HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED.
(A State Govt. undertaking)
Registered office: **Vidyut, Bhawan, HPSEBL, Shimla-4(H.P)**
Number (CIN): **U40109HP2009SGC0312SS**
GST No. : **HPSEBL 02 AACCH4894EHZB**
Telephone Number : **0172803600,2801675(Off.),2658984(Fax)**
Website Address : **www.hpseb.com**
Email: **cmd@hpseb.in &directorfa@hpseb.in**

Immediate

No. HPSEBL/ (Sectt) LS/Contingent liability /2026-14 89-1519 **Dated:-**25/8/26
To

1. The Managing Director, Beas Valley Power Corporation Ltd. Joginderrnagar, HP.
2. All the Chief Engineer(s) in HPSEBL.
3. All the Dy. Secretaries/ Under Secretaries in the Board Secretariat.

Subject:- **Minutes of 16th meeting of Audit Committee meeting held on 7th May, 2026 at Committee Room, Vidyut Bhawan, HPSEBL, Shimla-4.**

Reference: **Account Officer(A&R), F&A Wing, Vidyut Bhawan, HPSEBL, Shimla- letter bearing No. 718 dated 31-07-2026 and 726 dated 03-08-2026.**

Sir,

In connection with the above, it is stated that vide Item No. 16.06, in the subject cited above was placed before the 16th meeting of Audit Committee held on 07-05-2026 at Committee Room, Shimla. The Committee has directed that assessment and compilation of legal liabilities arising out of various cases be carried out by the Legal Branch. The status report in this regard, along with details of the liabilities identified and their vetting shall be presented in the next meeting of the committee as well as before the BODs for consideration.

As such, you are requested to supply the aforesaid details of liabilities arising out of various court cases after examined/vetted get it from the concerned Law Officer immediately so that same could be transmitted to the quarter concerned please.

"Treat it as most urgent delay , if any shall be your personal responsibility please."

Encls:-As above.

Yours faithfully,

(Kamlesh Saklani)
Dy. Secretary(Law)
HPSEBL, Shimla-4.

Copy of above is forwarded to the following for information and necessary action please.

1. The Superintending Engineer (IT), HPSEBL,Shimla-4 for uploading the same in the website of HPSEBL.
2. The CAO, F&A Wing, HPSEBL, Shimla-4.

(Kamlesh Saklani)
Dy. Secretary(Law)
HPSEBL, Shimla-4.

HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED

MINUTES OF 16TH MEETING OF AUDIT COMMITTEE HELD ON 07TH DAY OF MAY 2026 AT COMMITTEE ROOM, VIDYUT BHAWAN, HPSEB LTD. SHIMLA-04

Commence on: 1200 HRS **Concluded at:-1400 HRS**

PRESENTS:-

1. CA Rajeev Sood — Chairman
2. Dr. Maninder Jeet Kaur — Member
3. Shri Sharwan Kumar, HPAS — Member
4. Shri Arvind Sharma — Company Secretary

Invitee:-

1. Sh. Rakesh Kumar, CE (P&M)
2. Er. Tushar Gupta, CE (Comm.)
3. Sh. Kapil Bhimta, Chief Finance Officer
4. Sh. Sandeep Sharma, Addl. SE (IT)
5. ~~Sh. Naveen Chand Thakur, Dy. CA~~
6. Sh. R. K Sharma, AO
7. Sh. Kamlesh Kumar, AO (Comp. & Tariff)
8. Sh. Ashwani Kumar, AO(PG)
9. Sh. Anil Kumar, AAO(A&R)

Maninder Jeet Kaur, Director, joined the meeting through OAVM from Mohali, while the remaining members attended the meeting at the venue. After welcoming all the participants, the following agenda items were taken up for discussion:-

ITEM NO. 16.01
INTEGRATION OF ACCOUNTS WITH MULTI YEAR TARIFF PLAN

It was apprised to the Committee that despite the decisions taken earlier and directions issued by the authorities, no effective action had yet been initiated for the integration of the Multi Year Tariff (MYT) Plan with the accounts of the Company. The Committee viewed the matter seriously and expressed concern over the non-compliance of the directions as well as the lack of tangible progress in this regard. The Committee observed that such delay could adversely affect regulatory compliance, financial reporting, and operational efficiency of the Company.

