Annexure - XI

INDEPENDENT AUDITORS' REPORT

To the Members of NHPC Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying Standalone Financial Statements of NHPC Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Standalone Financial Statements, including a summary of significant accounting policies and Other Explanatory Notes for the year ended on that date (hereinafter referred to as "Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give the information required by the Companies Act 2013 (" the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and profit, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that-, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have considered the matters described below to be the Key Audit Matters for incorporation in our Report.

	Key audit Matters	Addressing the Key Audit Matters
1.	**Regulatory Deferral Account Balances and accruals of revenue pending tariff Notifications.** Regulatory Deferral Account balances include accruals aggregating to Rs. 3470.59 Crore on account of interest cost and other attributable expenses pertaining to Subansiri Lower HE Project for the period from the date of interruption of work i.e. 16.12.2011 till 30.09.2019 as indicated in Note 34(22A). The operating activities of the Company are subject to cost of service regulations whereby tariff charged for electricity generated is based on allowable capital and other cost and expenses and stipulated return there against. Regulatory Deferral Accounts are based on the estimates with respect to recoverability thereof	**Our audit procedures based on which we arrived at the conclusion regarding reasonableness of the carrying the value of Regulatory Deferral Account Debit Balances include the following:** • Understanding and testing the design and operating effectiveness of controls as established by the management for accrual of income and determination of the amounts recoverable there against. • Obtaining and understanding of the amount recoverable in terms of CERC Regulations and assessing, testing and evaluating the reasonableness thereof keeping in view the significant judgements applied by the management for such assessments. • The above includes the evaluation of the CERC guidelines and acceptance of the claim made by

	Key audit Matters	Addressing the Key Audit Matters
	as per the current CERC Tariff Regulations on final approval and notifications. The accruals made as above are vital to the business in which the Company is operating. In absence of specific notification and rate fixation, these are based on the management's assumptions and estimates which are subject to finalisation of tariff by CERC and commencement of operations of the Project.	the Company in the past and the trend of disallowances on various count and adherences and compliances thereof by the management and rationale for assumptions taken under the given situation and business environment. • Evaluating the various assumptions considered by the management for arriving at the value of Cash generating Unit Note 34(18) in case of Subansiri Lower HE Project and adequacy thereof with respect to the carrying value of the Project in Progress and balances pertaining to the said project under Regulatory deferral Accounts.
2.	**Impairment Assessment of carrying amount of Property, Plant and Equipment (PPE) and Capital Work in Progress (CWIP)** Certain Cash Generating Units (CGUs) of the company were assessed for impairment as on 31st March 2020. This covers Property, Plant and Equipments and Capital Work in Progress in respect of projects as given in Note 34(18). This has been assessed that no significant change with an adverse effect on the company has taken place during the year, or is expected to take place in the near future, in the technological, economic or legal environment in which the company operate. Based on the assessment, the company has concluded that there exists no significant impairment indicator or any impairment in respect of the CGUs of the company tested for impairment during FY 2019-20. Based on the above assessment, no provision for impairment has been considered necessary by the Company. Impairment exercise undertaken which justifies the carrying amount of certain assets including Capital work in progress pertaining to Subansiri Lower Project and the regulatory deferral account balances pertaining to same as dealt with under para 1 above, is significant and vital to the Company's operations. Evaluation of the impairment involves assessment of value in use of the Cash Generating Units (CGUs) and requires significant judgements and assumptions about the future cash flow forecasts, forecast production, forecast volumes, prices and discount rate.	**Our audit procedures based on which we arrived at the conclusion regarding reasonableness of the non-provisioning of any CGU based on impairment testing include the following:** • Critical evaluation of internal and external factors impacting the entity and indicators of impairment (or reversal thereof) in line with Ind AS 38; • Review of impairment valuation models used in relation to CGU to determine the recoverable amount by analysing the key assumptions used by management in this respect including: - Consistency with respect to forecast for arriving at the valuation and assessing the potential impact of any variances; - Price assumptions and tariff used in the models; - Factoring of risk inherent to the CGUs in the Cash Flow projections or the discount rate. - The assumption/estimation for the weighted average cost of capital and rate of discount for arriving at the value in use. • Reviewed the Government policy and approval for setting up the Projects, decision of the Board and the efforts and steps being undertaken in this respect. • Reliance have been placed on management projections for completion timeline, volume of generation and resultant revenue based on expected tariff there against.
3.	**Contingent Liabilities – against claim from Contractors (Note 34.1(a)(i))** Various claims lodged by the Contractors against Capital Works amounting to Rs. 10144.10 crore have been disclosed under Contingent Liability. This includes matters under arbitration and/ or before the Court which have been decided	**Our audit procedures based on which we arrived at the conclusion regarding reasonableness of the Contingent Liabilities include the following:** • Obtained the status of the case from the legal department and their view on the matter;

