL, due to incidence of fire at Electricity Store Centre, Orai (23 May 2013) material valuing ₹ 18.84 crore was burnt/damaged. However, no provision was made in the accounts against the lost/damaged materials. This has resulted in overstatement of Inventories and understatement of Loss for the year by ₹ 18.84 crore.

### **13. Trade Receivables (Note - 17): ₹ 34749.41 crore**

(a) In PVVNL, an amount of ₹ 4.55 crore was recoverable from two consumers (M/s Rana Concast Limited: ₹ 3.32 Crore and M/s Rana Gurder Limited: ₹ 1.23 crore) of Electricity Urban Distribution Division -I Muzaffarnagar against whom Recovery Certificates (RCs) were issued on 28.06.2013 and 26.10.2013 respectively. However, only ₹ 21.50 lakh could be recovered despite lapse of more than four years from the date of issue of RCs. Thus, a provision of ₹ 4.33 crore should have been made against the unrecovered amount. Non-provision of the same has resulted in understatement of loss for the year and overstatement of Trade Receivables by ₹ 4.33 crore.

(b) Above includes ₹ 10.34 crore (₹ 8.18 crore in PVVNL + ₹ 2.16 crore in MVVNL) being the amount of cheques received on account of sale of power in different divisions. These cheques could not be realized within their validity period and became time barred. Since these cheques could not be realised within their validity period, therefore, their amount should have been reversed from balance with banks by debiting the respective party accounts. Non-reversal of time-barred cheques has resulted into overstatement of Cash and Cash Equivalent and understatement of Trade Receivables by ₹ 10.34 crore.

### **14. Other Current Assets (Note-20)- ₹ 2615.03 crore**

(a) As per General Instructions for preparation of Balance Sheet given in Schedule III of the Companies Act, 2013 "an asset shall be classified as current when it is expected to be settled within twelve months after the reporting date". In violation of above instructions, Other Current Assets includes an amount of ₹ 1.85 crore (₹ 1.15 crore in PVVNL + ₹ 70.37 lakh in SUPPTCL) which remained un-realized for more than one year and should have been classified as Other Non- Current Assets. This has resulted in overstatement of Other Current Assets and understatement of Other Non-current Assets by ₹ 1.85 crore.

(b) The above includes an amount of ₹ 3.30 crore under the head "Theft of Fixed Assets pending Investigation" transferred to the Company under "Transfer Scheme 2003" finalized by the Government of Uttar Pradesh. Since the above balance is more than 13 years old and chances of their realisation are remote, therefore 100 per cent provision should have been made in the accounts instead of ₹ 31.00 lakh i.e. 10 per cent of the balance presently made. As a result, Other Current Assets are overstated and Loss for is under stated by ₹ 2.99 crore.

### C. Comments on Disclosure

15. (a) The Commercial Tax Department has raised a demand of ₹ 4.09 crore towards the levy of VAT on deemed sale of meters and on sale of cable for the year 2010-11 against M/s Torrent Power Limited (TPL), an input based franchisee of DVVNL. As per terms and conditions of the agreement entered with M/s TPL, the Company was responsible to pay taxes and duties. The Company has neither provided the above liability, nor disclosed the same as Contingent liability in Notes to Accounts.

(b) Income Tax Department seized (25 March 2015) ₹ 2.82 crore from UPPCL's bank account under Section 226 (3) of Income Tax Act, 1961. However, this material fact has not been disclosed in the Notes to Accounts.

(c) The Board of SUPPTCL in its meeting held on 20 September 2016 decided for the closure of the company. Accordingly, the winding up procedure is under process. This, despite being a material fact affecting the 'going concern' concept of the Company, has not been disclosed in the Notes to Accounts as per requirement of AS-4 in the Consolidated Financial Statements of UPPCL for the year.

(d) M/s AHPCL has issued bills amounting to ₹ 9.66 crore for firm energy supply to UPPCL during the period from 24.04.2015 to 30.04.2015 and 01.05.2015 to 09.05.2015 on the basis of Generating Transformer (GT) meter reading due to non-availability of main meter reading. This bill has not been verified by UPPCL on the ground that there is no provision in Power Purchase Agreement for assessing consumption on the basis of GT meter reading. The Management of UPPCL had submitted the proposal to Board of Directors for approval to refer the case to UPERC in Board Meeting dated 18 January 2016 accepting the fact that energy has been received by UPPCL and the Company is liable to pay the amount. However, no decision has been taken by the Board of

Directors to refer the case to UPERC in that meeting or in subsequent meetings. As the Company accepted the fact that the energy has been received and did not deny the payment, the Company was required to disclose contingent liability of ₹ 9.66 crore towards payment of energy purchased.

(e) UPPTCL has included an amount of ₹ 41.29 crore as income under Note 26- Net Prior Period Income/Expenditure under the head 'Other Income'. This amount is on account of revision of bills of M/s Noida Power Company Limited (NPCL) for the period 2007-08 to 2014-15. The Uttar Pradesh Electricity Regulatory Commission (UPERC) vide order dated 10.09.2014 have directed the NPCL to pay Long Term Transmission Charges to UPPTCL on all the power imported by it, whether inter-state or intra-state.

Since this amount has again been contended (19 September 2016) by M/s NPCL in UPERC, hence, the material facts of the case should have been suitably disclosed in the Notes to the Accounts.

#### **D. Comments on Auditor's Report on Consolidated Financial Statements**

16. Reference is invited to Accounting Policy of Parent and subsidiaries/associates Company regarding employees benefit which stated that liability for pension & gratuity in respect of employees has been determined on the basis of actuarial valuation and has been accounted for on accrual basis.

The aforesaid provision was made based on PWC Actuarial Valuation Report of November 2000. This report was valid for three years i.e upto November 2003. The period of actuarial report has expired long back and gratuity limit has also been revised from ₹ 3.50 lakh to ₹ 10.00 lakh. Yet the Company is making provision on the basis of the old report which is in-violation of Accounting Policy and also AS-15. The Statutory Auditors also failed to point out the above significant matter in their report.

