

Himachal Baspa Power Company Limited
Balance Sheet as at 31st March, 2017

(₹ Crore)

Particulars		Note No.	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
A	ASSETS				
	1 Non-current assets				
	(a) Property, plant and equipment	4	7,312.70	7,508.93	-
	(b) Capital work-in-progress	5	0.21	-	-
	(c) Intangible assets	6	878.32	911.36	-
	(d) Financial assets				
	(i) Other financial assets	7	260.57	248.35	-
	(e) Other non-current assets	8	-	0.01	-
	(f) Income tax assets (net)		17.16	-	-
	Total non - current assets		8,468.96	8,668.65	-
	2 Current assets				
	(a) Inventories	9	11.99	18.31	-
	(b) Financial assets				
	(i) Trade receivables	10	1,219.90	834.24	0.02
	(ii) Cash and cash equivalents	11	46.95	7.91	0.04
	(iii) Bank balances other than (ii) above	11	26.60	23.48	-
	(iv) Other financial assets	7	0.83	1.33	-
	(c) Other current assets	8	31.83	34.06	0.00
	Total current assets		1,338.10	919.33	0.06
	Total Assets (1+2)		9,807.06	9,587.98	0.06
B	EQUITY AND LIABILITIES				
	1 Equity				
	(a) Equity share capital	12	1,250.05	1,250.05	0.05
	(b) Other equity	13	201.80	71.12	0.00
	Total equity		1,451.85	1,321.17	0.05
	Liabilities				
	2 Non-current liabilities				
	(a) Financial liabilities				
	(i) Borrowings	14	7,927.56	7,862.12	-
	(ii) Other financial liabilities	15	0.01	0.13	-
	(b) Provisions	16	3.06	2.19	-
	(c) Deferred tax liabilities (Net)		31.36	24.29	-
	Total non - current liabilities		7,961.99	7,888.73	-
	3 Current liabilities				
	(a) Financial liabilities				
	(i) Borrowings	17	-	30.02	-
	(ii) Trade payables	18	69.55	45.81	0.00
	(iii) Other financial liabilities	15	310.40	271.48	-
	(b) Other current liabilities	19	12.38	7.90	-
	(c) Provisions	16	0.89	1.07	-
	(d) Current tax liabilities (Net)		-	21.80	0.01
	Total current liabilities		393.22	378.08	0.01
	Total Equity and Liabilities (1+2+3)		9,807.06	9,587.98	0.06
See accompanying notes to the financial statements					
As per our attached report of even date			For and on behalf of Board of Directors		
For Lodha & Co.					
Chartered Accountants					
Firm Registration No.: 301051E					
A. M. Hariharan			Girish Deshpande		
Partner			Whole Time Director		
Membership No.: 38323			[DIN: 02756000]		
			Sanjay Sagar		
			Chairman		
			[DIN:00019489]		
Place: Mumbai			Rakesh Punamiya		
Date: 27th April, 2017			Company Secretary		

Himachal Baspa Power Company Limited
Statement of Profit and Loss for the year ended 31st March, 2017

(₹ Crore)

Particulars	Note No.	For the year ended 31st March, 2017	For the year ended 31st March, 2016
I Revenue from operations	20	1,451.89	590.07
II Other income	21	29.48	4.77
III Total income (I + II)		1,481.37	594.84
IV Expenses			
(a) Employee benefits expense	22	40.16	18.98
(b) Finance costs	23	894.77	553.66
(c) Depreciation and amortisation expense	24	236.30	138.28
(d) Other expenses	25	135.60	61.24
Total expenses (IV)		1,306.83	772.16
V Profit/(loss) before exceptional item and tax (III-IV)		174.54	(177.32)
VI Exceptional items (Refer note no. 45)		-	(150.00)
VII Profit/(loss) before tax (V - VI)		174.54	(27.32)
VIII Tax expense	26	43.18	57.79
IX Profit/(loss) after tax (VII-VIII)		131.36	(85.11)
X Other comprehensive income		(0.68)	0.09
(i) Items that will not be reclassified to profit or loss Remeasurements of the net defined benefit liabilities / (asset)		(0.87)	0.09
(ii) Income tax relating to items that will not be reclassified to profit or loss		0.19	-
XI Total comprehensive income for the year (IX + X)		130.68	(85.02)

See accompanying notes to the financial statements

For and on behalf of Board of Directors

As per our attached report of even date

For Lodha & Co.

Chartered Accountants

Firm Registration No.: 301051E

A. M . Hariharan

Partner

Membership No.: 38323

Place: Mumbai

Date: 27th April, 2017

Girish Deshpande

Whole Time Director

[DIN: 02756000]

Sanjay Sagar

Chairman

[DIN:00019489]

Rakesh Punamiya

Company Secretary

Himachal Baspa Power Company Limited
Statement of Cash Flows for the year ended 31st March, 2017

(₹ Crore)

Particulars	For the year ended 31st March, 2017		For the year ended 31st March, 2016	
I CASH FLOW FROM OPERATING ACTIVITIES				
Profit before Tax		174.54		(27.32)
Adjusted for:				
Depreciation and amortisation	236.30		138.28	
Interest Income	(12.10)		(4.13)	
Income from investments	(14.71)		(0.11)	
Excess provision no longer required written back	(1.70)		(0.02)	
Finance costs	894.77		553.66	
Other adjustment (OCI)	(0.68)		0.09	
		1101.88		687.77
Operating profit before working capital changes		1276.42		660.45
Adjustment for:				
Trade and other receivables	(383.43)		(399.07)	
Trade payables including advance received from customers	(8.56)		(160.09)	
Loans & advances and other non-current assets	(14.82)		159.77	
Inventories	6.33		14.24	
		(400.48)		(385.15)
Cash generated from operations		875.94		275.30
Direct taxes paid		(75.08)		(13.04)
NET CASH FLOW FROM OPERATING ACTIVITIES		800.86		262.26
II CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets including CWIP and capital advances		(7.24)		362.18
Interest received		12.10		4.13
Net gain on sale of investments		14.71		0.11
NET CASH FROM INVESTING ACTIVITIES		19.57		366.42
III CASH FLOW FROM FINANCING ACTIVITIES				
Borrowings taken / (repaid) (Net)		113.49		(383.85)
Finance costs paid		(894.88)		(396.06)
NET CASH USED IN FINANCING ACTIVITIES		(781.39)		(779.91)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)		39.04		(151.23)
CASH AND CASH EQUIVALENTS - OPENING BALANCE		7.91		0.04
ADD: PURSUANT TO SCHEME OF ARRANGEMENT		-		159.10
CASH AND CASH EQUIVALENTS - CLOSING BALANCE (Refer Note 6)		46.95		7.91

See accompanying notes to the financial statements

As per our attached report of even date

For Lodha & Co.

Chartered Accountants

Firm Registration No.: 301051E

For and on behalf of the Board of Directors

A. M . Hariharan

Partner

Membership No.: 38323

Girish Deshpande

Whole Time Director

[DIN: 02756000]

Sanjay Sagar

Chairman

[DIN:00019489]

Place: Mumbai

Date: 27th April,2017

Rakesh Punamiya

Company Secretary

Himachal Baspa Power Company Limited

Statement of changes in equity for the year ended 31st March, 2017

a. Equity share capital

(₹ Crore)

Balance at the 1st April, 2015	0.05
Changes in equity share capital during the FY 2015-16	1,250.00
Balance at the 31st March, 2016	1,250.05
Changes in equity share capital during the FY 2016-17	-
Balance at the 31st March, 2017	1,250.05

b. Other equity

(₹ Crore)

Particulars	Reserves and Surplus		Items of other comprehensive income	Capital Contribution by parent company	Total
	Debenture redemption reserve	Retained earnings	Actuarial gain / (loss)		
Balance as at 1st April, 2016	58.75	(143.86)	0.09	156.14	71.12
Profit for the year 2016-17	-	131.36	-	-	131.36
Transfer to retained earnings	(13.75)	13.75	-	-	-
Other comprehensive income for the year, net of income tax	-	-	(0.68)	-	(0.68)
Total comprehensive income for the year	45.00	1.25	(0.59)	156.14	201.80

(₹ Crore)

Particulars	Reserves and Surplus		Items of other comprehensive income	Capital Contribution by parent company	Total
	Debenture redemption reserve	Retained earnings	Actuarial gain / (loss)		
Balance at 1st April, 2015	-	0.00	-	-	0.00
Profit for the year 2015-16	-	(85.11)	-	-	(85.11)
Transfer from retained earnings	58.75	(58.75)	-	-	-
Other comprehensive income for the year, net of income tax	-	-	0.09	-	0.09
Others	-	-	-	156.14	156.14
Total comprehensive income for the year	58.75	(143.86)	0.09	156.14	71.12

See accompanying notes to the financial statements

As per our attached report of even date

For and on behalf of Board of Directors

For Lodha & Co.

Chartered Accountants

Firm Registration No.: 301051E

A. M . Hariharan

Partner

Membership No.: 38323

Place: Mumbai

Date: 27th April, 2017

Girish Deshpande

Whole Time Director

[DIN: 02756000]

Rakesh Punamiya

Company Secretary

Sanjay Sagar

Chairman

[DIN:00019489]

HIMACHAL BASPA POWER COMPANY LIMITED
Notes to Financial Statements for the year ended 31st March, 2017

Note 1: General information

- a) Himachal Baspa Power company Limited is a public limited company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. It is 100% subsidiary of M/s JSW Energy Limited. The registered office of the Company is located at Sholtu Colony, P.O. Tapri, Dist. Kinnaur, 172104 (HP).
- b) The Company is primarily engaged in the business of generation and transmission of power.

Note 2: Statement of compliance

- a) The financial statements have been prepared in accordance with Indian Accounting Standards ('Ind AS') notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2016.
- b) Up to the year ended 31st March, 2016, the Company prepared its financial statements in accordance with the requirements of previous GAAP prescribed under Section 133 of the Companies Act, 2013 ('the Act') read with Rule 7 of the Companies (Accounts) Rules, 2014. These are the Company's first Ind AS financial statements. The date of transition to Ind AS is 1st April, 2015. Refer Note 46 for the details of significant first-time adoption exemptions availed by the Company and an explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, its performance and cash flows.