	Key audit Matters	Addressing the Key Audit Matters
	against the Company, out of which Rs. 2020.81 crore have been paid/deposited pursuant to the NITI Aayog directions or Court order. Claims made against the Company are significant. These are pending for decision before arbitration or other judicial forums and consequential and possible impact thereof and provisions/disclosure required have been based on the management's assessment of the probability of the occurrence of the liability.	• Evaluated the contractual terms and conditions and management's rationale for the adequacy of the provision so far made and the amount remaining unprovided against the demands made against the Company; • Discussion with management and reading/ reviewing the correspondences Memos and Notes on related matters. • Reliance has been placed on the legal views and decisions on similar matters and probability of the liability arising therefrom pending final judgement/ decisions; • Reviewed the appropriateness and adequacy of the disclosure by the management as required in terms of the requirement of IND AS 37 "Provisions, Contingent Liabilities and Contingent Assets".
4.	**Expenditure incurred on Survey and Investigation Projects and those under preconstruction stage upto 31.03.2020** Expenditure of Rs. 1141.05 Crores as given in Note 2.2.2 has been incurred for conducting survey and investigation on projects. Out of this Rs. 820.78Crores (including Rs. 154.73 Crores during the year) have been provided for keeping in view uncertainty with respect to clearances, approval for implementing the Projects, leaving Rs. 320.27 Crores which has been carried forward as Capital Work in Progress. Further Capital work in progress also includes projects where active construction activities are yet to be undertaken. In the event of related Projects not being undertaken, amounts spent on survey and investigations and those incurred/ allocated prior to construction thereof will no longer be eligible to be carried forward as Capital Work in Progress.	**Our audit procedures based on which we arrived at the conclusion regarding carrying the amount of expenditure incurred on survey and Investigation Projects incurred include the following:** • Obtained the status of the Projects as provided by the management and the reason thereof of keeping them in abeyance. • Understanding and testing the design and operating effectiveness of controls as established by the management for accounting the expenses incurred for survey and investigation projects and the policy followed for making provisions/ write off for such expenses given the nature of business of the Company and for project under preconstruction stage and allocation of Borrowing and other cost incurred and allocated thereagainst. • Evaluating the management's rationale with respect to possible abandonment of such projects in future and/ or expected economic use of the same. • Evaluating the tenure of pre and under construction stage of project and management contention of normal period required for implementing the project given the location, size and nature in each case of the respective project and this being technical in nature placing reliance on management contention and representation on the matter.
5.	**Recognition of Deferred Tax and evaluation of utilisation thereof.** Deferred Tax with respect to MAT Credit entitlement of Rs.2196.82 Crores lying unutilized as on 31.03.2020 has not been recognised.	**Our audit procedures based on which we arrived at the conclusion regarding appropriateness of non recognitionof the unutilised MAT Credit include the following:** • Understanding and testing the operating effectiveness of the company's control relating to

