सत्यमेव जयते

Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings
(Economic Sector)
for the year ended 31 March 2018

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

हिमाचल प्रदेश सरकार

Government of Himachal Pradesh

Report No. 3 of the year 2019

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Comptroller and Auditor General of India

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PREFACE

This report deals with the results of test audit of Government companies and Statutory corporations for the year ended March 2018.

The accounts of Government companies (including companies deemed to be Government companies as *per* the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, read with Section 619 of the Companies Act, 1956, and Sections 139 and 143 of the Companies Act, 2013. The audit of statutory corporations is conducted under their respective legislations.

Reports in relation to the accounts of Government companies or corporations are submitted to the Government by CAG for laying before the State Legislature of Himachal Pradesh under Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.In respect of Himachal Road Transport Corporation which is a statutory corporation, the CAG is the sole auditor. In respect of Himachal Pradesh Financial Corporation, the CAG has the right to conduct the audit of accounts in addition to the audit conducted by chartered accountants appointed by the Corporation. The Separate Audit Reports on the Annual Accounts of these corporations are forwarded separately to the State government.

The instances mentioned in this Report are those which came to notice in the course of test audit during the year 2017-18 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2017-18 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report contains one performance audit on Sainj Hydro Electric Project and 11 paragraphs with financial implication of ₹ 728.04 crore relating to issues of avoidable payment due to non-compliance of rules, directives and procedures, non/ short recovery and infructuous expenditure that resulted in losses to the companies / corporations.

1. Functioning of State Public Sector Undertakings (PSUs)

1.1 Power Sector Companies

The State government has four Power Sector companies, one company (Beas Valley Power Corporation Limited) did not commence any commercial activities till 2017-18.

As on 31 March 2018, the total investment (equity and long term loans) in four power sector undertakings was ₹ 12,114.52 crore. The investment consisted of 25.69 *per cent* towards equity and 74.31 *per cent* in long-term loans.

The Long term loans advanced by the State government constituted 67.75 *per cent* (₹ 6,099.10 crore) of the total long term loans whereas 32.25 *per cent* (₹ 2,902.86 crore) of the total long term loans were availed from other financial institutions. However, during 2016-17, the State government has taken over ₹ 2,890.50 crore (75 *per cent*) of the outstanding debts (₹ 3,854 crore) of the DISCOMs as on 15 September 2015 under Ujwal DISCOM Assurance Yojana (UDAY) scheme.

(Paragraphs 1.2 & 1.3)

1.2 Other than Power Sector Companies

There were 21 State Public Sector Undertakings (PSUs) as on 31 March 2018 which were related to sectors other than Power Sector. These State PSUs were incorporated during the period 1967-68 to 2017-18 and included 19 Government Companies and two Statutory Corporations *i.e.* Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation. The Government Companies further included two (Agro Industrial Packaging India Limited and Himachal Worsted Mills Limited) non-functional companies. During the year 2017-18, one PSU (Dharamshala Smart City Limited) was incorporated.

The State government provides financial support to the State PSUs in the shape of equity, loans and grants/subsidy from time to time. Of the 21 State PSUs (other than Power Sector), the State government invested funds in 18 State PSUs only as the State government did not infuse any funds in the three Government Companies.

(Paragraph 4.1)

As on 31 March 2018, the total investment (equity and long term loans) in these 21 PSUs was ₹ 1,491.98 crore. The investment consisted of 69.38 *per cent* towards equity and 30.62 *per cent* in long-term loans. The Long term loans advanced by the State government constituted 47.14 *per cent* (₹ 215.39 crore) of the total long term loans whereas 52.86 *per cent* (₹ 241.52 crore) of the total long term loans were availed from other financial institutions.

The investment has grown by 39.32 *per cent* from ₹ 1,070.88 crore in 2013-14 to ₹ 1,491.98 crore in 2017-18. The investment increased due to addition of ₹ 186.28 crore and ₹ 234.82 crore towards equity and long term loans respectively during 2013-14 to 2017-18.

(Paragraph 4.4)

2. *Performance audit of Execution of Sainj Hydro Electric Project*

The Himachal Pradesh Power Corporation Limited (Company) implemented Sainj Hydro Electric Project (Project) having installed capacity of 100 MW. The Project with estimated cost of ₹ 676.29 crore was scheduled to be completed by March 2015, but the same was commissioned after a delay of 29 months in September 2017 at a cost of ₹ 1,319.33 crore. As a result, the generation cost had increased from ₹ 3.74 to ₹ 6.23 per unit against the prevailing average sale rate of ₹ 4.30 per unit thereby rendering the Project commercially unrewarding. The Performance Audit of the Project covered Planning, Execution, Project Management, Financial Management and Monitoring.

