FORM-II

Form of the Cost Audit Report

[See rule 2 and rule 6]

I/We, **Anil Sharma & Co.** having been appointed as Cost Auditor(s) under section 233B of the Companies Act, 1956 (1 of 1956) of **M/s Haryana Power Generation Corp. Ltd.,** having its registered office at **Urja Bhawan, Sector-6, Panchkula** (hereinafter referred to as the company), have audited the books of accounts prescribed under clause (d) of sub-clause(1) of section 209 of the said Act, and other relevant records in respect of the **Electricity** for the period /year ending **31st March,2011** maintained by the company and report, in addition to my/our observation and suggested in para2.

1. I/We have obtained all the information and explanation / which to the best of my/our knowledge and belief were necessary for the purpose of this audit.
2. In my/our opinion ,proper cost records, as per companies (cost audit report) rules,2011 prescribed under clause(d) of sub section (1) of section 209 of the companies act, 1956,have been maintained the company so as to give a true & fair view of cost of production/operation, cost of sales & margin of the product/activity groups under reference.
3. In my/our opinion proper return adequate for the purpose of the cost audit have been received from the branches not visited by me/us.
4. In my/our opinion and to the best of my /our information, the set books and records give the information required by the companies' act 1956 in the manner so required.
5. In my/our opinion The set books and records are in conformity with the cost accounting standard issued by the institute of cost and works accountants of India , to the extent these are found to be relevant and applicable
6. In my/our opinion Company does not has adequate system of internal audit of cost records which to my /our opinion is commensurate to its nature & size of its business.
7. Detailed unit wise & product/activity wise cost statements & schedules there to in respect of product groups/activities under reference of the company duly audited & certified by me /us are kept in the company.
8. As required under the provision of the companies (cost audit report) rules, 2011, i/we have furnished **performance appraisal report** to the company on the prescribed form.

(2.) Based on our examination of the records of the company, we give **observations and suggestions** on the following –

(a) Cost Records:

(i) *Cost Records*: The Company has maintained Cost Record as per Cost Accounting Records (Electricity Industry) Rules 2001 for the product under reference considering the actual cost incurred.

We suggest that company should also maintained records for Steam generated and cost per kg of steam generated.

(ii) *Inventory Valuation*: Inventory of stores, fuel and consumables are valued at actual Cost or Market Value which ever is low.

(b) Matters which need further review/ attention:

a. **Depreciation:** Company has not charged Depreciation on additions made to Fixed Assets to the tune of **Rs. 41.93 crores** (schedule -6 balance sheet) during the year at different locations.

b. **Others: at PTPP, Panipat**

- Ratio of Fly Ash to Coal consumed is about 40%.

- **Diesel** (Performa-B2): It reveals that average cost of Diesel procured in Panipat has **reduced by 7%** (Rs. 30.60 per ltr. To 28.46 per ltr.).

- Cost of electricity per kwh generated at all the eight plants varies from 3.54 pu to 6.26 pu which needs a review.

(c) **Related Party Transactions:** Company does not have any related party transactions.

(d) Areas where Company is incurring Losses or declining in Profitability:

(i) Coal, Diesel and Furnace Oil :

- Coal, Diesel and Furnace Oil are major elements and constitute 76 % share of total Cost in Power generation. Hence need in-depth review of all activities related with procurement, quality policy, utilization vis-a-vis electricity generation, storage, process, unavoidable losses, transit losses and Claims settlement with railways and Insurance Companies.

- **Overall cost of Per Unit** of electricity generated has increased from Rs. 3.36 pu to Rs. 3.49 pu giving a increase of 3.87%. **Overall loss** has increased by 72% from Rs. 0.18 pu to Rs. 0.31 pu, where as **sale price** has increased by 3.69% from Rs. 2.71 pu to Rs.2.81pu.

- Increase in Cost of following Items has adverse impact on per unit cost of generation of Electricity:

Sr.No	Items	P/Y Rate Kwh (Rs.)	C/Y Rate kwh (Rs.)	Increased By(Rs.)	%	Remarks
1	Coal	2.43	2.42	-0.01	0.41%	reduced
2	Diesel	0.04	0.11	0.07	175%	
3	Furnace Oil	0.01	0.12	0.11	1100%	

Source: Performa-C of cost records.