After detailed deliberations and discussions, it was decided that the officers of the Accounts, IT, and Commercial Wings shall jointly prepare a comprehensive roadmap for the integration of the accounts with the MYT Plan within 10 days and submitted before the competent authorities for consideration.

ITEM NO. 16.02
UNIFIED CAPAX UTILITY

It was apprised to the Committee that the development of the IT–SAP based Unified Capex Utility Module is currently under progress and is expected to be completed shortly. The Audit Committee suggested that the unified Capex utility shall cover the following feature:-

1. Real-time monitoring of project-wise WIP (physical & financial progress).
2. Automated alerts for project-wise cost overruns.
3. Facility for calculation of ROI and IRR for each project.
4. Comprehensive audit trail for all cost transactions and approvals of HPERC, MYT and directions of Board.
5. Dashboard-based MIS for real-time performance tracking.
6. Exception reporting for delays, deviations, and cost variances.
7. Role-based access control to ensure data security and integrity.

It was directed that the Development of unified capex utility be completed on or before 30th June 2026 and a detailed presentation of the same be presented to the Board.

ITEM NO. 16.03
PRESENTATION ON THE ENERGY AUDIT OF HPSEBL.

A detailed presentation on circle-wise T&D losses along with the reasons thereof, was made before the Committee and duly explained. During the deliberations, it was observed that the T&D losses in the Rohru and Dalhousie circles appeared to be exceptionally high in comparison to other circles. The Committee was apprised that the accounting and assessment of T&D losses were presently being carried out internally by HPSEBL through its own mechanism and that no independent external agency had been engaged for conducting an energy audit.

In this regard, the Committee deliberated on the requirement of energy audit under the provisions of the Electricity Act, 2003, guidelines under RDSS, credit rating agencies, financial institutions such as PFC, REC etc., and Corporate Governance.

After detailed deliberations, the Audit Committee took note of the prevailing T&D losses and recommended that a comprehensive report be placed before the Board covering the existing mechanism of energy accounting and audit, applicable provisions, detailed reasons for the high T&D losses in the Rohru and Dalhousie circles, the feasibility of engaging an independent external agency for conducting a detailed energy audit and a time-bound roadmap along with corrective measures for reduction and control of T&D losses in the aforesaid circles.

ITEM NO. 16.04
BOOKING OF EXPENSES RELATED TO SMART METER & CAPITALIZATION THEREOF UNDER HPERC REGULATION.

Chief Engineer (Comm.), Chief Engineer (P&M), and CAO explained the mechanism for accounting of expenditure on smart metering under Admn & Gen Exp., the billing system and the tariff order issued by HPERC, Shimla. The invoices raised by the supplier, grants received from the GoI under RDSS, the treatments of GST and input tax credit were also explained. It was further discussed that the Guidance Note issued by ICAI regarding the treatment of revenue/grants should also be examined for the accounting treatment of grants received from the GoI for smart metering.

After detailed deliberations, it was decided that there is no need for capitalization of expenditure incurred on smart metering under RDSS, as the same is already included in the tariff charged to consumers in accordance with the tariff order issued by HPERC, Shimla.

Further, the Committee was of the view that a detailed presentation be made in the next meeting regarding the entire process of installation and commissioning of smart meters by the vendor including the methodology and technology adopted for implementation of the project. The Committee also desired that comprehensive details regarding the mechanisms put in place for ensuring the security, confidentiality and protection of consumer data, the vendor's cyber security framework and policy, the Surveillance Audit conducted by Vendor the safeguards adopted to prevent cyber threats and unauthorized access, and the audit and monitoring mechanisms in place for ensuring compliance and data security should also be presented.

The Committee further directed that a legal opinion be obtained on the adequacy of safeguards available for protection of consumer interests, award of smart metering and data security under the existing contractual and regulatory framework.

ITEM NO. 16.05
ISSUANCE OF FRESH NCDS/ BESS SYSTEM INSTALLATION.