Note 3: Significant accounting policies

3.1 Basis of preparation of financial statements:

- a) In accordance with the notification issued by the Ministry of Corporate Affairs, the Company is required to prepare its Financial Statements as per the Indian Accounting Standards ('Ind AS') prescribed under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Accounting Standards) Amendment Rules, 2016 with effect from 1st April, 2016. Accordingly, the Company has prepared these Financial Statements which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss, the Statement of Cash Flows and the Statement of Changes in Equity for the year ended 31st March, 2017, and a summary of the significant accounting policies and other explanatory information (together hereinafter referred to as "Financial Statements". The figures for the previous year ended 31st March, 2016 and Opening Balance Sheet as on 1st April, 2015 have also been reinstated by the Management as per the requirements of Ind AS.
- b) The financial statements of the Company are prepared in accordance with the Indian Generally Accepted Accounting Principles (GAAP) on the accrual basis of accounting and historical cost convention except for certain material items that have been measured at fair value as required by the relevant Ind AS and explained in the ensuing policies below.
- c) The financial statements are presented in Indian Rupees ('INR') and all values are rounded to the nearest crore, except otherwise indicated.

3.2 Use of estimates & judgements

- a) The preparation of the financial statements requires that the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The recognition, measurement, classification or disclosure of an item or information in the financial statements is made relying on these estimates.
- b) The estimates and judgements used in the preparation of the financial statements are continuously evaluated by the Company and are based on historical experience and various other assumptions and factors (including expectations of future events) that the Company believes to be reasonable under the existing circumstances. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods. The critical accounting judgements and key estimates followed by the Company for preparation of financial statements is described in note 27.

3.3 Property, plant and equipment

- a) The cost of property, plant and equipment comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, including relevant borrowing costs for qualifying assets and any expected costs of decommissioning. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are charged to statement of profit and loss in the period in which the costs are incurred.
- b) An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.
- c) Assets in the course of construction are capitalised in the assets under construction account. At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences.
- d) Property, plant and equipment except freehold land held for use in the production, supply or administrative purposes, are stated in the consolidated balance sheet at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold or Leasehold land is stated at historical cost.

3.4 Other Intangible assets

- a) Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.
- b) Certain computer software costs are capitalized and recognized as Intangible assets based on materiality, accounting prudence and significant benefits expected to flow therefrom for a period longer than one year.

3.5 Depreciation /Amortisation

- a) Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method.
- b) Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.
- c) Assets held under Service concession arrangement are amortised over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.
- d) Depreciation on tangible assets is provided based on technical evaluation of useful life and residual value as per the provisions of Part A of Schedule II of the Companies Act, 2013.
- e) Specialised Software is amortised over an estimated useful life of 3 years.

Estimated useful lives of the assets are as follows:

Class of assets	Useful life in Years
Buildings	20-60
Plant and Machinery	15-40
Furniture and fixtures	10
Vehicles	8
Office equipment	5

Useful life is either the period of time which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of asset.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3.6 Impairment of tangible and intangible assets other than goodwill

- a) At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.
- b) Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

- c) Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.
- d) If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.
- e) When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.7 Borrowing costs

- a) Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.
- b) All other borrowing costs are recognised in profit or loss in the period in which they are incurred.
- c) The Company determines the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any interest income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets, to the extent that an entity borrows funds specifically for the purpose of obtaining a qualifying asset. In case if the Company borrows generally and uses the funds for obtaining a qualifying asset, borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the expenditures on that asset.

The Company suspends capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

3.8 Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and demand deposits with an original maturity of three months or less and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

3.9 Revenue recognition

Sale of Power

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Company and that the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances.

Revenue from sale of power / other items is recognised when substantial risks and rewards of ownership is transferred to the buyer under the terms of the contract.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Interest or Surcharge on delayed payments or overdue trade receivables is recognised when significant certainty as to measurability or realisability exists.

3.10 Foreign currency transactions

The functional currency of the Company and its subsidiaries is determined on the basis of the primary economic environment in which it operates. The functional currency of the Company is Indian National Rupee (INR).

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into in order to hedge certain foreign currency risks

3.11 Employee benefits

The Company has following post-employment plans:

a) Defined-benefit plan - gratuity

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plan is the present value of defined benefit obligations at the end of the reporting period less fair value of plan assets. The defined benefit obligation is calculated annually by actuaries through actuarial valuation using the projected unit credit method.

The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- service cost comprising current service costs, past-service costs, gains and losses on curtailment and non-routine settlements
- net interest expense or income

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and fair value of plan assets. This cost is included in employee benefit expenses in the statement of the profit & loss.

Re-measurement comprising of actuarial gains and losses arising from

- (a) Re-measurement of Actuarial (gains) / losses
- (b) Return on plan assets, excluding amount recognized in effect of asset ceiling
- (c) Re-measurement arising because of change in effect of asset ceiling are recognised in the period in which they occur directly in Other comprehensive income. Re-measurement is not reclassified to profit or loss in subsequent periods.

Ind AS 19 requires the exercise of judgment in relation to various assumptions including future pay rises, inflation and discount rates and employee and pensioner demographics. The Company determines the assumptions in conjunction with its actuaries, and believes these assumptions to be in line with best practice, but the application of different assumptions could have a significant effect on the amounts reflected in the income statement, other comprehensive income and balance sheet. There may be also interdependency between some of the assumptions.

b) Defined-contribution plan – provident fund

Under defined contribution plans, provident fund, the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. Defined Contribution plan comprise of contributions to the employees' provident fund set up as trust or Regional Provident Fund Commissioner and certain state plans like Employees' State Insurance. The Company's payments to the defined contribution plans are recognised as expenses during the period in which the employees perform the services that the payment covers.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

c) Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the obligation as at the Balance sheet date determined based on an actuarial valuation.

3.12 Share-based payment arrangements

- a) Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.
- b) The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

3.13 Taxation

i) Income tax comprises current and deferred tax. Income tax expense is recognized in the statement of profit and loss except to the extent it relates to items directly recognized in equity or in other comprehensive income.

a) Current tax

Current tax is the amount of tax payable based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

b) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally

recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets relate to the same taxable entity and same taxation authority.

ii) Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income-tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset, the said asset is created by way of a credit to the statement of profit and loss. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income-tax during the specified period.

iii) Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3.14 Earnings per share

Basic earnings per share is computed by dividing the profit/(loss) after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax as adjusted for dividend, interest and other charges to expense or income relating to the

dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

3.15 Provisions, contingencies and commitments

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A disclosure for contingent liabilities is made when there is

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognized because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets.

Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract.

3.16 Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instruments. Financial assets other than trade receivables are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Profit and Loss.

Subsequent measurement

Financial assets, other than equity instruments, are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- (a) the entity's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost (except for debt instruments that are designated at fair value through profit or loss on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (except for debt instruments that are designated as at fair value through profit or loss on initial recognition):

- the asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income is recognised in profit or loss for FVTOCI debt instruments. For the purposes of recognising foreign exchange gains and losses, FVTOCI debt

instruments are treated as financial assets measured at amortised cost. Thus, the exchange differences on the amortised cost are recognised in profit or loss and other changes in the fair value of FVTOCI financial assets are recognised in other comprehensive income and accumulated under the heading of 'Reserve for debt instruments through other comprehensive income'. When the investment is disposed of, the cumulative gain or loss previously accumulated in this reserve is reclassified to profit or loss.

All other financial assets are subsequently measured at fair value.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. Interest income is recognised in profit or loss and is included in the "Other income" line item.

Investments in equity instruments at FVTOCI

On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to present the subsequent changes in fair value in other comprehensive income pertaining to investments in equity instruments. This election is not permitted if the equity investment is held for trading. These elected investments are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the 'Reserve for equity instruments through other comprehensive income'. The cumulative gain or loss is not reclassified to profit or loss on disposal of the investments.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably. Dividends recognised in profit or loss are included in the 'Other income' line item.

Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Company irrevocably elects on initial recognition to present subsequent changes in fair value in other comprehensive income for investments in equity instruments which are not held for trading.

Debt instruments that do not meet the amortised cost criteria or FVTOCI criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria or the FVTOCI criteria but are designated as at FVTPL are measured at FVTPL.

A financial asset that meets the amortised cost criteria or debt instruments that meet the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instrument as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'Other income' line item. Dividend on financial assets at FVTPL is recognised when the Company's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.

Impairment of financial assets

- a) The Company recognises a loss allowance for Expected Credit Losses (ECL) on financial assets that are measured at amortised cost and at FVOCI. The credit loss is difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. This is assessed on an individual or collective basis after considering all reasonable and supportable including that which is forward-looking.
- b) The Company's trade receivables or contract revenue receivables do not contain significant financing component and loss allowance on trade receivables is measured at an amount equal to life time expected losses i.e. expected cash shortfall, being simplified approach for recognition of impairment loss allowance.
- c) Under simplified approach, the Company does not track changes in credit risk. Rather it recognizes impairment loss allowance based on the lifetime ECL at each reporting date right from its initial recognition. The Company uses a provision matrix to determine impairment loss allowance on the portfolio of trade receivables.
- d) The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.
- e) For financial assets other than trade receivables, the Company recognises 12-month expected credit losses for all originated or acquired financial assets if at

the reporting date the credit risk of the financial asset has not increased significantly since its initial recognition. The expected credit losses are measured as lifetime expected credit losses if the credit risk on financial asset increases significantly since its initial recognition. If, in a subsequent period, credit quality of the instrument improves such that there is no longer significant increase in credit risks since initial recognition, then the Company reverts to recognizing impairment loss allowance based on 12 months ECL. The impairment losses and reversals are recognised in Statement of Profit and Loss. For equity instruments and financial assets measured at FVTPL, there is no requirement for impairment testing.

Derecognition of financial assets

- a) The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.
- b) On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset.
- c) On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.17 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All Financial liabilities are measured at amortized cost using effective interest method or fair value through profit and loss. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company, and commitments issued by the Company to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either contingent consideration recognised by the Company as an acquirer in a business combination to which Ind AS 103 applies or is held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration recognised by the Company as an acquirer in a business combination to which Ind AS 103 applies, may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and Ind AS 109 permits the entire combined contract to be designated as at FVTPL in accordance with Ind AS 109.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in

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profit or loss incorporates any interest paid on the financial liability and is included in the 'Other income' line item.

However, for non-held-for-trading financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, in which case these effects of changes in credit risk are recognised in profit or loss. The remaining amount of change in the fair value of liability is always recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are reflected immediately in retained earnings and are not subsequently reclassified to profit or loss.