- Company is suffering heavy losses on account of **Loss of Coal in Transit**. In current year company has booked expenses to the tune of **Rs. 23464.32 lakh** which is 4.69% **(P/Y** *2.35%) of total cost of Electricity generated and 7% (P/Y3.29%) of* *total Cost of Coal Consumed*. A detailed study to reduce such losses is required to be carried out and remedial actions should be taken.

- The quality of Coal and its results with respect to its calorific value and Price paid for the same require attention and Company should work out a strategy to buy better quality Coal.

(ii) Borrowing Cost:

- Company has paid **Rs.68638.41 lacs** (Rs.51703.83 lacs charged to operation cost & Rs. 16934.58 against Capital Projects) as Interest and other charges to borrow funds.

The total Borrowing Cost constitutes **13.74%** (P/y 10.50 **%**) of total cost of electricity generated which needs a close monitoring.

(e) **Strengthen the company under the competitive environment**: We suggest following points to strengthen the Company:

- There is a need to strengthen the Costing Deptt. of the Company so that relevant data and information can be generated and analysed systematically.
- As **Coal** is major constituent of total Cost and the volume of coal consumed is very high. Company may take necessary steps to have international suppliers and should take initiatives to get good quality Coal with better results.
- Considering the size of the company, systems and procedures should be in place especially with respect to Inventory for monitoring online to minimize the inventory.
- A system of Inter-state comparison of performance with respect to power generated and cost per unit of power generated must be introduced.
- The Company should approach Haryana Electricity Regulatory Commission for recovery of Loss due to backing down from the distribution companies and also right to sale of power to third party in such instances to recover atleast its fixed cost.
- The Company should install a mechanism to monitor the trippings with detailed analysis for avoiding its reoccurrence.

(f) **Export Commitments**: The Company is not engaged or under any liability to fulfill its export commitments.

Dated: 05/05/2012 **(Anil Sharma)**

At Chandigarh Signature & seal of the cost auditor(s)

Membership number(s): **15091**

ANNEXURE TO THE COST AUDIT REPORT

(See rule 2 and rule 6)

1. GENERAL INFORMATION:

1. CIN OR GLN of the company:	**U45207HR1997PLC033517**
2. Name of the company:	**HARYANA POWER GENERATION CORP. LTD.,**
3. Registered office of the company:	C-7, URJA BHAWAN, SECTOR- 6, PANCHKULA-134109
4. Corporate office address:	C-7, URJA BHAWAN, SECTOR- 6, PANCHKULA-134109
5. E-mail address of the company:	
6. Company's financial year to which the cost audit report relates:	2010-11
7. Name, address, membership number: and e-mail of the cost auditor(s)	**Anil Sharma & Co.** # 232 FF, SEC.-37A, CHANDIGARH-160036 anil_sharma01us@yahoo.com
8. SRN number and date of filing of form 23C with the central govt.	
9. Date of board of directors meeting wherein the annexure to the cost audit report were approved:	
10. No. of audit committee meetings held by the company, and attended by the cost auditor during the	………, NIL

2. COST ACCOUNTING POLICY:

(a) The company is maintaining Cost Accounting Records on actual basis. The company is engaged only in **Generation of electricity** from **Hydro-electric power** and **Thermal.**

HYDRO-ELECTRIC POWER:

The company utilise the water from the river Yamuna, by storing water at Tajewala Head-works and using its flow for moving the Turbines and Electric generator machines for generation of power, at 4 power houses having a total capacity of 62.7 MW. Besides this, 3 Micro units of 0.10 MW each at Kokroi, use flow of canal water for generation of power.

The Generation cost consists of Employee cost, Repair & Maintenance, Depreciation, Admn./General Expenses, Stores Consumables and Interest & Finance charges. There is no material or fuel cost, as only flow of water is utilised.