Highlights

The Asian Development Bank (ADB) loan received through Government of India in the shape of 90 *per cent* grant (₹ 659 crore) and 10 *per cent* loan (₹ 73.22 crore) was extended as 100 *per cent* loan by Government of Himachal Pradesh, placing extra burden of ₹ 931.80 crore including interest of ₹ 272.80 crore on the project cost and increasing the generation cost by ₹ 4.40 per unit.

Against the DPR cost of ₹ 676.29 crore the Project was completed at a cost of ₹ 1319.33 crore. Consequently, keeping in view current sale rate of power the project cost is anticipated to be recovered in nine and half years instead of five years, had there been no cost overrun. Thus, there would be delay of four and half years in recovery of project cost directly impacting the commercial viability of the Project.

Time overrun of 29 months was attributable to delay by the Company in providing access to the sites to the Contractor, stoppage of work by local people , change in location and design of Gas Insulated Switchgear (GIS) & Pot head yard. Project was completed with cost overrun of ₹ 643.04 crore. Consequently, per unit generation cost had increased from ₹ 3.74 to ₹ 6.23 per unit against the prevailing average sale rate of ₹ 4.30 per unit.

(Paragraph 2.7.1)

We also noticed following:

Overpayment of price escalation ₹ 13.60 crore.

(Paragraph 2.12.3)

Non-safeguarding the interests of the Company by inserting suitable clauses overburdened the Project by ₹ 18.82 crore.

(Paragraph 2.13)

3. *Compliance Audit*

Beas Valley Power Corporation failed to include the royalty charges in the analysed cost of aggregate and sand at quarry site, for working out the differential cost of aggregate and sand procured from open market resulted in extra payment of differential cost of ₹ 75.02 lakh.

(Paragraph 3.1)

Himachal Pradesh State Electricity Board Limited failed to charge the Contract Demand from three consumers as per the limit prescribed by the Himachal Pradesh Electricity Regulatory Commission in its tariff orders issued in April 2013 resulted in short recovery of CD of ₹ 1.97 crore during the period from April 2013 to December 2018. This loss would increase further as short recovery is continuing till the suitable action as per tariff order is taken by the Company.

(Paragraph 3.2)

Himachal Pradesh State Electricity Board Limited failed to deduct the component of Excise Duty, from the bills of the contractor, in absence of documentary proof, as per the terms and conditions of the contract agreement, resulting in extra payment of Excise Duty of ₹ 42.77 lakh to the contractor.

(Paragraph 3.3)

Before applying for Long Term Access, failure of the Himachal Pradesh Power Corporation Limited to sign PPAs, which was a pre-requisite for signing of Long Term Access agreement, resulted in avoidable loss of ₹ 37.41 lakh, due to forfeiture of fee and security by Power Grid Corporation of India Limited after revocation of approval in absence of Power Purchase Agreements.

(Paragraph 3.4)

Failure of the Himachal Pradesh State Electronic Development Corporation Limited in securing its financial interests involving extra cost towards unnecessary bundling of Visio software resulted in non-recovery of ₹ 84 lakh, with consequential interest loss of ₹ 27.82 lakh.

(Paragraph 5.1)

Non-adjustment of credit sales by Himachal Pradesh General Industries Corporation Limited while allowing quantity discount on monthly sales resulted in inadmissible cash discount of ₹ 55.65 lakh.

(Paragraph 5.3)

Himachal Pradesh State Industrial Development Corporation executed 448 deposit works during last three years out of which 92 works were test checked and it was found that it had started the execution of works before technical sanction. The financial management of the Company was not efficient and effective, as it failed to, restrict expenditure up to the amount of funds received (₹ 21.29 crore excess over funds received) and timely return savings of ₹ 12.43 crore to the respective clients. The conditions of the contract were not adhered resulting in extra payment / expenditure of ₹ 4.23 crore. Monitoring and internal control was also inadequate and ineffective as the Company did not monitor the progress of works and failed to ensure its statutory obligations.

(Paragraph 5.5)

Failure of the Management of Himachal Road Transport Corporation in initiating timely action for collection of service tax from the passengers through fare resulted in non-collection of service tax amounting to ₹ 1.04 crore for the period of delay. Apart from this, possibility of imposition of interest and penalty on delayed payment of service tax cannot be ruled out.

(Paragraph 5.6)

Due to non-adherence of specifications of MoRTH & IRC by Himachal Pradesh Road & Other Infrastructure Development Corporation without considering local requirements in all reaches / stretches in the Detailed Project Report, led to increase of 15,988.932 M^3 Granular Sub Base, resulting in extra payment of ₹ 93.37 lakh to the contractor. Further, considering 20 *per cent* overhead rate instead of 8 *per cent* ₹ 8.22 crore was paid extra to the contractor and this would increase further after completion of works.