Gains or losses on financial guarantee contracts and loan commitments issued by the Company that are designated by the Company as at fair value through profit or loss are recognised in profit or loss.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'Finance costs' line item.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. An exchange with a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Reclassification of financial assets and liabilities

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change

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Notes to Financial Statements for the year ended 31st March, 2017

in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in the business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassification and the how they are accounted for:

Original Classification	Revised Classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in statement of profit and loss.
FVPTL	Amortised cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVTOCI	Amortised cost	Fair value at reclassification date becomes its new gross carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new gross carrying amount. No other adjustment is required.
FCTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognised in OCI is reclassified to statement of profit and loss at the reclassification date.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.18 Leases

- a) A lease is classified at the inception date as a finance lease or an operating lease. Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

- b) Accounting for arrangements that contains lease

Under Appendix C to Ind AS17, an entity may enter into an arrangement comprising a transaction or a series of related transactions, that do not take the legal form of lease but conveys a right to use an asset in return for a payment or series of payments. Arrangements meeting these criteria should be identified as either operating leases or finance leases.

For determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether:

- (a) fulfilment of the arrangement is dependent on the use of specific asset or assets; and
(b) the arrangement conveys a right to use the asset.

The Company enters into agreements, comprising a transaction or series of related transactions that does not take the legal form of a lease but conveys the right to use the asset in return for a payment or series of payments. In case of such arrangements, the Company applies the requirements of Ind AS 17 – Leases to the lease element of the arrangement. For the purpose of applying the requirements under Ind AS 17 – Leases, payments and other consideration required by the arrangement are separated at the inception of the arrangement into those for lease and those for other elements.

- c) The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments (discounted at the interest rate implicit in the lease or at the entity's incremental borrowing rate). The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Lease payments under an operating lease is generally recognised on a straight-line basis over the term of the relevant lease. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3.19 Service concession arrangements

Under Appendix A to Ind AS 11 – Service Concession Arrangements applies to public-to-private service concession arrangements if:

- a) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; AND
- b) the grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the infrastructure at the end of the term of the arrangement; AND
- c) Is the infrastructure constructed or acquired by the operator from a third party for the purpose of the service arrangement OR is the infrastructure existing infrastructure of the grantor to which the operator is given access for the purpose of the service arrangement?

Infrastructure used in a public-to-private service concession arrangement for its entire useful life (whole of life assets) is within the scope of this Appendix if the conditions in 'a') above are met.

These arrangements are accounted on the basis of below mentioned models depending on the nature of consideration and relevant contract law.

Financial asset model:

The Financial asset model is used when the Company, being an operator, has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. Unconditional contractual right is established when the grantor contractually guarantees to pay the operator:

- (a) specific or determinable amount;
- (b) the shortfall, if any, between amounts received from the users of the public services and specified or determinable amounts.

Intangible asset model:

The intangible asset model is used to the extent that the company, being an operator, receives a right (a license) to charge users of the public service. A right to charge users of a public services is not an unconditional right to receive cash because the amounts are contingent on to the extent that public uses the services. Both type of arrangements may exist within a single contract to the extent that the grantor has given an unconditional guarantee of payment for the construction and the operation i.e. considered as a Financial asset and to the extent that the operator has to rely on the public using the service in order to obtain payment, the operation has an intangible asset. If the Company (being an operator) performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

The Company manages concession arrangements which include power supply from one of its hydro power plant. The Company maintains and services the infrastructure during the concession period. These concession arrangements set out rights and obligations related to the infrastructure and the services to be provided.

The right to consideration gives rise to an intangible asset and financial receivable

and accordingly, both the intangible asset and financial receivable models are applied.

Income from the concession arrangements earned under the intangible asset model consists of the (i) Fair Value of the contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset; and (ii) payments actually received from the users. The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the company, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.

Financial receivable is recorded at a fair value of guaranteed residual value to be received at the end of the concession period. This receivable is subsequently measured at amortised cost.

Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

3.20 Inventories

Cost of inventories includes cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories of stores, spare parts, coal, fuel and loose tools are stated at the lower of weighted average cost and net realizable value. Net realisable value represents the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and estimated costs necessary to make the sale.

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Notes to the financial statements for the year ended 31st March, 2017

Note 4. Property, plant & equipment

(₹ Crore)

Description of Assets	Land - Freehold	Land - Leasehold	Buildings	Plant and Equipment	Office Equipment	Furniture and Fixtures	Vehicles	Total
I. Gross carrying value								
Balance as at 1st April, 2016	77.40	8.77	33.32	7,503.70	3.32	0.27	1.05	7,627.83
Additions	-	-	0.39	4.09	0.20	0.04	2.07	6.79
Balance as at 31st March, 2017	77.40	8.77	33.71	7,507.79	3.52	0.31	3.12	7,634.62
II. Accumulated depreciation and impairment for the year 2016-17								
Balance as at 1st April, 2016	-	0.38	0.37	116.95	1.00	0.02	0.17	118.89
Depreciation expense for the year	-	0.28	0.73	200.65	0.89	0.05	0.43	203.03
Balance as at 31st March, 2017	-	0.66	1.10	317.60	1.89	0.07	0.60	321.92
Net carrying value as at 31st March, 2017	77.40	8.11	32.61	7,190.19	1.63	0.24	2.52	7,312.70

a) Leasehold Land acquired by the Company under various lease arrangements ranging from 10 to 50 years.

b) Transfer of title/deeds in case of freehold and leasehold land in the name of company is in process.

c) Refer note 14 for the details in respect of certain property, plant and equipment hypothecated / mortgaged as security for borrowings.

	Land - Freehold	Land - Leasehold	Buildings	Plant and Equipment	Office Equipment	Furniture and Fixtures	Vehicles	Total
I. Deemed cost								
Balance as at 1st April, 2015	-	-	-	-	-	-	-	-
Addition through Scheme of arrangement (Refer Note 42 (v))	77.40	8.77	33.32	7,503.69	2.67	0.26	1.04	7,627.15
Additions	-	-	-	0.01	0.64	0.01	0.01	0.67
Balance as at 31st March, 2016	77.40	8.77	33.32	7,503.70	3.31	0.27	1.05	7,627.82
II. Accumulated depreciation and impairment for the year 2015-16								
Balance as at 1st April, 2015	-	-	-	-	-	-	-	-
Depreciation expense for the year	-	0.38	0.37	116.95	1.00	0.02	0.17	118.89
Balance as at 31st March, 2016	-	0.37	0.37	116.95	1.00	0.02	0.17	118.89
Net carrying value as at 31st March, 2016	77.40	8.39	32.95	7,386.75	2.31	0.25	0.88	7,508.93

Note 5. Capital work in progress

Capital work in progress & pre operative expenditure during construction period (pending allocation) relating to property, plant & equipment

(₹ Crore)

Balance as at 1st April, 2015	-
Balance as at 31st March, 2016	-
Balance as at 31st March, 2017	0.21
1) Amount transferred to property, plant & equipment during the year ₹ 0.39 crore (31st March 2016 : ₹ NIL)	

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Notes to the financial statements for the year ended 31st March, 2017

Note 6. Intangible assets

(₹ Crore)

Description of Assets	Computer Software	Service Concession Arrangement Intangibles *	Total
I. Gross Carrying Value			
Balance as at 1st April, 2016	-	930.75	930.75
Additions	0.20	0.03	0.23
Balance as at 31st March, 2017	0.20	930.78	930.98
II. Accumulated amortisation and impairment for the year 2015-16			
Balance as at 1st April, 2016	-	19.39	19.39
Amortisation expense for the year	0.02	33.25	33.27
Balance as at 31st March, 2017	0.02	52.64	52.66
Net carrying value as at 31st March, 2017	0.18	878.14	878.32
Net carrying value as at 31st March, 2016	-	911.36	911.36

Description of Assets	Computer Software	Service Concession Arrangement Intangibles*	Total
I. Deemed cost			
Balance as at 1st April, 2015	-	-	-
Addition through Scheme of arrangement (Refer Note 42 (v))	-	930.75	930.75
Additions	-	-	-
Balance as at 31st March, 2016	-	930.75	930.75
II. Accumulated amortisation and impairment for the year 2015-16			
Balance as at 1st April, 2015	-	-	-
Amortisation expense for the year	-	19.39	19.39
Balance as at 31st March, 2016	-	19.39	19.39
Net carrying value as at 31st March, 2016	-	911.36	911.36

*Refer Note 32

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Notes to the financial statements for the year ended 31st March, 2017

Note 7. Other financial assets

(₹ Crore)

Particulars	As at 31st March, 2017			As at 31st March, 2016			As at 1st April, 2015		
	Current	Non-Current	Total	Current	Non-Current	Total	Current	Non-Current	Total
(a) Service concession receivable	-	176.45	176.45	-	161.11	161.11	-	-	-
(b) Security Deposits									
- Unsecured, considered good									
(i) Government/Semi-Government Authorities	-	25.00	25.00	-	25.39	25.39	-	-	-
(ii) Others	-	0.65	0.65	-	0.10	0.10	-	-	-
	-	25.65	25.65	-	25.49	25.49	-	-	-
c) Interest Receivables									
Other interest receivable	0.83	-	0.83	0.83	-	0.83	-	-	-
	0.83	-	0.83	0.83	-	0.83			
d) Other Loans and Advances									
- Unsecured, considered good	-	56.80	56.80	0.50	58.62	59.13	-	-	-
	-	56.80	56.80	0.50	58.62	59.13	-	-	-
e) Other bank balances									
- In margin money accounts	-	1.67	1.67	-	3.13	3.13	-	-	-
	-	1.67	1.67	-	3.13	3.13	-	-	-
	0.83	260.57	261.40	1.33	248.35	249.68	-	-	-

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Notes to the financial statements for the year ended 31st March, 2017

Note 8. Other non-current and current assets

(₹ Crore)

Particulars	As at 31st March, 2017			As at 31st March, 2016			As at 1st April, 2015		
	Current	Non-Current	Total	Current	Non-Current	Total	Current	Non-Current	Total
(a) Prepayments	11.13	-	11.13	13.63	0.01	13.64	0.00	-	0.00
(b) Balance with Government Authority VAT credit receivable	19.81	-	19.81	19.77	-	19.77	-	-	-
(c) Others	0.89	-	0.89	0.66	-	0.66			
	31.83	-	31.83	34.06	0.01	34.07	0.00	-	0.00

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 9. Inventories

(₹ Crore)

Particulars	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Stores and spares	11.99	18.31	-
	11.99	18.31	-

Basis of valuation: Refer note 3.20

Refer Note 14 for Inventories hypothecated as security against certain bank borrowings.