	Key audit Matters	Addressing the Key Audit Matters
	This is on the basis of the management's estimate and evaluation of taxable profit in foreseeable given period in future based on convincing evidences against which such credit can be utilised. This involves significant management judgement based on future projections including future capital expenditure for capacity enhancement and which may significantly vary on crystallization.	taxation and assessment of carrying amount of deferred tax assets/ liabilities. • Review of the Company's accounting policy in respect of deferred tax assets on unutilized MAT credit and current year development, if any, requiring change in such policy and management contention on the same. • Evaluation of tax credit entitlement as legally available to the company based on internal forecast prepared by the company and probability of future taxable income. • Typical review of underlying assumption for consistency and uncertainty involved and principle of prudence for arriving at reasonable degree of probability of utilisation of deferred tax assets. • Review of implication pertaining to regulatory regime under which company operates and possible utilisation of the MAT credit and impact thereof on the financial statement under the given current Regulatory provisions and period of applicability thereof. • Evaluation of adequacy and appropriateness of disclosure made in the financial statement.

Information other than the Financial Statements and Auditors' Report thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board's Report including Annexures to Directors' Report, Management Discussion and Analysis Report, Business Responsibility Report and Report on Corporate Governance, but does not include the standalone financial statements and our auditors' report thereon.The other information as stated above is expected to be made available to us after the date of this auditors' report.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available, and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

When we read the other information as stated above and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and describe necessary actions required as per applicable laws and regulations.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Standalone Financial Statements that give a true and fair view of the state of affairs (financial position), Profit or Loss (financial performance including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian accounting Standards specified under section 133 of the Act.

This responsibility also includes 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditors' Responsibility for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standard on Auditing (SAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system with reference to financial statements in place and the operating effectiveness of such controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the standalone financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

i. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

ii. Based on the verification of books of account of the Company and according to information and explanations given to us, we give below a report on the Directions issued by the Comptroller and Auditor General of India in terms of Section 143 (5) of the Act:

Sl. No.	Directions	Reply
1	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	According to the information and explanations given to us and based on our audit, all accounting transactions are routed through ERP system implemented by the Company. Period end Financial Statements are compiled offline based on balances and transactions generated from ERP system. We have neither been informed nor we have come across during the course of our audit any accounting transactions having impact on the integrity of the accounts along with the financial implications which have been processed outside the IT system.
2	Whether there is any restructuring of an existing loan or cases of waiver/write off of debts/ loans/ interest etc. made by a lender to the Company due to the Company's inability to repay the loan? If yes, the financial impact may be stated.	According to information and explanations given to us and based on our audit, there is no case of restructuring of an existing loan or cases of waiver/ write off of debts/ loans/ interest etc. made by lender to the Company.
3	Whether funds received/ receivable for specific schemes from Central/ State agencies were properly accounted for/ utilized as per its terms and conditions? List the cases of deviation.	According to information and explanations given to us and based on our audit, the Company has accounted for and utilized the funds received for specific schemes from Central/ State agencies as per the terms and conditions of the schemes.

iii. Further to our comments in the annexure referred to in the paragraph above, as required by Section 143(3) of the Act, we report that:

a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

c) the Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income),the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

d) in our opinion, the aforesaid standalonefinancial statements comply with the Indian Accounting Standards specified under Section 133 of the Act

e) in terms of Notification no. G.S.R. 463 (E) dated 05th June 2015 issued by the Ministry of Corporate Affairs, provisions of Section 164(2) of the Act regarding disqualifications of the Directors, are not applicable as it is a government Company;

f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal control; and

g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note no. 34 para 1 to the standalone financial statements;

   ii. The Company has made provision, as required under the applicable law or Indian Accounting Standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts; and

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

   iv. As per notification number G.S.R. 463 (E) dated 5th June, 2015 issued by Ministry of Corporate Affairs, section 197 of the Act as regards the managerial remuneration is not applicable to the Company, since it is a Government Company.