THERMAL POWER:

The company utilises Steam Coal and Furnace/HSD Oil for generation of Thermal power. Coal is transported from coal mines in West Bengal, Chattisgarh and Jharkhand area to thermal plants located at Faridabad and Panipat. Water is converted into Steam by burning of coal. The steam is used for propulsion of Turbines for generation of electricity through electric generator machines. The water is re-circulated for production of steam. The Ash produced by the burning of coal is mixed with water and moved to the ash pound. The Ash is also being disposed off in dry mode to the prospective users by charging administrative cost.

The cost of Thermal Power mainly consists of Procurement of Coal and HSD/Furnace Oil, besides Employee Cost, R&M, Depreciation, Stores Consumables Admn./General Expenses and Interest & Finance charges. Some power is used captively in auxiliaries of the company and is termed as auxiliary power consumption.

The power is sold at the generating point itself, to Haryana Distribution Companies (UHBVNL and DHBVNL) owned by Haryana Government, at the regulated price determined by Haryana Electricity Regulatory Commission.

(b) Identifications of cost centers/cost objects and cost drivers.

Cost Centre: All Thermal and Hydel plants i.e Panipat, Hissar,Faridabad and Yamunanagar have been identified as independent Cost centre and all the expenses incurred and allocated to them on actual basis.

Service Centre: At all the Plants/Units, there are service centre i.e Water Treatment Plant, Fly Ash Handling and Effluent Treatment Plants. At each units expenses incurred have been charged to these service centre on actual basis and later on allocated/apportioned to production on units of electricity generated.

(c) Accounting for material cost including packing materials, stores and spares etc, employee cost, utilities and other relevant cost components.

Coal is major items consumed to generate electricity and is taken at landed cost including all related expenses.

Stores and spares are available for each unit/plant and taken at Cost plus expenses and issued to production on weighted average price bases.

Actual salary and wages have been allocated to respective cost centre as company has center wise/unit wise salary details for all the employees.

(d) Accounting, Allocation and Absorption of overheads: At all cost centre, Overheads have been accounted, allocated and absorbed, wherever possible on the actual basis other wise on generally acceptable basis.

(e) Accounting for depreciation/amortization: Depreciation have been accounted and allocated on the basis of value of plant and machinery installed and capitalized at respective units. Depreciation have been charged on Straight Line Method as per the norms of Central Electricity Regulatory Commission. **Company has not charged depreciation on the assets acquired during the year for Rs. 41.93 crores. (schedule -6 balance sheet)**

(f) Accounting for by products/joint products, scraps, wastage etc.: As there is no production loss or scrap is generated during production process. However, Fly ash emerged during coal burning process and the same is being sold out by the company. Sale of Fly ash has been treated as Non-Cost Items and has not been deducted from cost of generation of electricity and has been credited to separate head. (As per Notification dt 3.11.2009 from MO& EF).

Scrap generated from stores items or wooden boxes etc. have been treated as Non-cost items hence not deducted from Cost of production.

(g) Basis for inventory valuation: Inventories of stores, fuel, spares and consumables have been valued at Cost or Market Value whichever is lower.

(h) Treatment of abnormal and non-recurring costs including classification of other non cost items.: All abnormal and non-incurring costs have been identified and have been treated as Non-Cost items. Hence, have not been taken into account while working out the cost of generation of electricity.

(i) The Company has not adopted IFRS during the year.

(j) Cost accounting policies not specifically mentioned are consistent with Generally Accepted Cost Accounting Principles (GACAP).

(K) There is no change in Cost Accounting Policies adopted by the company during the Financial Year as compared to previous year.

(l) The budgetary control system is in vogue in the company and in our opinion, is adequate in relation with the size and nature of operation of the company and systems of annual budgets are in operation.