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 10. Trade receivables

(₹ Crore)

Particulars	As at 31st March, 2017			As at 31st March, 2016			As at 1st April, 2015		
	Current	Non-Current	Total	Current	Non-Current	Total	Current	Non-Current	Total
Unsecured, considered good	1,219.90	-	1,219.90	834.24	-	834.24	0.02	-	0.02
	1,219.90	-	1,219.90	834.24	-	834.24	0.02	-	0.02

Refer Note 14 for trade receivables hypothecated as security for borrowings.

Refer Note 30 for credit terms, ageing analysis and other relevant details related to trade receivables.

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 11. Cash and cash equivalents and other bank balances

(₹ Crore)

Particulars	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Cash and cash equivalents			
(a) Balances with banks			
(i) In Current accounts	20.90	0.66	0.04
(ii) In Deposit accounts	26.00	7.20	-
(b) Cash on hand	0.05	0.05	-
	46.95	7.91	0.04

Disclosure on Specified Bank Notes (SBN's)

During the year, the Company had specified bank notes or other denomination note as defined in the MCA notification G.S.R. 308(E) dated March 31, 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December, 30 2016, the denomination wise SBNs and other notes as per the notification is given below:

(In ₹)

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	1,27,500.00	91,019.00	2,18,519.00
(+) Permitted receipts	1,12,000.00	6,09,056.00	7,21,056.00
(-) Permitted payments	-	(3,79,851.00)	(3,79,851.00)
(-) Amount deposited in Banks	(2,39,500.00)	-	(2,39,500.00)
Closing cash in hand as on 30.12.2016	-	3,20,224.00	3,20,224.00

* For the purposes of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the 8th November, 2016.

(₹ Crore)

Particulars	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Bank balances other than above			
(i) Earmarked balances with banks			
- Margin money account	26.60	23.48	-
	26.60	23.48	-

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 12. Equity share capital

(₹ Crore)

Particulars	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
Authorised:						
Equity shares of ₹ 10 each with voting rights	1,25,00,50,000	1,250.05	1,25,00,50,000	1,250.05	50,000	0.05
Issued, Subscribed and Fully Paid:						
Equity shares of ₹ 10 each with voting rights	1,25,00,50,000	1,250.05	1,25,00,50,000	1,250.05	50,000	0.05
	1,25,00,50,000	1,250.05	1,25,00,50,000	1,250.05	50,000	0.05

a) Reconciliation of the number of shares outstanding at the beginning and end of the year:

Particulars	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
	No. of Shares		No. of Shares		No. of Shares	
Balance as at the beginning of the year	1,25,00,50,000		50,000		50,000	
Issued during the year	-		1,25,00,00,000		-	
Balance as at the end of the year	1,25,00,50,000		1,25,00,50,000		50,000	

b) Terms & Rights attached to equity shares :

(i) The Company has only one class of equity shares having a par value of ₹ 10 each. Each holder of equity shares is entitled to one vote per share.

(ii) In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amount, in proportion to the shareholding. However, no such preferential amount exists currently.

c) Details of shareholding more than 5% :

Particulars		No. of Shares		No. of Shares		No. of Shares	
1	JSW Energy Limited & its nominees	1,25,00,50,000		1,25,00,50,000		-	
		100%		100%		-	
2	Jaiprakash Power Venture Limited & its nominees	-		-		49,500	
		-		-		99%	

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 13. Other equity

(₹ Crore)

Particulars	Reserves and Surplus		Items of other comprehensive income	Capital contribution by parent company	Total
	Debenture redemption reserve	Retained earnings	Actuarial gain / (loss)		
Balance as at 1st April, 2016	58.75	(143.86)	0.09	156.14	71.12
Profit for the year 2016-17	-	131.36	-	-	131.36
Transfer to retained earnings	(13.75)	13.75	-	-	-
Other comprehensive income for the year, net of income tax	-	-	(0.68)	-	(0.68)
Total comprehensive income for the year	45.00	1.25	(0.59)	156.14	201.80

(₹ Crore)

Particulars	Reserves and Surplus		Items of other comprehensive income	Capital contribution by parent company	Total
	Debenture redemption reserve	Retained earnings	Actuarial gain / (loss)		
Balance at 1st April, 2015	-	0.00	-	-	0.00
Profit for the year 2015-16	-	(85.11)	-	-	(85.11)
Transfer from retained earnings	58.75	(58.75)	-	-	-
Other comprehensive income for the year, net of income tax	-	-	0.09	-	0.09
Others	-	-	-	156.14	156.14
Total comprehensive income for the year	58.75	(143.86)	0.09	156.14	71.12

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 14. Non-current borrowings

(₹ Crore)

Particulars	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Measured at amortised cost			
Secured Borrowings:			
Term loans			
i From banks	6,604.03	5,258.75	-
ii From financial institution	423.53	253.37	-
	7,027.56	5,512.12	-
Unsecured Borrowings			
Debentures			
i Non-convertible debentures - Holding Company	900.00	2,350.00	-
	900.00	2,350.00	-
	7,927.56	7,862.12	-

(i) Aggregate amount of Installments due for payments within one year ₹ 230.82 crore (as at 31st March, 2016 - ₹ 182.77 crore) have been grouped under "Current maturities of long-term debt" (Refer note 15)

(ii) The secured borrowings are net of amortised cost of ₹ 55.30 crore (as at 31st March, 2016 - ₹ 61.50 crore)

(iii) Terms of Redemptions of Debentures:

9,00,00,000 no. (Previous Year 23,50,00,000 no.) @ 13% unsecured non convertible debentures of Rs. 100 each are redeemable at par at the end of 10 years from the date of issue i.e. 01.09.2015.

iv) Term of Repayment of Rupee Terms Loans :

Particulars	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
From Banks :			
2 - 3 Years	482.02	355.85	-
4 - 5 Years	610.64	435.14	-
6 - 10 Years	1,221.96	1,022.64	-
Above 10 Year	4,341.37	3,502.90	-
Total Borrowings from Banks	6,655.99	5,316.53	-
From Financial Institutions :			
2 - 3 Years	30.93	17.45	-
4 - 5 Years	39.16	21.09	-
6 - 10 Years	78.34	49.31	-
Above 10 Year	278.44	169.24	-
Total Borrowings from Financial Institutions	426.87	257.09	-

(v) Details of Security :

Rupee Term Loan aggregating to ₹ 7,258.38 crore (Previous Year ₹ 5,694.89 crore) included in A are secured on a pari passu basis by (a) a first charge on all immovable assets of the Karcham Wangtoo and Baspa II hydro electric plant of the Company (the Projects), (b) a first charge on all moveable assets of the Projects, (c) a first charge on all project related documents licenses, permits, approvals, rights, titles, interest etc pertaining to the Projects, and (d) first charge on book debts, operating cash flows, receivable, commissions & revenue (both present & future) and bank accounts of the Projects.

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 15. Other financial liabilities

(₹ Crore)

Particulars	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Non-Current			
Deposits received from Dealers	0.01	0.13	-
	0.01	0.13	-
Current			
(a) Current maturities of long-term debt *	230.82	182.77	-
(b) Interest accrued but not due on borrowings	0.01	0.12	-
(c) Other liabilities	79.57	88.59	-
	310.40	271.48	-
	310.41	271.61	-

* Refer Note 14 for the details of borrowings repayment terms and security charge.

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 16. Provisions

(₹ Crore)

Particulars	As at 31st March, 2017			As at 31st March, 2016			As at 1st April, 2015		
	Current	Non-Current	Total	Current	Non-Current	Total	Current	Non-Current	Total
Provision for employee benefits	0.89	3.06	3.95	1.07	2.19	3.26	-	-	-
	0.89	3.06	3.95	1.07	2.19	3.26	-	-	-

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 17. Current borrowings

(₹ Crore)

Particulars	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Secured Borrowings			
Loans repayable on demand			
From Banks			
Cash Credit	-	30.02	-
	-	30.02	-
	-	30.02	-

Details of Security:

Working Capital Loan ₹ NIL (Previous Year ₹ 30.02 crore) are secured on a pari passu basis by (a) a first charge on all immovable assets of the Karcham Wangtoo hydro electric plant of the Company (the Project), (b) a first charge on all moveable assets of the Project, (c) a first charge on all project related documents licenses, permits, approvals, rights, titles, interest etc pertaining to the Project, and (d) first charge on book debts, operating cash flows, receivable, commissions & revenue (both present & future) and bank accounts of the Project.

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 18. Trade payables

(₹ Crore)

Particulars	As at 31st March, 2017			As at 31st March, 2016			As at 1st April, 2015		
	Current	Non-Current	Total	Current	Non-Current	Total	Current	Non-Current	Total
Trade Payables	69.55	-	69.55	45.81	-	45.81	0.00	-	0.00
Total trade payables	69.55	-	69.55	45.81	-	45.81	0.00	-	0.00

Refer Note 44 for disclosure under Micro, Small and Medium Enterprises Development Act.

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 19. Other non-current and current liabilities

(₹ Crore)

Particulars	As at 31st March, 2017			As at 31st March, 2016			As at 1st April, 2015		
	Current	Non-Current	Total	Current	Non-Current	Total	Current	Non-Current	Total
(a) Advances received from customers	★ 0.00	-	★ 0.00	-	-	-	-	-	-
(b) Employee recoveries and employer contributions	0.24	-	0.24	0.20	-	0.20	-	-	-
(c) Statutory dues	11.92	-	11.92	7.70	-	7.70	-	-	-
(d) Others	0.22	-	0.22	-	-	-	-	-	-
	12.38	-	12.38	7.90	-	7.90	-	-	-

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 20. Revenue from operations

(₹ Crore)

Particulars	For the year ended 31st March, 2017	For the year ended 31st March, 2016
(a) Sale of power	1,438.18	601.47
Less :		
(i) Cash Discount /Rebate	(7.49)	(0.69)
(ii) Provision for trueing up of capacity & energy charges	-	(24.21)
(b) Income from service concession arrangement	21.20	13.50
	1,451.89	590.07

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 21. Other income

(₹ Crore)

Particulars	For the year ended 31st March, 2017	For the year ended 31st March, 2016
a) Interest Income		
i On Bank deposits	2.14	4.13
ii On other financial assets	9.96	0.00
b) Others		
i Net Gain on sale of investments	14.71	0.11
ii Domestic Scrap Sales	0.53	-
iii Insurance Claim	0.01	-
iv Miscellaneous income	2.13	0.53
	29.48	4.77

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 22. Employee benefits expense

(₹ Crore)

Particulars	For the year ended 31st March, 2017	For the year ended 31st March, 2016
(a) Salaries and wages *	36.35	17.32
(b) Contribution to provident and other funds *	1.28	0.63
(c) Staff welfare expenses	2.53	1.03
	40.16	18.98

* Refer note 37 for the details of defined benefit plan and defined contribution plan of the Company.