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

Place: Lucknow

Date: 09.06.2020

(Jayant Sinha)  
Principal Accountant General

**REPLY TO FINAL COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF U.P. POWER CORPORATION LIMITED FOR THE YEAR ENDED ON 31 MARCH, 2016.**

FINAL COMMENT	MANAGEMENT'S REPLY
<p>The preparation of consolidated financial statements of Uttar Pradesh Power Corporation Limited for the year ended 31 March 2016 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller &amp; Auditor General of India under section 139 (5) read with section 129 (4) of the Act is responsible for expressing opinion on the financial statements under section 143 read with section 129 (4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated 19 February 2018.</p>	<p align="center">NO COMMENT</p>
<p>I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of Uttar Pradesh Power Corporation Limited for the year ended 31 March 2016, under section 143 (6) (a) read with section 129 (4) of the Act. We conducted a supplementary audit of the financial statements of parent company Uttar Pradesh Power Corporation Limited, subsidiary companies- Purvanchal Vidyut Vitran Nigam Limited, Paschimanchal Vidyut Vitran Nigam Limited, Madhyanchal Vidyut Vitran Nigam Limited, Dakshinanchal Vidyut Vitran Nigam Limited, Kanpur Electricity Supply Company Limited and Southern UP Power Transmission Company Limited and associate companies- Uttar Pradesh Power Transmission Company Limited and Yamuna Power Generation Company Limited but did not conduct supplementary audit of the financial statements of subsidiary company Sonebhadra Power Generation Company Limited for the year ended 31 March 2016. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.</p> <p>Based on my supplementary audit, I would like to highlight the following significant matters under section 143 (6) (b) read with section 129 (4) of the Act 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:</p>	<p align="center">NO COMMENT</p>
<p><b>A. Comments on Consolidated Profitability</b>  <b>Statement of Profit and Loss</b>  <b>Income</b></p> <p><b>1. Revenue from Operations (Gross) (Note 21): ₹ 36,021.66 crore</b></p> <p>(a) The above does not include ₹ 43.81 crore on account of electricity internally consumed in Electricity Urban Distribution Division-I, II and III, Aligarh of Dakshinanchal Vidyut Vitran Nigam Limited (DVVNL). This resulted in understatement of Revenue from Operations as well as Administrative, General &amp; Other Expenses by ₹ 43.81 crore.</p> <p>(b) The above does not include ₹ 6.90 crore on account of energy sold but not billed in Electricity Distribution Division-II, Kosikalan of DVVNL due to omission in consolidation. This resulted in understatement of Revenue from Operations as well as overstatement of Loss for the period to this extent.</p> <p>(c) The above is understated by an amount of ₹ 6.24 crore due to short booking</p>	<p>As per reply of DVVNL to CAG's comments on its Standalone financial statement, the compliance has been made in F.Y 2016-17.</p> <p>As per reply of DVVNL to CAG's comments on its Standalone financial statement, matter will be taken care of accountal of unbilled revenue in future.</p> <p>As per reply of MVVNL to CAG's comments on its Standalone financial statement, the</p>

of revenue against the sale of power to the railway traction consumer, in Madhyanchal Vidyut Vitran Nigam Limited (MVVNL). The sales to railway traction consumer (HV-3 category) in LESA zone, Faizabad zone and Devipatan zone were understated by ₹ 6.87 crore (₹ 5.88 crore + ₹ 92.00 lakh + ₹ 7.00lakh) whereas in Bareilly zone, this was overstated by ₹ 63.00 lakh. As a result, Revenue from Operations and Sundry Debtors were understated by net amount of ₹ 6.24 crore (₹ 6.87 crore – ₹ 63.00 lakh) and Loss for the year was also overstated by the same amount.

(d) The above includes an amount of ₹ 13.60 crore on account of energy consumed internally by Electricity Urban Distribution Division-I and II, Meerut, in Paschimanchal Vidyut Vitran Nigam Limited (PVVNL). However, the Units did not book the amount of energy consumed internally as expenditure. This resulted in overstatement of Trade Receivables and understatement of Administrative, General & Other Expenses as well as Loss for the year by ₹ 13.60 crore.

(e) The revenue from Sale of Power is initially accounted for on the basis of commercial statements (CS-3 & CS-4) which is reconciled with the revenue registers of the divisions. Sale of power is finally accounted for on the basis of the revenue registers. Sale of power in two divisions of Purvanchal Vidyut Vitran Nigam Limited (PuVVNL) was reported to be ₹ 219.50 crore (₹ 51.72 crore in Electricity Distribution Division (EDD)-I, Gazipur and ₹ 167.78 crore in EDD II Gazipur) as per the revenue registers whereas these divisions accounted for sale of power as ₹ 251.12 crore (₹ 54.12 crore in EDD I, Gazipur and ₹ 197.00 crore in EDD II Gazipur) which resulted in excess account of sale of power by ₹ 31.62 crore by these Divisions. Consequently, Current Assets were overstated and Loss for the year was understated by ₹ 31.62 crore.

(f) The above includes the meter box charges of ₹ 1.35 crore recovered from consumers in PuVVNL. Since the meter box charges are recovered from consumers as fixed line charges, the same should have been shown under consumers' contribution towards Service Line and Other Charges under the head Capital Reserve. This resulted in understatement of Loss for the year as well as Capital Reserve by ₹ 1.35 crore.

Management has scrutinized the matter and the necessary accounting entries have been passed accordingly in the F.Y. 2016-17.

As per reply of PVVNL to CAG's comments on its Standalone financial statement, the necessary adjustment/ correction has been made in the accounts for F.Y. 2019-20.

As per reply of PuVVNL to CAG's comments on its Standalone financial statement, Revenue Register of EDD I Ghazipur was not updated at the time of AG audit and it has now been updated. In respect of EDD II Ghazipur it is stated that Audit has skipped the assessment of HV-4 while comparing the revenue register with books of accounts. Hence revenue from sale of power of ₹ 54.12 crore for EDD I Ghazipur and ₹ 197.00 crore for EDD II Ghazipur respectively already booked in accounts is matched with the revenue register.

As per reply of PuVVNL to CAG's comments on its Standalone financial statement, correction entry of ₹ 1.35 crore relating to meter box charges (₹0.39 crore and ₹ 0.96 crore of EDD-I Azamgarh and EDD-II Azamgarh respectively) has been made in books of accounts in hand i.e. F.Y. 2018-19 because balance sheet up to F.Y. 2017-18 had already been finalised and submitted to AG.