3 PRODUCT GROUP DETAILS (FOR THR COMPANY AS A WHOLE

Sno.	Name of each Product Group	Name of Products/Activities included in the product Group	Net sales(net of taxes,duties ,etc.)	Coverd under Cost Audit
A	**Manufactured Product Groups**			
1	Electricity	Electricity	40211957628	YES
	Sub-Total (A)		**40211957628**	
B	**Services Groups**			
		NA	NA	NA
	Sub-Total (B)		**0**	
C	**Trading Activites(Product Group-wise)**			
		NIL	NIL	NA
	Sub-Total (C)		**0**	
D	**Other Incomes**			
1	Operational		5,32,64,54,465	YES
2	Non-operationAl		5,12,26,67,088	
E	**Total Income as per Audited Annual Report (A+B+C+D)**		**50,66,10,79,182**	**0**

NOTES :

(1) For manufactured product groups, use the nomenclature as used in the Central Excise Act and Rules, as

(2) For service groups, use the nomenclature as used in the Finance Act/ Central service Tax Rules, as applicable.

4.QUANTITATIVE INFORMATION (for each product group separately)

Name of the Company	Haryana Power Generation Copr. Ltd		
Name of the Product Group	Electricity		
Name of the Products covered in the Product Group	Electricity		
Financial Year	1.04.2010	31.03.2011	
Particulars	**Unit**	**Current Year**	**Previous Year**
		Electricity	
1. Available Capacity			
(a) Installed Capacity*	MW	2085.50	2,187.70
(b) Capacity enhanced during the year, If any**		1200.00	0
(c) Capacity available through leasing arrangement, if		0	0
(d) Capacity available through loan license / third parties		0	0
(e) Total available Capacity*		**3285.50**	**2187.70**
2. Actual Production			
(a) Self manufactured	Kwh/M.	15903.71	15,102.20
(b) Produced under leasing arrangements		0	
(c) Produced on loan license / by third parties on job work		0	
(d) Total Production	Kwh/M.	**15903.71**	**15102.20**
3.Production as per Excise Records		NA	NA
4.Capacity Utilization (in-house)			
with Hissar unit		56.20	
without Hissar Unit		75.53	78.80
5. Stock Purchased for Trading			
(a) Domestic Purchase		0	0
(b) Imports		0	0
(c) Total Purchases		**0**	**0**
6.Stock & Other Adusjtments			
(a) Change in Stock of Finished Goods		0	0
(b) Self / captive Consumption (incl. samples etc.)	Kwh/M.	1,572.16	1,453.67
(c) other Quantitative Adjustments, if any (wastage etc.)		NA	NA
(d) Total Adjustments	Kwh/M.	**1572.16**	**1453.67**
7.Total Available Quantity for sale [2(e)+5(c)-6(d)]	Kwh/M.	**14331.54**	**13648.53**
8. Actual Sales			
(a) Domestic sales (manufacturing)	Kwh/M.	14331.54	13,648.53
(b) Domestic sales (trading)	Kwh/M.	0	0
(c) Export sale (manufacturing)	Kwh/M.	0	0
(d) Export Sale (trading)	Kwh/M.	0	0
(e) Total Quantity Sold	Kwh/M.	**14331.54**	**13648.53**