For Arora Vohra & Co.
Chartered Accountants
Firm's ICAI Registration No.: 009487N

A K Aggarwal
Partner
M. No. 013833
Place: Ludhiana
Date: June 27, 2020
UDIN: 20013833AAAABK2824

For DSP & Associates
Chartered Accountants
Firm's ICAI Registration No.:006791N

Sanjay Jain
Partner
M. No. 084906
New Delhi

UDIN: 20084906AAAAPK1840

For Lodha & Co.
Chartered Accountants
Firm's ICAI Registration No.:301051E

R P Singh
Partner
M. No. 052438
Kolkata

UDIN: 20052438AAAABM2834

ANNEXURE "A" TO THE AUDITORS' REPORT OF EVEN DATE:

i) a. The Company has maintained proper records showing full particulars, including quantitative details and situations of Fixed Assets.

b. As per the information and explanations given to us and on the basis of our examination of the records of the Company, the Tangible Fixed Assets except Land in certain Units, have been physically verified by the management/ outside agencies, in a phased manner, which in our opinion is reasonable, having regard to the size of Company and nature of its business. The reconciliation of physically verified assets with the book records in certain cases is in progress. Discrepancies noticed on the physical verification and consequential adjustments are carried out on completion of reconciliation. According to information and explanations given by the management and in our opinion, the same are not material.

c. According to the information and explanations given to us, the records examined by us and based on the Title/ Lease deeds provided to us, we report that, the title/ Lease deeds, comprising all the freehold/ leasehold immovable properties of land and building, are held in the name of the Company as on the balance sheet date except for the following where the title/lease deeds are not available with the Company:

Nature	Area in Hectares	Gross block as at 31.03.2020 (Rs. In Crore)	Net block as at 31.03.2020 (Rs. In Crore)
Freehold land	143.48	20.47	20.47
Leasehold Land included under Right of Use Assets	530.88	251.20	231.31
Building under Lease	0.0465	17.01	16.08

ii) As informed, the inventories of the Company except for inventories in transit, have been physically verified by the management/ outside agencies, during the year. In our opinion and according to the information and explanations given to us, the frequency of such verification is reasonable. The discrepancies noticed on physical verification of inventories as compared to book records were not material and the same have been properly dealt with in the books of account.

iii) According to the information and explanations given to us by the Management, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act, except unsecured loan granted during the previous year to a Company.

a) In our opinion the terms and conditions of grant of such loans are not, prima facie, prejudicial to the interest of the Company.

b) In respect of Loan granted by the Company in earlier year,the schedule of repayment of principal and Interest has been stipulated. The Company has during the year extended the repayment schedule of Unsecured loan of Rs. 6 Crores which was due for repayment during the year, and as such the repayment of Principal and repayment of interest is regular.

c) in respect of such loan as mentioned in Para (b) above, there is no overdue amount for more than ninety days.

iv) In our opinion and according to information and explanations given to us the Company has, in respect of loans, investments, guarantees, and security, complied with the provisions of section 185 and 186 of the Act.

v) The Company has not accepted any deposits within the meaning of sections 73 to 76 or any other relevant provisions of the Act.In respect of overdue earnest money deposits and security deposits, Management is of the view that overdue earnest money deposits and security deposits of suppliers/contractors appearing in the books are in the nature of retention money for performance of contracts for supply of goods and services and accordingly, not to be treated as deemed deposits by virtue of amendment in rule 2, sub rule (1), clause (c) of the Companies (Acceptance of Deposits) Amendment Rules 2016.

vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 148 (1) of the Act in respect of the Company's products to which the said rules are made applicable and are of the opinion that prima facie, the prescribed records have been maintained. We have however not made a detailed examination of the said records with a view to determine whether they are accurate or complete.

vii) a. According to the information and explanations given to us, during the year, the Company has generally been regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Goods and Service Tax, Service tax, Custom Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues as applicable to it.