## 2. Other Income (Note 22): ₹ 11237.08 crore

(a) The above includes subsidy received from Government of Uttar Pradesh (GoUP) as reimbursement against the payment of principal and interest amount on loans. The Government subsidy received towards reimbursement of the principal repayment of ₹ 68.06 crore (₹ 52.31 crore in DVVNL + ₹ 14.00 crore in PuVVNL + ₹1.75 crore in KESCO) should have been treated as capital grant instead of income and credited Capital Reserve. Thus, accounting of above capital subsidy as income resulted in understatement of Loss for the year and Capital Reserve by ₹ 68.06 crore.

(i) As per reply of DVVNL to CAG's comments on its Standalone financial statement, the compliance has been made in the accounts for the F.Y 2018-19 and shown to Audit.

(ii) As per reply of PuVVNL to CAG's comments on its Standalone financial statement, the subsidy received from GoUP against principal amount of ₹14 crore has been accounted for as capital grant in books of accounts during Financial Year 2016-17.

(iii) As per reply of KESCO to CAG's comments on its Standalone financial statement, the compliance of observation of the auditors has been made in the financial statements of FY 2018-19 by crediting the amount of ₹1,77,04,546 received for repayment of principal amount to Capital Reserve and the impact of audit compliance shall be made in accordance with the

<p>(b) The above includes penalty of ₹ 1.10 crore deducted from the contractors executing the work under Rajiv Gandhi Gramin Vidyutikaran Yojna (RGGVY)/Restructured Accelerated Power Development and Reforms Programme (R-APDRP) and forfeited amount of ₹ 50.00 lakh from the contractors on account of non-performance of contracts under RGGVY in DVVNL. Any incidental income earned in the scheme/projects during construction period should have been credited to the respective project thereby reducing the project cost. However, the Company accounted above items as its own income. This has resulted in understated of Loss for the year and overstatement of Capital Work in Progress by ₹ 1.60 crore.</p> <p>(c) The above includes interest of ₹ 60.87 lakh earned from the fixed deposits of RGGVY loan component in 11<sup>th</sup> and 12<sup>th</sup> plans by PuVVNL. Under RGGVY scheme, funds have been received as 90 per cent subsidy from Government of India (GoI) and balance 10 per cent as loan from Rural Electrification Corporation (REC) to the State Government. The Company transferred interest earned on subsidy component of RGGVY to the GoI amounting to ₹ 5.83 crore but retained the interest of ₹ 60.87 lakh on loan component and included the same under "Other Income". Since the loan under RGGVY has been received by the State Government from REC and not by the Company, hence, interest earned on the loan component should have been credited to the State Government and should not have been treated as its own income. This has resulted in understatement of both Loss for the period and Other Current Liabilities by ₹ 60.87 lakh.</p> <p>(d) The above includes late payment surcharge of ₹ 24.59 crore accounted on assessment basis by EDD-I, Unnao of MVVNL. The recognition of above income is in contravention to the Company's Accounting Policy (Note-29A) on Recognition of Income/ Expenditure (Para b) which provides for accounting of late payment surcharge from consumers on cash basis due to uncertainty of realisation. As a result, Other Income and Sundry Debtors both were overstated by ₹ 24.59 crore each resulting in understatement of Loss for the year by the same amount.</p>	<p>relevant IND AS 08.</p> <p>As per reply of DVVNL to CAG's comment on its Standalone financial statement, the comment regarding forfeiture of earnest money of Rs 50.00 Lacs has been dropped by AG in the F.Y.2016-17. As regards penalty of Rs 1.10 crore, compliance will be made in F.Y. 2019-20.</p> <p>As per reply of PuVVNL to CAG's comments on its Standalone financial statement, interest amount of ₹60.87 lacs (10% State Government share) payable to State Government has been credited as liability towards payment to State Government during financial year 2018-19. The company has further stated that the process of releasing balance amount of ₹0.61 Crore to State Government is under process and will be deposited as soon as the formalities are completed.</p> <p>As per reply of MVVNL to CAG's comments on its Standalone financial statement, the Management has scrutinized the matter and the necessary accounting entries will be passed accordingly in the F.Y. 2019-20.</p>
<p><b>Expenses</b></p> <p><b>3. Purchase of Stock-in-Trade (Power Purchased) (Note-23): ₹38825.13 crore</b></p> <p>Alaknanda Hydro Power Company Limited (AHPCL) submitted bill of ₹ 45.04 crore against supply of energy for the period from 01.06.2015 to 29.06.2015. Against this, Uttar Pradesh Power Corporation Limited (UPPCL) verified bills of ₹ 20.63 crore. Bills amounting to ₹ 24.41 crore have remained unverified. The unverified bills were for both firm as well as infirm<sup>1</sup> power supply. As per the provisions of Power Purchase Agreement, infirm power was to be supplied free of cost. Board of Directors accorded their approval to refer the matter to U.P. Electricity Regulatory Commission (UPERC) with the remarks that UPPCL is principally agreed to pay an amount of ₹ 3.21 crore towards cost of firm power supply. However, M/s AHPCL has demanded an amount of ₹ 12.99 crore.</p> <p>As the Board has agreed to power purchase cost of ₹ 3.21 crore, liability for the same should have been booked in the Accounts and the differential amount of ₹ 9.78 crore (₹ 12.99 crore - ₹ 3.21 crore) should have been shown as contingent liability. Thus, the Current Liabilities, Power Purchase cost and Loss for the period were understated by ₹ 3.21 crore.</p>	<p>The comment of CAG for F.Y. 2015-16 was received vide letter no म.ले. (ई. एण्ड आर.एस.ए.)/इ. एस- 11/लेखा/यू.पी.पा.का.लि. /2015-16/465 dated 14.03.2019. In this connection, it is to mention that the accounts for the F.Y. 2016-17 had been approved by the BoD on 14.11.2018 and the accounts for the F.Y. 2017-18 had also been finalised for the approval of BoD (date of approval 22.03.2019), hence the power purchase liability amounting to ₹3.21 crore has been booked and contingent liability amounting to ₹</p>

<sup>1</sup>Electricity generated prior to commercial operation of a generating unit