* Including Faridabad Unit, that has been closed

** Hissar Plant got operational during the year and run for two months

5 **ABRIDGED COST STATEMENT (for each product group separetely)**

Sno.	Particulars	Units	Quantity	Rates (Rs)	Amount (Rs)	Rates per Unit(Rs)	
						Current Year	Previous year
1	**Materials Consumed (specify details)**						
	a) Indigenous Purchased						
	- Coal.	MT/L	122.04	2,842.08	**3,46,837.97**	2.43	1.98
	- Diesel Oil.	KL/L	211	71.46	**15,075.21**	0.004	0.12
	- Furnace Oil.	KL/L			**17,559.96**	0.01	0.01
	b) Imported -COAL	MT/L	0.00	0	**0**		
	c) Self manufactured/ Produced						
	* IMPORTED COAL .54 MT/L INCLUDED IN COAL QTY.						
2	Process Materials/ Chemicals (specify)						
3	Utilities (specifiy details)						
	- Water.	(Rs./L)	NA		**3,435.20**	0.03	0.02
	- Water Treatment.	(Rs./L)	NA		**925.90**	0.01	0.01
	- Ash Handling.	(Rs./L)	NA		**1,409.03**	0.01	
	- Effluent Treatment	(Rs./L)			**54.36**		
4	Direct Employees Cost	(Rs./L)			**16,055.04**	0.20	0.25
5	Direct Expenses	(Rs./L)			0		
6	Consumable Stores & Spares	(Rs./L)			**593.94**		
7	Repairs & Maintenance	(Rs./L)			**12,668.93**	0.09	0.08
8	Quality Control expenses	(Rs./L)			0		
9	Insurance	(Rs./L)			**67.48**		
10	Technical Know-how Fee/ Royalty, if any	(Rs./L)			0		
11	Depreciation/ Amortization	(Rs./L)			**32,339.10**	0.23	0.34
12	Other Production Overheads						
13	**Total (1 to 12)**	(Rs./L)			**4,47,022.13**	**3.02**	**2.85**
14	Add/Less: Work-in-Progress Adjustments				0		
15	Less; Credits for Recoveries, if any				0		
16	Primary Packing Cost				0		
17	**Cost of Production / Operation (12+ 13 to 17)**	(Rs./L)			**4,47,022.13**		
18	Increase/ Decrease in Stock of Finished goods				0		
19	Less: Self / Capative Consumption (incl. Samples, etc.)				0		
20	Other Adjustment(if any)				0		
21	**Cost of production/ Operation of Goods/ Services sold(**	(Rs./L)			**4,47,022.13**		
22	Administrative Overheads				**1,795.00**		
23	Secondry Packing Cost				0		
24	Selling & Distribution Overheads				0		
25	Interest & Financing Charges	(Rs./L)			**50665.99**		
26	**Cost of sales (21+22 to 25)**	(Rs./L)			**4,99,483.12**	3.36	3.11
27	Net Sales realization (Net of taxes and duties)				**455384.12**	3.18	3.09
28	Margin [Profit/(loss) as per cost Accounts }(27-26)				-44099.00	**-0.18**	**-0.02**

NOTES

1 Separate cost statement shall be prepared for each product/ activity group
2 The items of cost shown in the Proforma are indicative and the same should be reflected keeping in mind the materiality of item of cost in the product/ activity group.
3 The Proforma may be suitably modified to meet the requirement of the industry/ product/activity group.
4 In case the company follows a pre-detemined or standard costing system, the above coat staement should reflect figures at actuals after adjustmenty of variances, if any.

6.**OPERATING RATIO ANALYSIS (for each product group separately)** 10-11 9-10 8-09

Sno	Particulars	Units		Current Year (Rs.)	Previous Year-1	Previous Year-2
a.	**Net Sale**			**4,55,384.12**	**4,34,091.87**	**3,77,956.80**

Ratio of Operating Expenses to Cost of Sales

1	Materials (incl. Process Materials) cost	%	75.97	3,79,473.15	77.92	67.92
2	Utilities Cost	%	1.17	5,824.49	0.96	1.00
3	Direct Emplyees Cost	%	3.21	16,055.04	6.17	8.03
4	Direct Expenses	%	0.00	-	-	
5	Consumable Stores & Spares	%	0.12	593.94	0.14	
6	Repairs & Maintenance Cost	%	2.54	12,668.93	2.67	2.61
7	Depreciation / Amortization Cost	%	6.47	32,339.10	7.62	11.12
8	Packing Cost	%	0.00	-	-	
9	Insurance	%	0.01	67.48	0.01	
10	Stock Adjustments	%	0.00		-	
11	Production Overheads	%	0.00		-	
12	Administartive Overheads	%	0.36	1,795.00	0.17	0.22
13	Selling & Distribution Overheads	%	0.00		-	
14	Interest & Financing Charges	%	10.14	50,665.99	11.10	9.42
15	Total	%	**100.00**	**4,99,483.12**	**106.75**	**100.31**