The Chief Engineer (P&M) and Chief Engineer (Comm.) explained that, at present, no regulations or guidelines have been issued by the Hon'ble HPERC, Shimla regarding the installation of Battery Energy Storage Systems (BESS). It was further clarified that in the absence of specific regulatory provisions or grants from Ministry of Power, GOI, the expenditure proposed to be incurred by HPSEBL on installation of BESS may not be admissible under the prevailing tariff regulations. The Committee was also apprised that a project for installation of a BESS at Ghandigram is already under consideration under a World Bank scheme. The said project is intended to examine the scope, technical viability, operational feasibility, and overall suitability of BESS in the State of Himachal Pradesh. It was informed that the study and related assessments are presently under process and upon completion of the report, the findings and recommendations thereof shall be placed before the Committee for consideration.

After detailed discussions and deliberations, the Committee decided that the proposal regarding installation of a BESS system and raising of funds through issuance of NCDs for the said purpose be dropped.

Further, the Committee advised HPSEBL to explore and examine alternative avenues for raising funds from the market, financial institutions, banks etc., to improve the overall financial health and liquidity position of the company.

ITEM NO.16.06

CONTINGENT LIABILITIES & VETTING OF SAME BY LEGAL CELL.

The Committee was apprised that the decisions taken in the previous meeting had not been complied with and that no report regarding the contingent liabilities and vetting thereof had been presented before the Committee. After deliberations, the Committee directed that, a comprehensive assessment of the Company's contingent liabilities, including financial, commercial, and legal liabilities, be undertaken for FY 2025-26 to avoid adverse audit observations on the financial statements.

Further, the Committee directed that the assessment and compilation of legal liabilities arising out of various court cases be carried out by the Legal Branch at the earliest. The status report in this regard, along with details of the liabilities identified and their vetting, shall be presented in the next meeting of the Committee as well as before the Board of Directors for consideration.

ITEM NO.16.07

INTERNAL AUDIT REPORT UPTO 31.12.2025 AND STATUS OF AUDIT REPORT AS ON 31.03.2026.

The CAO and Dy. Chief Auditor apprised the Committee of the status of the internal audit of the Company. It was deliberated that a meeting of the Chairman of the Committee with the internal auditor would be scheduled, along with a review of the audit reports. Further, it was decided that critical & repeated audit paras, along with the reasons for such observations, would be placed before the Committee so that appropriate decisions and corrective measures could be taken and accountability of the concerned officials could be fixed.

ITEM NO.16.08
STATUS OF RECONCILIATION OF IUT.

The CAO apprised the Committee of the status of reconciliation of Inter Unit Transactions (IUT). It was informed that a total of 186 entries are currently pending, out of which 103 entries amounting to approximately ₹16 crore pertain to field units, while 83 entries amounting to approximately ₹326 crore relate to Head Office. The reasons for such IUT entries, including initial upload, deputation, retained earnings, zero balance clearing, etc., were also explained and deliberated. It was further apprised that the reconciliation process is in progress and is expected to be completed shortly.

After considering all aspects, the Committee reiterated that no IUT entries should remain outstanding in the accounts as on 31.03.2026, and directed that all such entries must be fully reconciled and cleared before the finalization of accounts.

ITEM NO.16.09
RECONCILIATION OF ACCOUNTS OF DEBTORS, CREDITORS & IPPs.

It was apprised that the reconciliation of balances pertaining to creditors, debtors, IPPs, and Government departments, including Jal Shakti Vibhag, SJPNL etc. is currently under process and is expected to be completed shortly.

Further, the Committee directed that effective and time-bound measures be taken for the realization of outstanding dues from debtors. It was also decided that the status of pending court cases, including the GNG case and similar matters, along with the ageing analysis of debtors, shall be presented in detail in the next meeting of the Committee for review and consideration.

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ITEM NO.16.10

MANAGEMENT REPLIES OF STATUTORY AUDIT REPORT.

It was decided that management replies and audit observation wills be placed in the next meeting.

Dated:

Chairman
Audit Committee