	9.78 Crore has been disclosed in the accounts in hand for the F.Y.2018-19.
<p><b>4. Employee Benefits Expense (Employees' Cost) (Note-24): ₹ 1,178.91 crore</b></p> <p>The above includes an amount of ₹ 29.04 crore towards leave encashment cost in respect of 199 employees posted at the MVVNL headquarters. This amount has been wrongly calculated and the actual amount works out to be ₹ 17.40 crore. As a result, Employees' cost as well as Other Current Liabilities (Note-8) and Loss for the period were overstated by ₹11.64 crore each.</p>	As per reply of MVVNL to CAG's comments on its Standalone financial statement, the Management has scrutinized the matter and the necessary accounting entries have been passed accordingly in the F.Y. 2016-17.
<p><b>5. Finance Costs (Note 25): ₹ 6,350.62 crore</b></p> <p>(a) The above does not include interest of ₹ 146.71 crore paid against the bonds issued by the Government to banks on behalf of DISCOMS (however the bonds have been shown under the head "Secured Loan"). The interest on these bonds is paid by UPPCL on behalf of the PuVVNL. The State Government reimburses the in the form of subsidy to UPPCL. As the amount of bonds have been reflected as Secured Loan in the Company's accounts, the interest on these bonds should have been accounted as expense and the reimbursement of the same as income in its Statement of Profit &amp; Loss. Further, as per the Significant Accounting Policies of the Company, the subsidy is to be accounted for on receipt basis. The Company, however, did not account for subsidy of ₹ 209.10 crore as income in the Statement of Profit &amp; Loss in violation of its Significant Accounting Policies. Due to non-accountal of interest and subsidy, the Current Assets are understated and Loss for the period was overstated by ₹ 62.39 crore.</p> <p>(b)The Finance Costs includes interest of ₹ 14.72 crore pertaining to the outstanding loans on assets which were energised during 2015-16 in Uttar Pradesh Power Transmission Corporation Limited (UPPTCL). UPPTCL transferred the amount of interest to the Statement of Profit &amp; Loss without considering the proportionate period before and after capitalisation of the said assets. The Company did not capitalise interest of ₹ 6.79 crore related to the period before the capitalisation of assets in accordance with Accounting Policy No. 27.3(b) and provisions of Accounting Standard-16 on Borrowing Costs. Further, non-capitalization of interest amount of ₹ 6.79 crore also led to non-charging of depreciation of ₹ 17.00 lakh during the year. Thus, non-capitalisation of interest and non-charging of depreciation thereon resulted in overstatement of Loss for the year and understatement of Fixed Assets by ₹ 6.62 crore.</p> <p>(c) The Finance Costs does not include an amount of ₹ 6.70 crore on account of interest after capitalisation on loans taken for four sub-stations in UPPTCL which were capitalised during 2014-15 and 2015-16. As these sub-stations were capitalised during 2014-15 and 2015-16, the interest pertaining to the period after capitalisation should have been charged as expense in the Statement of Profit &amp; Loss. However, the Company has capitalised the whole amount of interest, which resulted in understatement of Loss for the year and overstatement of Fixed Assets by ₹ 6.70 crore.</p>	<p>As per reply of PuVVNL to CAG's comments on its Standalone financial statement, correction entry of ₹ 62.39 crore relating to amount paid against bonds / security issued by Government to Banks and subsidy received thereof has been made in books of accounts during the Financial Year 2018-19.</p> <p>As informed by the UPPTCL, the compliance has been done in the accounts for the year F.Y.2016-17.</p> <p>As informed by the UPPTCL, the compliance has been done in F.Y.2016-17.</p>
<p><b>6. Depreciation and Amortization Expenses (Note-26): ₹ 787.89 crore</b></p> <p>(a) As per accounting policy of PVVNL, depreciation is charged on straight line method as per useful life of assets prescribed in Schedule-II of the Companies Act, 2013. However, PVVNL charged depreciation of fixed assets considering the life prescribed in the order of Uttar Pradesh Electricity Regulatory Commission (UPERC). Accordingly, depreciation of ₹ 252.59 crore has been charged instead of ₹ 243.51 crore chargeable as per the above accounting policy. This resulted in overstatement of depreciation as well as loss for the year and understatement of fixed assets by ₹ 9.08 crore.</p>	As per reply of PVVNL to CAG's comments on its Standalone financial statement, depreciation is charged on Straight Line Method as per Schedule-II of Companies Act, 2003. However, the company is considering the useful life prescribed as per order of UPERC for calculation of depreciation. The company has further stated that necessary disclosure has been made in Notes on