7. PROFIT RECONCILIATION (for the company as a whole)

S no.	Particulars	Current Year	1st Previous year	2nd Previous Year
1	**Profit or Loss as per Cost Accounting Records**			
	(a) For the audited product groups	(44,099.02)	-24685.28	-2131.15
	(b) For the un-audited product groups	-		
2	**Add:Income not considered in cost accounts:**			
	(a) Related with Previous Year	37,373.01	0	
	(b) Misc./Other Income - RTGS Hissar.	13,853.66	6.8	60.79
3	**Less:Expenses not considered on cost aacounts:**			
	Power Consumption - RGTPP.Hisar.	(38.33)		
	Depriciation - RTGS,Hissar.	(4,611.76)		
	Exchange Rate variation	(244.40)		
	Bad Debts Others - Provided-off.	(14.39)		
	Bank Charges.	(0.81)		
	Interest.	(4,037.97)	-6306	-918.96
4	Add: Overvaluation of closing stock in financial accounts	-		
5	Add: Undervaluation of opening stock in financial accounts	-		
6	Less: Undervaluation of closing stock in financial accounts	-		
7	Less: Overvaluation of opening stock in financial accounts	-		
8	Adjustment for others, if any -Prior period	-		9972.68
9	**Profit or Loss as per Finacial Accounts**	**(1,820.00)**	**(30,984.48)**	**6,983.36**

8. VALUE ADDITION AND DISTRIBUTION OF EARNINGS (for the company as a whole)

Sno	Particulars	Current Year	Previous Year-1	Previous Year-2
	Value Addition:			
1	Gross Sales (excluding returns)	4,02,119.58	370032.10	377956.82
2	Less: Excise duty, etc			
3	Net Sales	**4,02,119.58**	**370032.10**	**3,77,956.82**
4	Add: Export Incentives	0	0.00	0
5	Add/less: Adjustment in finished Stocks	0	0.00	0
6	Less: Cost of bought out inputs			
	(a) Cost of Materials Consumed	3,79,391.99	338249.03	256554.8198
	(b) Process Materials / Chemicals	81.15	0.00	
	(c) Consumption of Stores & Spares	735.97	618.42	
	(d) Utilities (e.g.power & fuel)	3,302.84	4823.58	
	(e) Legal and Prof. Charges	1,351.37	1064.56	668.01
	(f) Insurance Charges	68.67	65.57	97.0781
	(g) Postage and telegrame	73.84	73.27	63.37251
	Total Cost of bought out inputs	**3,85,005.83**	**3,44,894.44**	**2,57,383.28**
7	Value Added	17,113.74	25,137.66	1,20,573.54
8	Add: Income from any other sources	13,853.66	6194.07	2761.45825
9	Earnings available for distribution	**30,967.41**	**31,331.73**	**1,23,335.00**
	Ditribution of Earnings to:			
1	Empoyees as salaries & wages, retirements benefits, etc	16,350.51	27506.71	35530.10006
2	Shareholders as dividend	0	0.00	0
3	Company as retained funds-Depriciation	37,247.23	33075.95	42017.71894
4	Company as retained funds	(98,136.25)	-103166.04	-5663.67
5	Government as taxes (specify)	64.85	1276.17	750.21654
6	Repair & Maintenance	17,313.52	16250.73	13062.08785
7	Administration & Gen exp	2,364.49	1826.16	1507.8441
8	Other Expenses	20.44	6249.22	540.68592
9	Interest	55,742.61	48312.82	35590.0206
	Total distribution of earning	**30,967.40**	**31,331.73**	**1,23,335.00**

9.FINANCIAL POSITION AND RATIO ANALYSIS (for thr company as whole)