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 23. Finance costs

(₹ Crore)

Particulars	For the year ended 31st March, 2017	For the year ended 31st March, 2016
(a) Interest expense	887.03	550.48
(b) Other borrowing costs	7.74	3.18
	894.77	553.66

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 24. Depreciation and amortisation expense

(₹ Crore)

Particulars	For the year ended 31st March, 2017	For the year ended 31st March, 2016
(a) Depreciation on property, plant and equipment	203.03	118.89
(b) Amortization on Intangible assets	33.27	19.39
	236.30	138.28

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 25. Other expenses

(₹ Crore)

Particulars	For the year ended 31st March, 2017	For the year ended 31st March, 2016
(a) Stores and spares consumed	14.63	12.40
(b) Power & Water	6.02	4.06
(c) Rent including lease rentals	4.55	1.68
(d) Repairs and maintenance	18.35	10.59
(e) Royalty	0.02	0.02
(f) Rates and taxes	0.40	0.04
(g) Insurance charges	20.20	10.87
(h) Net loss / (gain) on foreign currency transactions net off Derivative gain/loss (other than considered as finance costs)	0.01	0.00
(i) Legal and other professional costs	2.29	1.94
(j) Open Access Charges	61.66	17.12
(k) Other General Expenses	7.47	2.52
	135.60	61.24

Himachal Baspa Power Company Limited

Notes to the financial statements for the year ended 31st March, 2017

Note 26. Tax expense

(₹ Crore)

Particulars	For the year ended 31st March, 2017	For the year ended 31st March, 2016
a) Current Tax	36.11	33.50
b) Deferred Tax	7.07	24.29
	43.18	57.79

Refer Note 34

Note 27. Critical accounting judgements and key sources of estimation uncertainty

In the course of applying the policies outlined in all notes under section 3 above, the Company is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period, if the revision affects current and future periods.

Critical judgements in applying accounting policies

Service concession arrangements

The management have assessed applicability of Appendix A of Ind AS 11: Service Concession Arrangements with respect to its power plant and transmission assets portfolio. In assessing the applicability, they have exercised significant judgment in relation to the underlying ownership of the assets, terms of implementation agreements and power purchase agreements entered with the grantor, ability to determine prices, useful lives of the assets, assessment of right to guaranteed cash etc. Based on detailed evaluation, the management have determined that arrangement in relation to the Company's Baspa power plant (300 MW) meets the criterion for recognition as service concession arrangements.

Revenue recognition

During the quarter, the Company has received the order of CERC, determining the tariff of Karcham Wangtoo Plant and accordingly the Company has recognised revenue from sale of power under the respective power purchase agreements.

Key sources of estimation uncertainties

Useful lives and residual value of property, plant and equipment

Management reviews the useful lives and residual values of property, plant and equipment at least once a year. Such lives are dependent upon an assessment of both the technical lives of the assets and also their likely economic lives based on various internal and external factors including relative efficiency and operating costs. Accordingly, depreciable lives are reviewed annually using the best information available to the Management.

Impairment of property plant and equipment

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the

recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on anticipated commodity prices, market demand and supply, economic and regulatory environment, discount rates and other factors. Any subsequent changes to cash flow due to changes in the above mentioned factors could impact the carrying value of assets.

Contingencies

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company. Potential liabilities that are possible but not probable of crystallising or are very difficult to quantify reliably are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not recognised.

Fair value measurements

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The management determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Defined benefit plans

The cost of defined benefit plan and other post-employment benefits and the present value of such obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual development in the future. These include the determination of the discount rate, future salary escalations and mortality rates etc. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Shared based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. This requires a reassessment of the estimates used at the end of each reporting period.

HIMACHAL BASPA POWER COMPANY LIMITED
Notes to Financial Statements for the year ended 31st March, 2017

Tax

The Company is subject to tax, principally in India. The amount of tax payable in respect of any period is dependent upon the interpretation of the relevant tax rules. Whilst an assessment must be made of deferred tax position of the entity, these matters are inherently uncertain until the position of the entity is agreed with the relevant tax authorities.

Note 28.

The Company is yet to receive balance confirmations in respect to certain financial assets and liabilities. The management does not expect any material difference affecting to current year's financial statements due to the same.

Note 29. Financial Instruments: Classifications and fair value measurements

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required):

Except as detailed in the following table, the management consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values

(₹ crore)

As at 31 st March, 2017	Carrying amount	Fair value	Level 1	Level 2	Level 3
<u>Financial assets</u>					
Financial assets carried at amortised cost					
Loans & advances	-	-	-	-	-
Ancillary Borrowing cost	56.80	56.80			
Security deposits	25.65	25.65	-	-	25.65
Trade receivables	1,219.90	1,219.90	-	-	-
Receivables-Service concession agreement	176.45	176.45	-	-	-
Other Receivables	0.83	0.83	-	-	-
Cash and cash equivalents	75.22	75.22	-	-	-
	1,554.85	1,554.85	-	-	25.65
Total Financial assets	1,554.85	1,554.85	-	-	25.65
<u>Financial liabilities</u>					
Financial Liabilities carried at amortised cost					
Borrowings	8,158.38	8,283.87	-	-	8,283.87
Rent and Other Deposits	0.01	0.01	-	-	-
Trade Payables	69.55	69.55	-	-	-
Creditors Capex	79.57	79.57	-	-	-
Interest accrued but not due on borrowings	0.01	0.01	-	-	-
	8,307.52	8,433.01	-	-	8,283.87
Total Financial liabilities	8,307.52	8,433.01	-	-	8,283.87

HIMACHAL BASPA POWER COMPANY LIMITED
Notes to Financial Statements for the year ended 31st March, 2017

(₹ crore)

As at 31 st March, 2016	Carrying amount	Fair value	Level 1	Level 2	Level 3
<u>Financial assets</u>					
Financial assets carried at amortised cost					
Loans & advances	0.50	0.50	-	-	-
Ancillary Borrowing cost	58.62	58.62			
Security deposits	25.49	25.49	-	-	25.49
Trade receivables	834.24	834.24	-	-	-
Receivables-Service concession agreement	161.11	161.11	-	-	-
Other Receivables	0.83	0.83	-	-	-
Cash and cash equivalents	34.52	34.52	-	-	-
	1,115.31	1,115.31	-	-	25.49
Total Financial assets	1,115.31	1,115.31	-	-	25.49
<u>Financial liabilities</u>					
Financial Liabilities carried at amortised cost					
Borrowings	8,074.91	8,394.80	-	-	8,394.80
Rent and Other Deposits	0.13	0.13	-	-	-
Trade Payables	45.81	45.81	-	-	-
Creditors Capex	88.59	88.59	-	-	-
Interest accrued but not due on borrowings	0.12	0.12	-	-	-
	8,209.56	8,529.45	-	-	8,394.80
Total Financial liabilities	8,209.56	8,529.45	-	-	8,394.80

Capital management

The Company being in a capital intensive industry, its objective is to maintain a strong credit rating healthy capital ratios and establish a capital structure that would maximise the return to stakeholders through optimum mix of debt and equity.

The Company's capital requirement is mainly to fund repayment of principal and interest on its borrowings. The principal source of funding of the Company has been, and is expected to continue to be, cash generated from its operations supplemented by funding from bank borrowings and the capital markets. The Company is not subject to any externally imposed capital requirements.

The Company regularly considers other financing and refinancing opportunities to diversify its debt profile, reduce interest cost and align maturity profile of its debt commensurate with life of the asset and closely monitors its judicious allocation amongst competing capital expansion projects and strategic acquisitions, to capture market opportunities at minimum risk.

Gearing ratio

The Company monitors its capital using gearing ratio, which is net debt divided to total equity as given below:

HIMACHAL BASPA POWER COMPANY LIMITED
Notes to Financial Statements for the year ended 31st March, 2017

(₹ crore)

Particulars	As at 31 st March, 2017	As at 31 st March, 2016	As at 1 st April, 2015
Debt (i)	7,258.38	5,694.89	-
Cash and bank balances (including cash and bank balances in a disposal group held for sale)	75.22	34.51	0.04
Net debt	7,183.16	5,660.38	(0.04)
Total equity (ii)	2,351.85	3,671.17	0.05
Net debt to equity ratio	3.05	1.54	(0.76)

- (i) Debt is defined as long-term and short-term borrowings (excluding derivative and contingent consideration)
- (ii) Non-convertible debentures held by Holding company considered as quasi equity.

Financial risk management objectives

The Company's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Foreign currency risk management

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts and currency options.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are **NIL**.

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and foreign currency required at the settlement date of certain receivables/payables. The use of foreign currency forward contracts is governed by the Company's strategy approved by the board of directors, which provide principles on the use of such forward contracts consistent with the Company's risk management policy.

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The Forward exchange contracts entered into by the Company and outstanding are **NIL**.

Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The following table provides a break-up of the Company's fixed and floating rate borrowings:

Particulars	(₹ crore)		
	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Fixed rate borrowings	900.00	2,350.00	-
Floating rate borrowings	7,258.38	5,694.89	-
Total borrowings	8,158.38	8,044.89	-

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit (PBT) for the year ended 31st March, 2017 would decrease/increase by Rs. 26.78 crore (for the year ended 31st March, 2016: decrease/increase by Rs. 5.07 crore). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

In addition, the Company is exposed to credit risk in relation to financial guarantees given to banks provided by the Company. The Company's maximum exposure in this respect is the maximum amount the Company could have to pay if the guarantee is called on. No amount has been recognised in the financial position as financial liabilities

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-term, medium-term and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below provides details regarding the remaining contractual maturities of financial liabilities as at reporting date

(₹ crore)

As at 31st March, 2017				
Particulars	< 1 year	1-5 years	> 5 years	Total
<u>Non-current liabilities</u>				
Long term borrowings	-	1,141.86	6,785.70	7,927.56
<u>Other long-term liabilities</u>				
Rent and other Deposits	-	0.01	-	0.01
Total Non-Current Liabilities	-	1,141.87	6,785.70	7,927.57
<u>Current Liabilities</u>				
Trade and other payables and acceptances:				
Trade payables - Other than acceptances	69.55	-	-	69.55
<u>Other current financial liabilities:</u>				
Current maturities of long-term debt	230.82	-	-	230.82
Creditors Capex	79.57	-	-	79.57
Interest accrued but not due on borrowings	0.01	-	-	0.01
Total current liabilities	379.95	-	-	379.95
Total Financial Liabilities	379.95	1,141.87	6785.70	8,307.52
<u>Non-current assets</u>				
<u>Long term loans and advances</u>				
Security deposits	-	0.65	25.00	25.65
Ancillary Borrowing cost	-	56.80	-	56.80
Service concession – arrangements	-	-	176.45	176.45
Other advances	-	1.67	-	1.67
Total Non-current Assets	-	59.12	201.45	260.57
<u>Current assets</u>				
Other assets	0.83	-	-	0.83
Trade receivables	1,219.90	-	-	1,219.90
Cash and cash equivalents	46.95	-	-	46.95
Bank Balances other than above	26.60	-	-	26.60
Total current assets	1,294.28	-	-	1,294.28
Total Financial Assets	1,294.28	59.12	201.45	1,554.85

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The Company has hypothecated part of its trade receivables, loans, short term investments and cash and cash equivalents in order to fulfil certain collateral requirements for the banking facilities extended to the Company. There is obligation to release the hypothecation on these securities to the Company once these banking facilities are surrendered. (Refer Note 14)

Power offtake risk management

With supply outpacing demand in the medium term, merchant tariffs have been under constant pressure, posing a severe challenge to the off take of merchant power. With the DISCOMS adhering to strict fiscal discipline there has been deferment of power procurement, resulting in reduced demand for power. The Company's focus is on enhancing the sale through long term PPAs and through captive route and ensuring an optimum mix of medium, short and long term arrangements. Further, the Company is tracking various opportunities for sale of power to utilities in the home states as well as others.

Note 30. Trade receivables

The average credit period on sales of power is 61 /30 days for Karcham Wangtoo HEP and Baspa II HEP respectively.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Age of receivables (net of provision):

(₹ crore)			
Particulars	As at 31 st March, 2017	As at 31 st March, 2016	As at 1 st April, 2015
Within the credit period	144.54	138.21	0.02
1-30 days past due	63.82	63.66	-
31-60 days past due	66.52	61.73	-
61-90 days past due	62.30	65.76	-
91-180 days past due	256.25	210.43	-
181-365 days past due	272.40	91.44	-
More than one year			
>1 year to 2 years	250.19	199.06	-
More than 2 years to 3 years	164.68	-	-
More than 3 years	25.32	3.95	-
Less: Impact of CERC order	(86.12)	-	-
Total	1,219.90	834.24	0.02

Note 31. Revenue recognition

a) Revenue from sale of power w.r.t Baspa II, is accounted for on the basis of billing to Himachal Pradesh State Electricity Board Limited (HPSEBL) as per Tariff approved by Himachal Pradesh Electricity Regulatory Commission (HPERC) in accordance with the provisions of the Long Term Power Purchase Agreement (LTPPA) dated 4th June, 1997, Amendment No. 1 dated 7th January, 1998, executed between the company and HPSEBL.

b) In case of Karcham Wangtoo Plant, revenue from sale of power is accounted as under:

- For the financial year 2015-16, LTPPA sales were accounted for on the basis of invoices billed to procurer in accordance with the tariff petition filed with CERC. Pending receipt of the final Order from CERC, the procurer has been acknowledging the dues as per invoices and settling payments against the same on the basis of mutually agreed rate with the difference to be settled on receipt of the final tariff Order.
- During the financial year 2016-17, CERC Order dated 30th March, 2017 was received by the Company and accordingly, LTPPA sales has been accounted as per the said Order. Besides, the Group is examining the actions to be taken against the said Order.

Sale of power under Short Term and Medium Term Power Purchase Agreements (PPA) and through the Power Exchange is accounted for on the basis of billing to various buyers under the terms of the PPA and terms of sale on the Power Exchanges.

Note 32. Service concession arrangement

The Company has entered into an arrangement with Himachal Pradesh State Electricity Board ("HPSEB" or "the Board") in relation to its 300 MW Baspa Hydro Power Plant ("Baspa Power Plant") to provide power supply on the following basis:

- 12% of the Baspa Power Plant capacity to be provided free of cost to HPSEB.
- Balance 88 % of the Baspa Power Plant capacity at the tariff which consists of capacity charges, primary energy charges, incentive of secondary energy, incentive in case plant availability is greater than 90%

The term of the arrangement is for 40 years, further extendable by 20 years. In case HPSEB grants the Company further extension of 20 years, it shall have the right to continue purchasing power from the projects on the same terms of conditions. The Board has the option to purchase the Project at the end of the term of the Agreement at the buyout price determined in terms of Schedule II to the Agreement. Clause 3(a) of Schedule II to the Agreement provides that the Board shall purchase all the assets of the Baspa Power Plant including land, buildings, civil structures, plant and equipment, spare parts, records and drawings except for cash and bank balances.

Based on the aforesaid tariff structure, the right to consideration gives rise to an intangible asset and financial receivable and accordingly, both the intangible asset and financial receivable models are applied.

On the acquisition date, the hydro business reclassified PP&E of ₹1,366.56 crore and advance against depreciation of ₹236.23 crore at the existing carrying value to

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the financial asset of ₹199.58 crore and intangible asset of ₹930.75 crore. In respect of capital expenditure incurred during financial year 2015-2016, the hydro business has derecognized the PP&E and recognized financial assets and intangible assets in line with the accounting policy on SCA.

The depreciation of ₹28.92 crore on PP&E under previous GAAP has been reversed as the financial assets and intangible assets are recognized under Ind AS. Further the amortization of ₹19.39 crore on intangible assets have been provided and the financial assets are carried at amortised cost by accretion of interest income of ₹13.50 crore at effective interest rate and reversal of revenue from sale of power of ₹48.89 crore during the year ended 31st March, 2016.

Note 33. Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated balance sheet:

(₹ crore)

Particulars	As at 31 st March, 2017	As at 31 st March, 2016	As at 1 st April, 2015
Deferred tax assets	381.89	425.34	-
Deferred tax liabilities	(445.56)	(476.92)	-
Less: Recoverable in future tariff	32.31	27.29	-
	(31.36)	(24.29)	-

Deductible temporary differences and unused tax losses recognised are attributable to the following:

(₹ crore)

Particulars	As at 31 st March, 2017	As at 31 st March, 2016	As at 1 st April, 2015
--Plant, Property & Equipment	361.16	402.42	-
--Intangible Assets	(425.57)	(454.29)	-
--Borrowing Cost	20.73	22.92	-
--Borrowings	(19.99)	(22.63)	-
Less: Recoverable in future tariff	32.31	27.29	-
Deferred Tax	(31.36)	(24.29)	-

Note 34. Income tax

The income tax expense for the year can be reconciled to the accounting profit as follows:

(₹ crore)

Particulars	For the Year ended 31 st March, 2017	For the Year ended 31 st March, 2016
Profit before tax	174.54	(27.32)
Enacted tax rate (%)	34.608	34.608
Income tax expense	60.41	(9.46)
Tax effect due to tax holiday	(17.08)	-
Effect of non-deductible expenses	-	55.09
Effect of tax payable under MAT	5.14	39.45
Others	(0.27)	-
Less: Recoverable in future tariff	(5.02)	(27.29)
Income tax expense recognised in Statement of Profit and Loss	43.18	57.79

Note 35. Operating segment

The Chairman of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators, however the Company is primarily engaged in only one segment viz., "Generation and Sale of power" and that most of the operations are in India. Hence the Company does not have any reportable Segments as per Indian Accounting Standard 108 "Operating Segments".

Note 36. Earnings per share

Particulars	For the Year ended 31 st March, 2017	For the Year ended 31 st March, 2016
Profit for the year (₹ crore) - (A)	131.36	(85.11)
Weighted average number of equity shares for basic & diluted EPS (net of treasury shares) - (B)	1,25,00,05,000	72,92,16,667
Earnings Per Share – Basic and Diluted (₹) - (A/B)	1.05	(1.17)
Nominal value of an equity share (₹)	10	10

Note 37. Employee benefit plans

Defined contribution plans – Provident fund:

The Company has certain defined contribution plans in which both employee and employer contribute monthly, at the rate of 12% of basic salary, as per regulations to provident fund set up as trust and to the respective regional provident fund commissioner. The Company which contributes to the provident fund set up as a trust are liable for future provident fund benefits to the extent of its annual contribution and any shortfall in fund assets based on government specified minimum rates of return relating to current period service and recognises such contributions and shortfall, if any, as an expense for the year incurred.

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Defined benefits plans - Gratuity:

The Company provides for gratuity for employees as per the Payment of Gratuity Act, 1972. The amount of gratuity shall be payable to an employee on the termination of his employment after he has rendered continuous service for not less than five years, or on their superannuation or resignation. However, in case of death of an employee, the minimum period of five years shall not be required. The amount of gratuity payable on retirement / termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied by the number of years' service completed. The gratuity plan is a funded plan administered by a separate Fund that is legally separated from the entity and the Company makes contributions to the insurer (LIC). The Company does not fully fund the liability and maintains a target level of funding to be maintained over period of time based on estimations of expected gratuity payments.

The Company has a policy on compensated absences with provisions on accumulation and encashment by the employees during employment or on separation from the Company due to death, retirement or resignation. The expected cost of compensated absences is determined by actuarial valuation performed by an independent actuary at the balance sheet date using projected unit credit method.

The plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to market yields at the end of the reporting period on government bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities and debt instruments.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at 31st March, 2017 by M/S K A Pandit, Consultants & Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Changes in the present value of the defined benefit obligation are, as follows :

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(₹ crore)

Defined benefit obligation as at 1st April, 2015	-
Interest cost	0.07
Current service cost	0.14
on acquisition of hydro project	1.60
Benefits paid	-
Actuarial (Gains)/Loss	(0.09)
Defined benefit obligation as at 31 March, 2016	1.72
Interest cost	0.14
Current service cost	0.28
Benefits paid	(0.12)
Actuarial (Gains)/Loss	0.88
Defined benefit obligation as at 31 March, 2017	2.90

Changes in the defined benefit obligation and fair value of plan assets as at 31st March, 2017

(₹ crore)

Particulars		Defined Benefit Obligation	Fair Value of Plan assets	Benefit Liability
Gratuity cost charged to profit or loss	Opening Balance as on 1st April, 2016	1.72	-	1.72
	Current Service cost	0.14	-	0.14
	Net interest expense	0.28	-	0.28
	Sub-total included in profit or loss	0.42	-	0.42
Re-measurement gains / (losses) in other comprehensive income	Benefits paid	(0.12)	-	(0.12)
	Return on plan assets (excluding amounts included in net interest expense)		-	-
	Actuarial changes arising from changes in demographic assumptions		-	-
	Actuarial changes arising from changes in financial assumptions	0.18	-	0.18
	Experience adjustments	0.70	-	0.70
	Sub-total included in OCI	0.76	-	0.76
	Contributions by employer	-	-	-
	Closing Balance as on 31st March, 2017	2.90	-	2.90

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Changes in the defined benefit obligation and fair value of plan assets as at 31st March, 2016

(₹ crore)

Particulars		Defined Benefit Obligation	Fair Value of Plan assets	Benefit Liability
Gratuity cost charged to profit or loss	Opening Balance as on 1st April, 2015	-	-	-
	On acquisition of hydro project	1.60	-	1.60
	Current Service cost	0.14	-	0.14
	Net interest expense	0.07	-	0.07
	Sub-total included in profit or loss	1.81	-	1.81
Re-measurement gains/(losses) in other comprehensive income	Benefits paid	-	-	-
	Return on plan assets (excluding amounts included in net interest expense)	-	-	-
	Actuarial changes arising from changes in demographic assumptions	-	-	-
	Actuarial changes arising from changes in financial assumptions	0.09	-	0.09
	Experience adjustments	(0.18)	-	(0.18)
	Sub-total included in OCI	(0.09)	-	(0.09)
	Contributions by employer	-	-	-
	Closing Balance as on 31st March, 2016	1.72	-	1.72

The major categories of plan assets of the fair value of the total plan assets are as follows:

	As at 31 st March, 2017	As at 31 st March, 2016	As at 1 st April, 2015
Insurer Managed Funds	100%	100%	-

The principal assumptions used in determining gratuity for the Company's plans are shown below:

Particulars	As at 31 st March, 2017	As at 31 st March, 2016	As at 1 st April, 2015
Discount rate:	7.96%	8.00%	-
Future salary increases:	6%	5%	-
Rate of Employee Turnover	2%	2, 3 & 5%	-
Mortality Rate During Employment	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)	

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A sensitivity of the defined benefit obligation to changes in the weighted key assumptions are:

Particulars	As at 31st March, 2017	As at 31st March, 2016
Delta Effect of +1% Change in Rate of Discounting	(0.26)	(0.16)
Delta Effect of -1% Change in Rate of Discounting	0.30	0.19
Delta Effect of +1% Change in Rate of Salary Increase	0.30	0.19
Delta Effect of -1% Change in Rate of Salary Increase	(0.26)	(0.16)
Delta Effect of +1% Change in Rate of Employee Turnover	0.02	0.02
Delta Effect of -1% Change in Rate of Employee Turnover	(0.03)	(0.03)

The following are the maturity analysis of projected benefit obligations:

(₹ crore)

	As at 31st March, 2017	As at 31st March, 2016
Within the next 12 months (next annual reporting period)	0.14	0.08
Between 2 and 5 years	0.79	0.43
Between 5 and 10 years	1.25	0.82
Total expected payments	2.18	1.33

Note 38. Employee share based payment plan

- a) The Company has the share option plan schemes for permanent employees of the Company in the identified grades of employees for respective plans / schemes including any director except promoter or independent directors, nominee directors and non-executive directors or a director who either himself or through relatives or through anybody directly or indirectly holds more than 10% of the outstanding equity shares of the parent Company.

For Normal Options - 'JSWEL EMPLOYEES STOCK OWNERSHIP PLAN - 2016' (ESOP Plan)

- b) The award value shall be determined as percentage of Total Fixed Pay. The grant shall be at such price as may be determined by the ESOP Committee and shall be specified in the Grant letter. The option shall not be transferable and can be exercised only by the employees of the Company.
- c) The number of options to be granted to each eligible employees is determined by dividing the Award Value (amount equivalent to percentage of Annual Fix Pay) by the Fair Value of option provided. The Fair Value of option on the date of each grant is determined by using Black Scholes model.

The following table illustrates the number movements in share option during the year:

JSWEL EMPLOYEES STOCK OWNERSHIP PLAN – 2012 (Grant Date: 3rd May, 2016)

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Particulars	As at 31 st March, 2017	As at 31 st March, 2016
Opening balance	-	-
Granted during the year	82,145	-
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Closing balance	82,145	-
Exercisable options	82,145	-
The method of settlement for above grants are as below:		
Particulars	Grant Date: 3 rd May, 2016	
Vesting Period	3/4 Years	
Method of Settlement	Equity	
Exercise Price (₹)	53.68	
Fair Value (₹)	30.78	
Dividend yield (%)	20.00%	
Expected volatility (%)	46.32%/44.03%	
Risk-free interest rate (%)	7.40%/7.47%	
Expected life of share options / SARs	5/6 Years	
Weighted average share price (INR)	53.68	
Pricing formula	Exercise Price determined at ₹ 53.68 (Rupees Fifty Three and Sixty Eight paise only) per share, was at a discount of 20% to the closing market price of Parent Company's share i.e. ₹ 67.10/- at the close of 2nd May, 2016 at Exchange having highest trading volume.	
Expected option Life	The expected option life is assumed to be mid-way between the option vesting and expiry. Since the vesting period and contractual term of each tranche is different, the expected life for each tranche will be different. The Expected option life is calculated as (Year to Vesting + Contractual Option term) /2.	
How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and	The following factors have been considered: (a) Share price (b) Exercise prices (c) Historical volatility (d) Expected option life (e) Dividend Yield	
Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.		
Model used	Black-Scholes Method	

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The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Note 39. Operating Lease

The Company, as a lessee, has entered into operating leases on certain immovable properties (Shimla office and 3 no. guest houses), with lease terms of 3 years. The Company has the option to lease the assets for additional terms as mutually agreed. The Company has paid INR 37.36 lakh (31 March 2016: INR 9.32 lakh) during the year towards minimum lease payment.

Future minimum rentals payable under non-cancellable operating leases as follows:

(₹ crore)

Particulars	As at 31 st March, 2017	As at 31 st March, 2016	As at 1 st April, 2015
Within one year	0.40	0.37	-
After one year but not more than five years	0.31	0.71	-
More than five years	-	-	-
Total	0.71	1.09	-

Note 40. Commitments

(₹ crore)

Particulars	As at 31 st March, 2017	As at 31 st March, 2016	As at 1 st April, 2015
Estimated amount of Capital contracts remaining to be executed to the extent not provided for (net of advances)	-	0.19	-
		0.19	

Note 41. Contingent liabilities

(₹ crore)

Particulars	As at 31 st March, 2017	As at 31 st March, 2016	As at 1 st April, 2015
(a) Claims against the Company not acknowledged as debt (recoverable from others)*	127.84	127.84	-
(b) Other claims not acknowledged as debt	0.07	-	-
	127.91	127.84	

* Himachal Pradesh State Electricity Board Limited (HPSEBL) has raised a claim on the Jaiprakash Power Ventures Limited (JPVL) vide its letter dated 6.11.2012 towards expenditure incurred for survey & investigation work of Baspa II HEP (300 MW) amounting to Rs. 127.84 crore. Pursuant to this an application was moved before the Hon'ble High Court to restrain the respondent Board (HPSEBL) from

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recovering the claimed amount from the energy bills of petitioner company. The Hon'ble court has accepted the plea and directed the Company to deposit ₹25 crores as security, which the company has complied with and disclosed under Long term loans and advances. Any future claims raised on this account are fully secured against the specific indemnity issued by Jaiprakash Power Ventures Limited (JPVL) in favour of the company.

Note 42. Related party disclosure

A)	List of Related Parties
	Related parties with whom the Company has entered into transactions during the year:
I	Holding Company
1	JSW Energy Ltd.
II	Enterprises over which key management personnel and relatives of such personnel exercise significant influence
1	JSW Steel Limited
2	Jindal Vidya Mandir
3	JSW IP Holdings Private Limited
4	Jindal Stainless Steelway Ltd.
5	Jaiprakash Power Ventures Limited(JPVL) (Up to 7 th September 2015) *
III	Joint Venture / Associates
1	JSW Power Trading Co. Ltd.
IV	Key Managerial Personnel
1	Mr. Sanjay Sagar – Chairman
2	Mr. Girish Deshpande – Director
3	Mr. Pramod Menon – Director (Up to 31st January, 2017)
4	Mr. Praveen Bhansali - Chief Financial Officer (Up to 13th January, 2017)
5	Mr. Rakesh Punamiya - Company Secretary
6	Ms. Sheila Sangwan
7	Mr. Rakesh Nath

(₹ crore)

A	Transaction during the year	Current Year	Previous Year
1	Sale of power /Material		
	JSW Power Trading Company Limited	463.38	139.55
2	Interest received on overdue receivables		
	JSW Power Trading Company Limited	-	0.12
3	Interest on Debentures		
	JSW Energy Limited	163.60	26.64
4	Rebate on Sale of power		
	JSW Power Trading Company Limited	2.52	

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5	Purchase of Fuel / Goods		
	JSW Steel Limited	0.01	
	Jindal Stainless steelway LTD	0.01	
6	Advertisement/Sponsorship/Branding expense		
	JSW IP Holdings Private Limited	1.72	
7	Security Deposit paid/(refund)		
	JSW IP Holdings Private Limited	0.07	
8	Reimbursement received from / (paid to) {net}:		
	JSW Energy Limited	(0.45)	(0.15)
	JSW Power Trading Company Limited	(9.84)	(3.94)
	Jindal Vidya Mandir	(0.31)	-
9	Issue of non-convertible debentures:		
	JSW Energy Limited	340.00	-
	Jaiprakash Power Ventures Limited	-	2,500.00
10	Redemption of non-convertible debentures:		
	JSW Energy Limited	1,790.00	150.00
11	Investment of equity share capital		
	Jaiprakash Power Ventures Limited	-	1,250.00
12	Security & collateral provided by		
	JSW Energy Limited	-	375.01

(₹ crore)

B	Closing Balances	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
1	Trade (Payables) / Receivables			
	JSW Energy Limited	0.01	(0.05)	
	JSW Power Trading Company Limited	361.84	154.18	
2	Deposit With			
	JSW IP Holdings Private Limited	0.07	-	-
3	Non-Convertible Debentures			
	JSW Energy Limited	900.00	2,350.00	
4	Equity Share Capital			
	JSW Energy Limited	1,250.05	1,250.05	
	Jaiprakash Power Ventures Limited	-	-	0.05
5	Loan and Advances			
	JSW IP Holdings Private Limited	1.06	-	-
6	Security & Collateral Provided by			
	JSW Energy Limited	-	375.01	