	Accounts in its Standalone Financial Statement for the F.Y. 2015-16.
(b) The Significant Accounting Policies (Para 3) of PuVVNL provide that depreciation is to be charged on Straight Line Method as per Schedule II of the Companies Act, 2013. Further, fixed assets are depreciated up to 95 per cent of their original cost except in case of temporary erections/constructions where 100 per cent depreciation is charged. However, the Company made a provision for depreciation at more than 100 per cent of the cost of certain fixed assets in violation of its Significant Accounting Policy. This resulted in overstatement of Loss for the year and understatement of fixed assets by ₹ 4.55 crore.	As per reply of PuVVNL to CAG's comments on its Standalone financial statement, the provision made at more than 100% of the cost of certain fixed assets has been corrected during financial year 2016-17.
<b>Other Expenses</b> <b>7. Administrative, General &amp; Other Expenses (Note-27): ₹ 807.93 crore</b> The above includes an expenditure of ₹ 2.96 crore incurred by PuVVNL in respect of reimbursement of fees paid to the Electrical Inspector for electrification work related to RGGVY. Since the expenditure is for creation of capital assets, the same should have been included as Capital Work-in-Progress instead of booking the same as expenses in the Statement of Profit & Loss. This has resulted in overstatement of Loss for the year and understatement of Capital Work-in-Progress by ₹ 2.96 crore.	As per reply of PuVVNL to CAG's comments on its Standalone financial statement, the expenditure incurred in respect of reimbursement of fees paid to the electrical inspector for electrification work related to RGGVY has been accounted for as capital work in progress in books of accounts in the accounts for the Financial Year 2016-17.
<b>8. Bad Debts &amp; Provisions (Note - 29): ₹ 15826.71 crore</b> As per the Notes to Accounts, para 6 (b) (ii) of PUVVNL, the provision for doubtful receivable is made at the rate of 10 per cent of the balance appearing under the different heads of Other Current Assets (Note 18). However, the Company has made provision of ₹ 34.79 crore instead of required provision of ₹ 40.76 crore against the Other Current Assets of ₹ 407.56 crore. This has resulted in understatement of Provision for Doubtful Receivables as well as Loss for the year and overstatement of Other Current Assets by ₹ 5.97 crore.	As per reply of PUVVNL to CAG's comments on its Standalone financial statement, the provision against Doubtful Other Current Assets (Receivable) has been made @10% on the balance appearing under the different heads of "Other Current Assets" excluding the unbilled revenue. Provision of which is withdrawn in the month of April as the billing of these unbilled consumers for March is made in April. Thus, the same is excluded for making provision.
<b>B. Comments on Consolidated Financial Position</b> <b>Consolidated Balance Sheet</b> <b>9. Other Current Liabilities (Note-8): ₹ 35734.27 crore</b> (a) UPERC vide its order dated 23.11.15 directed UPPCL to pay ₹ 499.58 crore to M/s Lanco (power supplier) for compensation against past losses (for the period from 10.12.2011 to 11.02.2013) and compensatory tariff for the period 12.02.2013 onwards. Accordingly, UPPCL provided for the liability of ₹ 499.58 crore for compensation against past losses and ₹ 80.37 crore as compensatory tariff for the period from November 2015 to March 2016. Later on, Appellate Tribunal of Electricity (APTEL) vide its order dated 30.11.2016 set aside UPERC order dated 23.11.2015. In view of APTEL order, the Company withdrew the aforesaid liability by passing the reversal entry thereon during 2016-17. As the reversal was made against the payment of losses related to earlier years i.e. 2011-12 to 2012-13 and 2015-16 and financial statements for the year 2015-16 were approved by the Board of Directors subsequently on 17 January, 2018, therefore, liability of ₹ 579.95 crore (₹ 499.58 crore + ₹ 80.37 crore) was required to be reversed in the financial year 2015-16 in order to depict the correct position of Balance Sheet. This has resulted in overstatement of Current Liabilities as well as Loss for the year by ₹ 579.95 crore.	The appeal was filed on 11.08.2016 before Appellate Tribunal of Electricity (APTEL). Against the said appeal, APTEL order dated 30.11.2016 set aside UPERC order dated 23.11.2015. Since event relates to conditions existing after balance sheet date, the reversal entry was made in the accounts for the F.Y. 2016-17.
(b) As per General Instructions for preparation of Balance Sheet given in Schedule III of the Companies Act, 2013, "a liability shall be classified as current when it is expected to be settled within twelve months after the reporting date". In violation of above instructions, Other Current Liabilities included an amount of ₹ 82.67 crore (₹ 79.95 crore in PUVVNL + ₹ 2.72 crore in SUPPTCL) payable for more than one year resulting in overstatement of Other Current Liabilities and understatement of Other Non-Current Liabilities by the same amount.	As per reply of PUVVNL to CAG's comments on its Standalone financial statement, the balance appeared as payable under liabilities is of current in nature, hence these balances have been shown under Other Current Liabilities. In case of SUPPTCL, the company informed that necessary compliance has been done.



(c) Above does not include ₹ 43.31 crore being interest payable on account of delay/non-deposit of General Provident Fund (₹ 28.08 crore in UPPCL + ₹ 14.14 crore in MVVNL) and Pension (₹ 57.00 lakh in UPPCL + ₹ 52.00 lakh in MVVNL) as per latest financial statements of Uttar Pradesh Power Sector Employees Trust for the year 2014-15. This has resulted in understatement of both Other Current Liabilities and Loss by ₹ 43.31 crore.

(d) As per Building and Other Construction Workers' Welfare Cess Act, 1996, the executing agency should deduct labour cess at the rate of one per cent of total cost of projects and the same should be deposited with labour cess authority within 30 days of receipt of payment. Various works were executed under different schemes and payment of ₹ 2156.85 crore (DVVNL ₹ 594.77 crore, PuVVNL ₹ 1443.94 crore and PVVNL ₹ 118.14 crore) were released to various contractors. However, labour cess amounting to ₹ 1.24 crore only (DVVNL ₹ 1.18 crore and PVVNL ₹ 6.00 lakh) was deducted against the required amount of ₹ 21.57 crore from the bills of the contractors. This has resulted in understatement of Other Current Liabilities and understatement of Other Current Assets by ₹ 20.33 crore each.

(e) Above does not include provision for late payment surcharge of ₹ 72.13 lakh payable to UPERC (demanded by UPERC on 29 August 2013) against delayed payment of license fees for the period 2007-08 to 2012-13 by MVVNL. This has resulted in understatement of Current Liabilities and provisions as well as Loss for the year by ₹ 72.13 lakh.

(i) As per audited accounts of the company, there was no amount payable to UPPSE Trust as on 31-03-2015 (after netting off of the liabilities towards G.P.F of ₹ 16.60 Crore Dr and pension & gratuity of ₹ 3.92 Cr). Hence, the account of interest was not required. However, the UPPSE Trust has already been requested to reconcile its account with the company.

(ii) As per reply of MVVNL to CAG's comments on its Standalone financial statement, the Management has scrutinized the matter and the necessary accounting entries have been passed accordingly in the F.Y. 2016-17.

(i) As per reply of DVVNL to CAG's comments on its Standalone financial statement, the contract for Labour Portion and Supply portion has been made separately and accordingly labour cess has been deducted and deposited @ 1% on erection portion only.

(ii) As per reply of PuVVNL to CAG's comments on its Standalone financial statement, works under RGGVY & RAPDRP are in progress and amount of Labour Cess under RGGVY are being deposited by vendors directly to the Labour Commissioner of related area which further reimbursed through payment bills. Payment of RAPDRP is being materialized by SE concerned as such details of depositing labour cess may be available at that level. Further, there is no requirement of payment of labour cess against supply of material. Company has made payment of labour cess amounting to ₹ 4.49 crores against old liabilities.

(iii) As informed by PVVNL. The contract of work and contract of supply has been awarded separately and as per terms and conditions of the agreement Labour Cess and Service Tax is deducted from each and every erection bill under Work Contract and in case of agreement of supply, VAT is deducted from bills.