Sno	Particulars	Units	Current Year	Previous Year-1	Previous Year-2
A.	**Financial Position**				
1	Paid-up Capital		263965.69	253626.69	240397
2	Reserves & Surplus	Rs/Lakh	47389.30	42148.5	0
	Total equity		**311354.99**	**295775.19**	**240397**
3	Loans (secured & unsecured) (NET OF WORKING CAPITAL)	Rs/Lakh	435980.47	478691.98	467469.22
4	(a) Gross Fixed Assets	Rs/Lakh	965664.62	611849.73	482957.72
	(b) Net Fixed Assets	Rs/Lakh	761629.67	445490.217	440940
5	(a) Total Current Assets	Rs/Lakh	408870.34	251470.904	183596
	(b) Less:Current liabilities & Provisions	Rs/Lakh	194394.58	195597.757	191334
	(c) Net Current Assets	Rs/Lakh	**214475.76**	**55873.15**	**-7738.00**
6	Capital Employed	Rs/Lakh	993928.15	866779.70	719120.36
7	Net Worth	Rs/Lakh	300957.59	284910.499	230491.92
B.	**Financial Performance**				
1	Cost of Production	Rs/Lakh	448817.13	410601.997	384235.34
2	Cost of Sales	Rs/Lakh	499483.12	458777.153	342217.63
3	Net Sales	Rs/Lakh	402119.58	370032.096	377956.82
4	Value Added	Rs/Lakh	17113.74	31091.29	121330.06
5	Profit before Tax (PBT)	Rs/Lakh	-44099.00	-24685.28	-2131.15
C	**Profitability Ratios**				
1	PBT to Capital Employed (B5/ A6)	%	0.00	0.00	0.00
2	PBT to Net Worth (B5/ A7)	%	0.00	0.00	0.00
3	PBT to Net Sales (B5/ B3)	%	0.00	0.00	0.00
4	PBT to Value Added (B5/ B4)	%	0.00	0.00	0.00
D	**Other Financial Ratios**				
1	Debt-Equity Ratio	%	0.71	0.62	2.12
2	Current Assets to Current Liabilities	%	2.10	1.29	0.99
3	Value Added to net sales	%	4.26	8.40	32.10
E	**Working Capital Ratios**				
1	Net Working Capital to Cost of Sales excl.deprication	Months	0.00	1.61	0
2	Raw materials Stock to Consumption	Months	1.68	na	na
3	Stores & Spares to consumption	Months	0.00	na	na
4	Work-in-Progress Stock to cost of Production	Months	0.00	na	na
5	Finished Goods Stock to Cost of Sales	Months	0.00	na	na

Notes:

(1) Capital Employed means average of net fixed asstes (excluding intangible assets, effect of revaluation of fixed assets, and capital work-in-progress) plus net current asstes existing at the beginning and close of the finanicial year

(2) Net Worth means share capital plus reserves and surplus (excluding revaluation reserves) less accumulated losses and intangible assets

10. **RELATED PARTY TRANSACTIONS (for the company as a whole)**

S no.	Name & Address of the Related Party	Name of the Product/ servise Group	Nature of Transaction (sale, Purchase,etc.)	Quantity	Transfer Price	Amount	Normal Price	Basis adopted to detemine the normal price
1	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
3	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
4	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

NOTES:
(1) Details should be furnished for each sale / purchase separately
(2) Detilals of Related Party transaction without indicating the Normal Price and the basis thereof shall be considered as incomplete information

11.**RECONCILIATION OF INDIRECT TAXES (for the company as a whole)**

Particulars	**Assessable value**	**Excise Duty**	**Service Tax**	**Cess& Others**	**VAT**
T**otal Clearances**					
Domestic	455384.12	0	0	0	0
Export	0	0	0	0	0
Stock transfers (Net)	0	0	0	0	0
Others, If any	0	0	0	0	0
Total	**455384.12**	0	0	0	0
Duties/Taxes Payable	0	0	0	0	0
Duties/Taxes Paid	0	0	0	0	0
Cenvat/VAT Credit Utilised-Inputs	0	0	0	0	0
Cenvat/VAT Credit Utilised-Capital Goods	0	0	0	0	0
Capital/VAT Credit Utilised-Input Services	0	0	0	0	0
Cenvat/VAT Credit Utilised- Others	0	0	0	0	0
Total	**0**	0	0	0	0
Paid through PLA/cash	0	0	0	0	0
Total Duties/Taxes Paid	0	0	0	0	0
Duties/ Taxes Recovered	0	0	0	0	0
Differences Between Duties/Taxes Paid and Recovered	0	0	0	0	0
Interest/ Penalty/Fines Paid	0	0	0	0	0

SIGNATURE
NAME
COST AUDITOR (S)
MAMBERSHIP NUMBER (S)
SEAL
DATE

SIGNATURE
NAME
COMPANY SECRETARY/DIRECTOR
MEMBERSHIP /DIN NUMBER
STAMP
DATE

SIGNATURE
NAME
DIRECTOR
DIN NUMBER
STAMP
DATE

NOTES:
(1) Wherever, there is any significant variation in the current year's figure over the previous year's figure for any items shown under each para of the Annexure to the Cost Audit report, reasons therof shall be given by the Cost Auditor.