HIMACHAL BASPA POWER COMPANY LIMITED
Notes to Financial Statements for the year ended 31st March, 2017

Note:

- i) No amounts in respect of related parties have been written off / written back during the year, nor has any provision been made for doubtful debts / receivables during the year, except as discussed above
- ii) Related party relationships have been identified by the management and relied upon by the Auditors
- iii) Related party transactions have been disclosed on basis of value of transactions in terms of the respective contracts.
- iv) Terms and conditions of sales and purchases: the sales and purchases transactions among the related parties are in the ordinary course of business based on normal commercial terms, conditions, market rates and memorandum of understanding signed with the related parties. For the year ended 31st March, 2017, the Company has not recorded any loss allowances for transactions between the related parties.
- v) * During the year 2015-16, the 300 MW Baspa II (BASPA) and 1091 MW Karcham Wangtoo (KARCHAM) hydroelectric projects both located at Himachal Pradesh have been transferred by M/s Jaiprakash Power Ventures Limited (JPVL) to Himachal Baspa Power Company Limited (the Company), pursuant to the scheme of arrangement approved by the Hon'ble High Court, Shimla vide its Order dated 25th June 2015. Subsequently, JSW Energy Limited has acquired 100% stake in the Company, whereby the Company has become a 100% subsidiary of the JSW Energy Limited effective from 8th September, 2015.

Consequent to the scheme of arrangement following assets and liabilities were taken over:

Particulars	(₹ Crore)
Fixed Assets	8,980.57
Add: Net Current & non-current assets	462.23
Total Assets	9,442.80
Less: Borrowings	5,692.80
Purchase consideration	3,750.00

Note 43. Approval of financial statements

The financial statements were approved for issue by the Board of Directors on 27th April, 2017

Note 44. Disclosure under Micro, Small and Medium Enterprises Development Act

The details of amounts outstanding to Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), based on the available information with the Company are as under:

HIMACHAL BASPA POWER COMPANY LIMITED
Notes to Financial Statements for the year ended 31st March, 2017

(₹ crore)				
Sl. No.	Particulars	As at 31 st March, 2017	As at 31 st March, 2016	As at 1 st April, 2015
1	Principal amount outstanding	-	-	-
2	Principal amount due and remaining unpaid	-	-	-
3	Interest due on (2) above and the unpaid interest	-	-	-
4	Interest paid on all delayed payments under the MSMED Act.	-	-	-
5	Payment made beyond the appointed day during the year	-	-	-
6	Interest due and payable for the period of delay other than (4) above	-	-	-
7	Interest accrued and remaining unpaid	-	-	-
8	Amount of further interest remaining due and payable in succeeding years	-	-	-

Note 45. Exceptional item includes

(₹ crore)			
Sl. No.	Particulars	Current Year	Previous Year
(a)	Compensation received from JPVL as per terms of Share Purchase Agreement.	-	150.00
	Total	-	150.00

Note 46. Disclosure as per IND AS 101 - First-time adoption of Indian Accounting Standards

a) Overall principle

The Company has prepared the opening balance sheet as per Ind AS as of 1st April, 2015 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from previous GAAP to Ind AS as required under Ind AS, and applying Ind AS in measurement of recognised assets and liabilities.

However, this principle is subject to certain mandatory exceptions and certain optional exemptions availed by the Company as detailed below:

Mandatory exceptions and optional exemptions

Deemed cost for property, plant and equipment and intangible assets

The Company has elected to continue with the carrying value of all of its plant and equipment and intangible assets recognised as of 1st April, 2015 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

Determining whether an arrangement contains a lease

The Company has applied Appendix C of Ind AS 17 to determine whether an arrangement existing at the transition date contains a lease on the basis of facts and circumstances existing at that date.

HIMACHAL BASPA POWER COMPANY LIMITED
Notes to Financial Statements for the year ended 31st March, 2017

Classification and measurement of financial assets

The Company has classified the financial assets in accordance with Ind AS 109 on the basis of facts and circumstances that exist at the date of transition to Ind AS.
Classification of debt instruments:

The Company has determined the classification of debt instruments in terms of whether they meet the amortised cost criteria or the FVTOCI criteria based on the facts and circumstances that existed as of the transition date.

Derecognition of financial assets and liabilities:

The Company has applied the derecognition requirements of financial assets and financial liabilities prospectively for transactions occurring on or after 1st April, 2015 (the transition date).

Impairment of financial assets:

The Company has applied the impairment requirements of Ind AS 109 retrospectively; however, as permitted by Ind AS 101, it has used reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognised in order to compare it with the credit risk at the transition date.

Further, the Company has not undertaken an exhaustive search for information when determining, at the date of transition to Ind AS, whether there have been significant increases in credit risk since initial recognition, as permitted by Ind AS 101.

Share based payments:

Ind AS 102 'Share based Payments' has not been applied to equity instruments in share-based payment transactions that vested before 1st April, 2015.

b) First-time Ind AS adoption reconciliations:

Effect of Ind AS adoption on the balance sheet as at 31st March, 2016:

(₹ crore)

Balance sheet as at 31st March, 2016

	IGAAP	Adjustments	Ind AS
Assets			
Non-current assets			
Property, plant and equipment	8,846.57	(1,337.64)	7,508.93
Other Intangible assets	-	911.36	911.36
Other Financial assets	148.76	99.59	248.35
Other non-current assets	-	0.01	0.01
	8,995.33	(326.68)	8,668.65
Current assets			
Inventories	18.31	-	18.31
Trade receivables	834.24	-	834.24
Cash and cash equivalents	7.91	-	7.91
Bank Balances other than (iii) above	23.48	-	23.48
Other Financial assets	1.33	-	1.33
Other Current Assets	38.78	(4.72)	34.06

HIMACHAL BASPA POWER COMPANY LIMITED
Notes to Financial Statements for the year ended 31st March, 2017

	924.05	(4.72)	919.33
Total assets	9,919.38	(331.40)	9,587.98
Equity and liabilities			
Equity			
Equity share capital	1,250.05	-	1,250.05
Other equity			
Retained earnings	97.80	(26.68)	71.12
Total equity	1,347.85	(26.68)	1,321.17
Non-current liabilities			
Financial liabilities			
Borrowings	7,923.62	(61.50)	7,862.12
Other financial liabilities	0.13	-	0.13
Long term provisions	2.19	-	2.19
Deferred tax liabilities	24.32	(0.03)	24.29
Other non-current liabilities	174.19	(174.19)	-
	8,124.45	(235.72)	7,888.73
Current Liabilities			
Financial liabilities			
Borrowings	30.02	-	30.02
Trade payables	45.81	-	45.81
Other current financial liabilities	275.36	(3.88)	271.48
Liabilities for current tax (net)	21.80	-	21.80
Provisions	1.07	-	1.07
Other current liabilities	73.02	(65.12)	7.90
	447.08	(69.00)	378.08
Total liabilities	8,571.53	(304.72)	8,266.81
Total equity and liabilities	9,919.38	(331.40)	9,587.98

Company reconciliation of profit or loss for the year ended 31st March, 2016

(₹ crore)

Particulars	IGAAP	Adjustments	Ind AS
Revenue from operations	626.15	(36.08)	590.07
Other income	4.77	0.00	4.77
Total Income	630.92	(36.08)	594.84
Employee benefits expense	18.88	0.09	18.97
Depreciation and amortization expense	147.82	(9.53)	138.29
Finance costs	396.67	156.99	553.66
Other expenses	61.93	(0.69)	61.24
Total expense	625.30	146.86	772.16
Profit before exceptional items	5.62	(182.94)	(177.32)
Exceptional item	(150.00)	-	(150.00)

HIMACHAL BASPA POWER COMPANY LIMITED
Notes to Financial Statements for the year ended 31st March, 2017

Profit before tax from continuing operations	155.62	(182.94)	(27.32)
(1) Current tax	33.50	-	33.50
(2) Deferred tax	24.32	(0.03)	24.29
Income tax expense	57.82	(0.03)	57.79
Profit for the year from continuing operations	97.80	(182.91)	(85.11)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains/ (losses) on defined benefit plans	-	0.09	0.09
Other comprehensive income for the year, net of tax	-	0.09	0.09
Total comprehensive income for the year, net of tax	97.80	(182.82)	(85.02)

Company reconciliation of equity for year ended 31st March, 2016

(₹ crore)

Particulars	31st March, 2016
Equity under Previous GAAP	1,347.85
Impact of Service concession accounting	(25.86)
Net gain / (loss) on financial assets / liabilities fair valued through statement of profit and loss	(0.85)
Employee benefits – Actuarial (Gain) / Loss recognized in OCI	(0.09)
Deferred taxes	0.03
Other Comprehensive Income (OCI)	0.09
Equity under IND AS	1,321.17

Footnotes to the above reconciliations

1. Defined benefit liabilities

Under Ind AS, re-measurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit and loss in previous GAAP.

2. Borrowings

Under Indian GAAP, transaction costs incurred in connection with borrowings are amortised upfront and charged to profit or loss for the period. Under Ind AS, transaction costs are included in the initial recognition amount of financial liability and

charged to profit or loss using the effective interest method.

3. Provisions

Under Indian GAAP, the Company has accounted for provisions, including long-term provision, at the undiscounted amount. In contrast, Ind AS 37 requires that where the effect of time value of money is material, the amount of provision should be the present value of the expenditures expected to be required to settle the obligation. The discount rate(s) should not reflect risks for which future cash flow estimates have been adjusted. Ind AS 37 also provides that where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as borrowing cost.

4. Deferred tax

Indian GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP.

In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Company has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

5. Other comprehensive income

Under Indian GAAP, the Company has not presented other comprehensive income (OCI) separately. Hence, it has reconciled Indian GAAP profit or loss to profit or profit or loss as per Ind AS. Further, Indian GAAP profit or loss is reconciled to total comprehensive income as per Ind AS.

6. Statement of cash flows

The transition from Indian GAAP to Ind AS has not had a material impact on the statement of cash flows.

For and on behalf of the Board of Directors

Girish Deshpande
Whole Time Director
[DIN: 02756000]

Sanjay Sagar
Chairman
[DIN: 00019489]

Rakesh Punamiya
Company Secretary