As per reply of MVVNL to CAG's comments on its Standalone financial statement, the management had requested to UPERC to waive off this interest vide letter no.1729 dated 10.10.2013. Thereafter, no demand has

<p>(f) Above does not include an amount of ₹ 29.55 crore being amount of interest payable by KESCO to the Government of Uttar Pradesh (GoUP) on account of delayed payment of conversion charges for conversion of <i>najul land</i> to freehold land. The request for waiver of interest was finally rejected by GoUP in December 2009. As the interest was not waived off by the GoUP, the provision for same should have been made in the Accounts. However, the Company neither made any provision for the same in the books nor depicted any contingent liability on this account. This has resulted in under-statement of Other Current Liabilities as well as Fixed Assets by ₹ 29.55 crore.</p>	<p>been raised by UPERC for the same. UPERC do not raise any demand regarding late payment surcharge as mentioned by audit and the company is regularly paying the entire fee payable to UPERC. The company has further stated that no further demand for interest has been raised by UPERC.</p> <p>As per reply of KESCO to CAG's comments on its Standalone financial statement, the said land under consideration is on lease from UPPCL @ ₹ 1 per month as per the transfer scheme. Since the land belongs to UPPCL action regarding the conversion of land to freehold shall be taken by UPPCL level only.</p> <p>There is no such liability on the company as the liability for payment of Interest shall only arise when UPPCL or KESCO (on behalf of UPPCL) desires to convert the land into free hold. At present there is neither any demand from Govt of UP nor any such action is being taken by the Company. Hence, the amount is not booked as liability.</p>
<p><b>(g) Other Current Liabilities (Note-8): ₹ 35,734.27 crore</b>  <b>Short term Loans &amp; Advances (Note -19): ₹ 162.95 crore</b>  SUPPTCL has shown ₹ 25.67 lakh as payable under the head "Other Current Liabilities" to Uttar Pradesh Power Transmission Corporation Limited. Further, under the head "Short Term Loans &amp; Advances" ₹ 70 lakh was shown as Advances to Electricity Civil Transmission Division Agra (Division of UPPTCL). These balances pertaining to the same Company should have been shown after netting off. This has resulted in overstatement of Other Current Liabilities and Short Term Loans &amp; Advances by ₹ 25.67 lakh.</p>	<p>As informed by SUPPTCL, necessary correction has been done in the accounts for the F.Y. 2017-18.</p>
<p><b>10. Fixed Assets- Tangible Assets (Note -10): ₹ 22518.44 crore</b>  (a) In case of Assets "Overhead line on wooden support", the cumulative depreciation charged by PVVNL is shown as ₹ 5.79 crore against the gross block of the said assets of ₹ 4.25 crore resulting in negative net value of asset.</p> <p>(b) PVVNL has charged depreciation of ₹ 62.00 lakh in the earlier years on the value of land and land rights though no depreciation is charged on land as per the Companies Act, 2013. Further, the amount has been wrongly clubbed in</p>	<p>(a) As per reply of PVVNL to CAG's comments on its Standalone financial statement, 95% depreciation is charged on Overhead lines on wooden support but the depreciation withdrawn for overhead line on wooden support in respect of assets withdrawn during the year is not according to the provision of depreciation charged on such assets. The provision of depreciation on Fixed Assets is made at HQ level centrally and the withdrawal of assets and provision of depreciation thereon is accounted for at divisional level. In past years, at the time of withdrawal of assets, the withdrawal of provision of depreciation was not in accordance with accumulated depreciation of such asset. The negative net value of assets is occurred due to above said reason. The necessary correction/ adjustment in accumulated depreciation is being made in FY 2019-20 at HQ.</p> <p>(b) As per reply of PVVNL to CAG's comments on its Standalone financial statement, the company has received</p>

<p>the accumulated depreciation on Building. As a result of (a) and (b) above, fixed assets are understated and accumulated losses are overstated by ₹ 2.16 crore.</p>	<p>depreciation of ₹ 0.62 crore on Land and Land Rights through Final Transfer Scheme, 2003 vide Govt. of U.P. notification no. 1528/24-P-2-2015-SA (218)/2014 Lucknow dated 03.01.2015. The accumulated depreciation charged on land was wrongly adjusted with Building. The same has already been corrected in FY 2018-19.</p>
<p><b>11. Capital Work –in –Progress (Note-12): ₹ 3532.01 crore</b> (a) The above includes the cost of ₹ 64.73 crore pertaining to four substations which have been energised in 2014-15 and 2015-16 but not transferred from Capital Work-in- Progress (WIP) to fixed assets by UPPTCL. By not transferring the same to Fixed Assets, depreciation of ₹ 2.44 crore (₹ 97.00 lakh in 2014-15 and ₹ 1.47 crore in 2015-16) also could not be charged against these fixed assets in the Statement of Profit &amp; Loss. This resulted in overstatement of Capital WIP by ₹ 64.73 crore and understatement of Fixed Assets by ₹ 62.29 crore and understatement of Loss for the year by ₹ 2.44 crore.</p>	<p>As informed by the UPPTCL, the compliance has already been done in the accounts for the F.Y. 2016-17</p>
<p>(b) The above does not include ₹ 13.30 crore against payment made to M/s. HCL during 2015-16 by DVVNL for work of System Integration Project covering software, hardware, field survey and networking and work of GIS Change Management which was covered under R-APDRP scheme. The same being capital expenditure should have been booked as Capital Work-in-Progress. However, DVVNL has included the amount in Inter Unit Transfers under Current Assets. This resulted in understatement of Capital Work-in-Progress and overstatement of Inter Unit Transfers by ₹ 13.30 crore.</p>	<p>As per reply of DVVNL to CAG's comments on its Standalone financial statement, compliance will be made in F.Y. 2019-20.</p>
<p>(c) The above includes expenditures incurred under the RGGVY scheme. As per the funding mechanism of the scheme, 90 per cent is being funded as grant and balance 10 per cent is being funded as loan from Rural Electrification Corporation (REC) to the State Government. The interest on the loan paid by the Company is being reimbursed by the State Government to it in the form of subsidy. Audit noticed that an amount of ₹ 55.38 crore (₹ 12.16 crore by DVVNL + ₹ 43.22 crore by PuVVNL) was paid as interest to REC upto 2015-16 and reimbursed by the Government of Uttar Pradesh. Since, the loan was released to create assets/infrastructure under the scheme, hence, the interest on loan should have been booked under the head Capital Work-in-Progress and amount of subsidy should have been shown under the head Capital Reserve. However, the interest paid and subsidy received was accounted as expense and income respectively in the Statement of Profit and Loss. This resulted in understatement of Capital Work-in-Progress and Capital Reserve by ₹ 55.38 crore each.</p>	<p>(i) As per reply of DVVNL to CAG's comments on its Standalone financial statement, as per the Para 8.3 of the AS-12-"Under one method, the grant is shown as a deduction from the gross value of the asset concerned in arriving at its book value. The grant is thus recognised in the profit and loss statement over the useful life of a depreciable asset by way of a reduced depreciation charge. Where the whole, or virtually the whole, of the cost of the asset, the asset is shown in the balance sheet at a nominal value." Hence the treatment of interest made by Company does not have any understatement either in Capital WIP or Capital Reserve.</p> <p>(ii) As per reply of PuVVNL to CAG's comments on its Standalone financial statement, the EMI of Principal &amp; Interest paid to REC under RGGVY scheme by PuVVNL and reimbursed by the State Govt. The company has acted in the capacity of debt servicing agency. 10% portion of RGGVY is received by UPPCL from GoUP as equity. This is worth to mention that amount received under RGGVY is not treated as loan by UPPCL as well as PuVVNL. Thus the interest was not the expenses for company. Loan under RGGVY also does not form part of loan component of company. Hence Interest has not been incorporated as Capital WIP and Subsidy as Capital Reserve. As such there is no understatement of both Capital WIP and Capital Reserve.</p>