(2) Wherever, duration of the current year or the previous year is not 12 (twelve) months , same shall be clearly indicated in the report

The Audit Committee
Haryana Power Generation Corp. Ltd
Panchkula

Sub: Performance Appraisal Report for the F/Y 2010-11

Dear Sir

On being appointed as Cost Auditors for the F/Y 2010-11, we have conducted Cost Audit and have submitted our report. During our Audit, we have observations on the following area and would like to have your attention on the same.

1. **Capacity Utilization**: The company worked at the capacity of 75.53 % excluding Hissar and Faridabad Units. Hissar unit was operational for two months during the year. We are of the opinion that if we enhance the utilization capacity of all the plants especially at PANIPAT we can reduce our cost of production to some extent. Further, Hissar units are now fully operational and is new one, we can use it to the maximum capacity without much break downs. We must study the cost PU of electricity generated for installed/actual capacity utilized, employees deployed and others factory & administrative expenses incurred during the year vis-a vis units generated at all the plants.
2. **Productivity/Efficiency**: While going through the data made available to us we found that fly ash content to the coal consumption is 40% approx. which seems to be on higher side. If we conduct a study and try to procure coal of better grade/quality we may be in position to reduce the ash content. It can save a lot.

Further, as we are aware that Thermal plants are major source of air pollution in India, we need to be more cautious about it and be part of good corporate governance.

3. **Utilities**: We have Water, Water treatment Plants, Effluent Treatment Plants and Fly Ash Handling plants in utilities at all the plants and have spent Rs. 5824.50 lakh in totality.
4. **Key Cost**: Coal is our major element of cost and contributes up to 80% of the total cost. Thus, coal procurement, its quality, handling and consumption patterns needs a critical review at all the stages. As per the records provided to us, company has suffered a transit loss to the tune of Rs. 23464.32 lakhs, which is 7% of the total coal consumed. Process of settling the insurance claims needs to be checked and unavoidable losses due to theft, fire and loading and un-loading needs to be examined.
5. **Working Capital and other borrowings**: Company has borrowed both secured and unsecured loans from various institutions and has paid Rs. 50580.62 lakhs as interest on both terms loan as well as working capital loans which contributes approx. 11% to the total cost of Electricity generated. We are of the opinion that a close monitoring is required and realization of funds to be regularized in better manner.
6. **Inventory Management**: Apart from Coal, Diesel, Furnace oil and other stores and spares needs to be monitored on regular basis as these also contribute a lot to the cost. System of purchase, issue and consumption needs to be followed very strictly and valuation of inventory must be done on generally accepted cost accounting principles and practices. For inventory, we must introduce ABC analysis to define the inventory in better way. Any abnormal loss during the

production should not be charged to production and insurance claims must be settled on top priority.

7. **Others:** We must introduced a system of inter-company and intera- company to compare the consumption patterns of all the elements of cost and cost PU of electricity generated and variances must be checked on regular basis. We must have system of Standard Costing and internal audit of cost records in place to have better decision making in the organization.

   Further, we suggest that we should introduce the system of Activity Based Costing at all the plants and should work out the cost PU of electricity at turbine level

Conclusion: To under stand the total operation of plants in better way, it is necessary to maintain cost records as prescribed in Cost Records (Electricity) Rules-2011 on regular basis and all the expenses must be identified cost centre wise. MIS system on daily/monthly accumulated basis (today/till date) must be introduced at all cost centre to know the true and fair view of cost records and will improve the decision making.

Thanking you

For Anil Sharma & Co.,

(Anil Sharma)
M.NO. 15091