There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service tax, Custom Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues in arrear as at March 31, 2020 for a period of more than six months from the date they become payable.

b. According to the information and explanations given to us, the details of disputed dues of income tax, sales tax, service tax, customs duty,, excise duty and Value added Tax , if any, as at March 31, 2020, are as follows:

Name of Statute	Nature of Duties	Amount (₹ In Crore)	Financial Year to which it pertains	Deposit under Protest (₹ In Crore)	Forum at which case is pending
Income Tax Act, 1961	Income Tax	0.001	2007-08	0	Traces
		0.01	2010-11	0	ITO, Srinagar
Sales Tax Acts/ Vat Acts	Sales Tax /Vat	9.92	2012-13	0	Appellate Tribunal
		22.31	2013-14 to 2014-15	0	Appellate Authority
		34.15	2015-16	0	Appeal to be filed.
		0.18	2009-10	0	DETC, Kullu
		16.69	2005-06 to 2011-12	15.29	Sr.Joint Commissioner Siliguri, Circle
		2.73	2012-13	0	JC,Siliguri Charge
		298.53	1994-95	0	J&K Sales Tax Appellate Tribunal
Finance Act, 1996	Service Tax	28.44	2009-10 to 2016-17	27.25	Service Tax Tribunal, Kolkata
		18.10	2004-05 to 2009-10	1.70	CESTAT, Chandigarh
Custom Act, 1962	Custom Duty	25.15	2019-20	0	Department of Customs & Excise

viii) In our opinion and on the basis of information and explanations given to us by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks, Governments or debenture holders.

ix) In our opinion and according to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer during the year. The Company has raised money by issue of debt instruments and Term Loans during year.On the basis of our examination and according to the information and explanations given to us, money raised by way of debt instruments and term loans have been applied for the purpose for which the loans were obtained.

x) Based on our audit procedures and as per the information and explanations given to us by the management, no fraud by the Company or any fraud on the Company, by any person including its officers/ employees, has been noticed or reported during the year.

xi) As per notification number G.S.R. 463 (E) dated 5th June 2015 issued by Ministry of Corporate Affairs, section 197 of the Act as regards the managerial remuneration is not applicable to the Company, since it is a Government Company.

xii) The Company is not a Nidhi Company and hence reporting under paragraph 3(xii) of the Order is not applicable to the Company.

xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Section 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the Standalone Financial Statements as required by the applicable accounting standards.

xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, clause 3 (xiv) of the Order is not applicable to the Company.

xv) According to the information and explanations given to us and as represented to us by the management and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For Arora Vohra & Co.
Chartered Accountants
Firm's ICAI Registration No.: 009487N

A K Aggarwal
Partner
M. No. 013833
Place: Ludhiana
Date: June 27, 2020
UDIN: 20013833AAAABK2824

For DSP & Associates
Chartered Accountants
Firm's ICAI Registration No.:006791N

Sanjay Jain
Partner
M. No. 084906
New Delhi

UDIN: 20084906AAAAPK1840

For Lodha & Co.
Chartered Accountants
Firm's ICAI Registration No.:301051E

R P Singh
Partner
M. No. 052438
Kolkata

UDIN: 20052438AAAABM2834

ANNEXURE "B" TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph (f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

We have audited the internal financial controls with reference to financial statements of NHPC Limited ("the Company") as at March 31, 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements 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 Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. 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 control with reference to financial statements 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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 auditors' judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Meaning of Internal Financial Controls with reference to financial statements

A Company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control with reference to financial statements 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 standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the standalone financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial statements

Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements 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, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2020, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Arora Vohra & Co.
Chartered Accountants
Firm's ICAI Registration No.: 09487N

A K Aggarwal
Partner
M. No. 013833
Place: Ludhiana
Date: June 27, 2020
UDIN: 20013833AAAABK2824

For DSP & Associates
Chartered Accountants
Firm's ICAI Registration No.:006791N

Sanjay Jain
Partner
M. No. 084906
New Delhi

UDIN: 20084906AAAAPK1840

For Lodha & Co.
Chartered Accountants
Firm's ICAI Registration No.:301051E

R P Singh
Partner
M. No. 052438
Kolkata

UDIN: 20052438AAAABM2834