<p>(d) The above includes an amount of ₹ 2.08 crore being the value of 33 KVA system improvement works executed under Accelerated Power Development and Reforms Programme (APDRP) by KESCO. As the works of APDRP was completed in 2009, it should have been capitalized. Due to non-capitalization of completed works, Capital Work-in-Progress is overstated by ₹ 2.08 crore and Fixed Assets and Depreciation are understated by ₹ 2.03 crore and ₹ 5.66 lakh respectively.</p> <p>(e) The above includes ₹ 1248.42 crore payment made up to 31 March 2016 to M/s Power Grid Corporation of India Limited (PGCIL) by UPPTCL for construction of transmission system for power evacuation of Lalitpur Thermal Power Project (LTPP) against the agreement dated 04.03.2014. Since the payments have been made to PGCIL against the bills submitted for the above work up to 31.03.2016, hence, the same should have been booked under Capital Work-in-Progress (CWIP) instead of showing the same under the head Long Term Loans and Advances. This has resulted in overstatement of Long Term Loans and Advances and understatement of Capital Work-in-Progress by ₹ 1248.42 crore.</p>	<p>As per reply of KESCO to CAG's comments on its Standalone financial statement, the asset under consideration is a large project for construction of 33 KV double circuit overhead line and laying of underground cable of G-8 feeder from 220 KV substation Panki to 33/11/KV substation Barra. A part of an asset is passing under the railway lines which were damaged due to which the Asset could not be energized. The company has further stated, the Asset has now been energized in FY 2018-19 and entry for capitalization has been made in the books of accounts for FY 2018-19.</p> <p>As informed by the UPPTCL, material advances with contractors for construction work has been shown under capital work in progress in the F.Y 2016-17.</p>
<p><b>Current Assets</b>  <b>12. Inventories (Note-16): ₹ 2597.84 crore</b>  In DVVNL, due to incidence of fire at Electricity Store Centre, Orai (23 May 2013) material valuing ₹ 18.84 crore was burnt/damaged. However, no provision was made in the accounts against the lost/damaged materials. This has resulted in overstatement of Inventories and understatement of Loss for the year by ₹ 18.84 crore.</p>	<p>As per reply of DVVNL to CAG's comments on its Standalone financial statement, the Provision has been made in F.Y 2016-17. The company has further stated that the comment has been dropped by AG in F.Y. 2016-17.</p>
<p><b>13. Trade Receivables (Note - 17): ₹ 34749.41 crore</b>  (a) In PVVNL, an amount of ₹ 4.55 crore was recoverable from two consumers (M/s Rana Concast Limited: ₹ 3.32 Crore and M/s Rana Gurder Limited: ₹ 1.23 crore) of Electricity Urban Distribution Division -I Muzaffarnagar against whom Recovery Certificates (RCs) were issued on 28.06.2013 and 26.10.2013 respectively. However, only ₹ 21.50 lakh could be recovered despite lapse of more than four years from the date of issue of RCs. Thus, a provision of ₹ 4.33 crore should have been made against the unrecovered amount. Non-provision of the same has resulted in understatement of loss for the year and overstatement of Trade Receivables by ₹ 4.33 crore.</p> <p>(b) Above includes ₹ 10.34 crore (₹ 8.18 crore in PVVNL + ₹ 2.16 crore in MVVNL) being the amount of cheques received on account of sale of power in different divisions. These cheques could not be realized within their validity period and became time barred. Since these cheques could not be realised within their validity period, therefore, their amount should have been reversed from balance with banks by debiting the respective party accounts. Non-reversal of time-barred cheques has resulted into overstatement of Cash and Cash Equivalent and understatement of Trade Receivables by ₹ 10.34 crore.</p>	<p>As per reply of PVVNL to CAG's comments on its Standalone financial statement, the matter is in active consideration and dealt as per instruction given by competent authorities. The Company further stated that it is having total provision of Rs. 1274.77 crore against Bad &amp; Doubtful Debts to meet such type of cases.</p> <p>(i) The amount of ₹ 8.18 crore included in the audit comment pertains to DVVNL instead of PVVNL, hence as per reply of DVVNL, the compliance will be made in F.Y. 2019-20</p> <p>(ii) As per reply of MVVNL to CAG's comments on its Standalone financial statement, it is worth to mention that entries of the cheques are passed through cash book in the ensuing year. Since the transactions which are part &amp; parcel of cash book cannot be adjusted through transfer entries, the reversal entries are passed through the cash book in the year where the minus entries are recorded. This is a continuous process.</p>
<p><b>14. Other Current Assets (Note-20)- ₹ 2615.03 crore</b>  (a) As per General Instructions for preparation of Balance Sheet given in Schedule III of the Companies Act, 2013 "an asset shall be classified as current</p>	<p>As per reply of PVVNL to CAG's comments on its Standalone financial statement, the</p>

<p>when it is expected to be settled within twelve months after the reporting date". In violation of above instructions, Other Current Assets includes an amount of ₹ 1.85 crore (₹ 1.15 crore in PVVNL + ₹ 70.37 lakh in SUPPTCL) which remained un-realized for more than one year and should have been classified as Other Non- Current Assets. This has resulted in overstatement of Other Current Assets and understatement of Other Non-current Assets by ₹ 1.85 crore.</p> <p>(b) The above includes an amount of ₹ 3.30 crore under the head "Theft of Fixed Assets pending Investigation" transferred to the Company under "Transfer Scheme 2003" finalized by the Government of Uttar Pradesh. Since the above balance is more than 13 years old and chances of their realisation are remote, therefore 100 per cent provision should have been made in the accounts instead of ₹ 31.00 lakh i.e. 10 per cent of the balance presently made. As a result, Other Current Assets are overstated and Loss for is under stated by ₹ 2.99 crore.</p>	<p>balance appeared as payable under assets is o current in nature, hence these balance showr under Other Current Assets.</p> <p>In case of SUPPTCL, the company informed that necessary compliance has been done.</p> <p>As per reply of MVVNL to CAG's comments on its Standalone financial statement, the Management has scrutinized the matter and the necessary accounting entries have been passed accordingly in the F.Y. 2016-17.</p>
<p><b>C. Comments on Disclosure</b></p> <p>15. (a) The Commercial Tax Department has raised a demand of ₹ 4.09 crore towards the levy of VAT on deemed sale of meters and on sale of cable for the year 2010-11 against M/s Torrent Power Limited (TPL), an input based franchisee of DVVNL. As per terms and conditions of the agreement executed with M/s TPL, the Company was responsible to pay taxes and duties. The Company has neither provided the above liability, nor disclosed the same as Contingent liability in Notes to Accounts.</p> <p>(b) Income Tax Department seized (25 March 2015) ₹2.82 crore from UPPCL's bank account under Section 226 (3) of Income Tax Act, 1961. However, this material fact has not been disclosed in the Notes to Accounts.</p> <p>(c) The Board of SUPPTCL in its meeting held on 20 September 2016 decided for the closure of the company. Accordingly, the winding up procedure is under process. This, despite being a material fact affecting the 'going concern' concept of the Company, has not been disclosed in the Notes to Accounts as per requirement of AS-4 in the Consolidated Financial Statements of UPPCL for the year.</p> <p>(d) M/s AHPCL has issued bills amounting to ₹ 9.66 crore for firm energy supply to UPPCL during the period from 24.04.2015 to 30.04.2015 and 01.05.2015 to 09.05.2015 on the basis of Generating Transformer (GT) meter reading due to non-availability of main meter reading. This bill has not been verified by UPPCL on the ground that there is no provision in Power Purchase Agreement for assessing consumption on the basis of GT meter reading. The Management of UPPCL had submitted the proposal to Board of Directors for approval to refer the case to UPERC in Board Meeting dated 18 January 2016 accepting the fact that energy has been received by UPPCL and the Company is liable to pay the amount. However, no decision has been taken by the Board of Directors to refer the case to UPERC in that meeting or in subsequent meetings. As the Company accepted the fact that the energy has been received and did not deny the payment, the Company was required to disclose contingent liability of ₹ 9.66 crore towards payment of energy purchased.</p> <p>(e) UPPTCL has included an amount of ₹ 41.29 crore as income under Note 26- Net Prior Period Income/Expenditure under the head 'Other Income'. This amount is on account of revision of bills of M/s Noida Power Company Limited (NPCL) for the period 2007-08 to 2014-15. The Uttar Pradesh Electricity Regulatory Commission (UPERC) vide order dated 10.09.2014</p>	<p>As per reply of DVVNL to CAG's comments on its Standalone financial statement, compliance has been made in the accounts for the F.Y 2018-19.</p> <p>Out of the default of Rs. 2.82 crore the amount of Rs. 1.79 crore pertains to UPPTCL and Discoms, therefore, the same has been booked as receivable from concerned companies. However, as per information available TDS rectification/correction returns for Rs. 0.27 are pending.</p> <p>As informed by SUPPTCL, necessary disclosure has been made in the accounts for the F.Y. 2018-19</p> <p>Since the matter is still disputed, the liability of to ₹ 9.66 crore towards payment of energy purchased from M/s AHPCL has been shown as Contingent Liability in the hands i.e. 2018-19.</p> <p>As informed by the UPPTCL, the Hon'ble UPERC vide order dated 16.11.2018 have quashed the demand of the UPPTCL for additional open access charges considering the petition no.1134/2016 of M/s NPCL.Hence the</p>

have directed the NPCL to pay Long Term Transmission Charges to UPPTCL on all the power imported by it, whether inter-state or intra-state. Since this amount has again been contended (19 September 2016) by M/s NPCL in UPERC, hence, the material facts of the case should have been suitably disclosed in the Notes to the Accounts.

neccessry adjustment/ accountal has been made in the books of accounts for th F.Y.2016-17.

**D. Comments on Auditor's Report on Consolidated Financial Statements**

16. Reference is invited to Accounting Policy of Parent and subsidiaries/associates Company regarding employees benefit which stated that liability for pension & gratuity in respect of employees has been determined on the basis of actuarial valuation and has been accounted for on accrual basis.

The aforesaid provision was made based on PWC Actuarial Valuation Report of November 2000. This report was valid for three years i.e upto November 2003. The period of actuarial report has expired long back and gratuity limit has also been revised from ₹ 3.50 lakh to ₹ 10.00 lakh. Yet the Company is making provision on the basis of the old report which is in-violation of Accounting Policy and also AS-15. The Statutory Auditors also failed to point out the above significant matter in their report.

The matter has been communicated to Auditors.



(A.K. AWASTHI)

Chief General Manager(Accounts and Audit)



(SUDHIR ARYA)  
Director (Finance)