(Paragraph 5.7)

INTRODUCTION
FUNCTIONGING OF STATE PUBLIC SECTOR UNDERTAKINGS

INTRODUCTION

FUNCTIONING OF STATE PUBLIC SECTOR UNDERTAKINGS

General

1 State Public Sector Undertakings (PSUs) consist of State government companies and statutory corporations. State PSUs are established to carry out activities of a commercial nature and occupy an important place in the State's economy. As on 31 March 2018, there were 25 PSUs. Of these, one company[1] was listed (April 1995) on the Delhi Stock Exchange. During the year 2017-18, one PSU[2] was incorporated and no PSU was closed down. The details of State PSUs in Himachal Pradesh as on 31 March 2018 are given in Table 1 below.

Table 1: Total number of PSUs as on 31 March 2018

Type of PSUs	Working PSUs	Inactive PSUs[3]	Total
Government Companies[4]	21	2	23
Statutory Corporations	2[5]	-	2
Total	**23**	**2**	**25**

The working PSUs registered a turnover of ₹ 8,814.81 crore ***(Appendix 1)*** as per their latest finalised accounts as of September 2018. This turnover was equal to 6.49 *per cent* of the State Gross Domestic Product (GDP) for 2017-18. The working PSUs incurred aggregate loss of ₹ 109.50 crore ***(Appendix 1)*** as per their latest finalised accounts as of September 2018. They had employed 36,907 employees as at the end of March 2018.

As on 31 March 2018, there were two[6] inactive companies with capital employed of ₹ 78.79 crore.

Accountability framework

2 The procedure for audit of Government companies are laid down in Sections 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2 (45) of the Act 2013, a Government Company means any company in which not less than 51 *per cent* of the paid-up share capital is held by the Central government or by any State government or Governments or partly by the Central government and partly by one or more State governments, and includes a company which is a subsidiary company of such a Government

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1 Himachal Pradesh General Industries Corporation Limited.
2 Dharamshala Smart City Limited.
3 Inactive PSUs are those which have ceased to carry on their operations.
4 Government PSUs include other Companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013.
5 Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.
6 Agro Industrial Packaging India Limited and Himachal Worsted Mills Limited.

Company. Besides, any other company[7] owned or controlled, directly or indirectly, by the Central government, or by any State government or Governments, or partly by the Central government and partly by one or more State governments are referred to in this Report as Government Controlled other Companies.

Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. Section 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditor are to be appointed by the CAG within 60 days from the date of registration of the company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-Section 7 of Section 143 of the Act 2013, the Comptroller and Auditor General of India (CAG) may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central government, or by any State government or Governments or partly by Central government and partly by one or more State governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

3 Statutory Audit

The financial statements of Government companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by statutory auditors who are appointed by CAG under Section 139(5) or (7) of the Act. The statutory auditors shall submit a copy of Audit Report to the CAG which among other things includes the directions issued by the CAG, the action taken thereon and its impact on the accounts. The financial statements are subject to supplementary audit by CAG within 60 days from the date of receipt of the Audit Report under Section 143(6) of the Act.

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[7] Ministry of Corporate Affairs- (Removal of Difficulties) Seventh Order 2014 dated 4 September 2014.

Audit of statutory corporations is governed by their respective legislations. Out of the two statutory corporations[8], CAG is the sole auditor for the Himachal Road Transport Corporation (HRTC). In respect of Himachal Pradesh Financial Corporation (HPFC), the audit is conducted by chartered accountants and supplementary audit by CAG.

4 Role of Government and Legislature

The State government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature monitors the accounting and utilisation of Government investment in the PSUs. For this purpose, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State government companies and Separate Audit Reports in case of statutory corporations, are to be placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Submission of accounts by PSUs

5 Need for timely finalisation and submission

According to Section 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

[8] Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

The details of progress made by 23 working PSUs in finalisation of accounts as of 30 September 2018 are given in table 2 below.

Table 2: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	**Number of working PSUs / other companies**	19	19	20	21	23
2.	**Number of accounts finalised during the year**	16	16	19	21	14
3.	**Number of accounts in arrears**	23	26	27	27	36
4.	**Number of PSUs with arrears in accounts**	15	18	18	17	22
5.	**Extent of arrears (numbers in years)**	1 to 3 years	1 to 3 years	1 to 3 years	1 to 4 years	1 to 4 years

PSUs having arrears of accounts need to take effective measures for early clearance of backlog and to make the accounts up-to-date. The PSUs which have arrear of accounts should also ensure that at least two year's accounts are finalised in each year so as to liquidate the arrears.

6 The State government had invested ₹ 4,357.79 crore in 22 PSUs for which accounts have not been finalised as detailed in ***Appendix 2***. In the absence of finalisation of accounts and their audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and whether the purpose for which the amount was invested had been achieved or not. Thus, Government's investment in such PSUs has remained outside the scrutiny of the State Legislature.

Investment by Government of Himachal Pradesh in State Public Sector Undertakings (PSUs)

7 As on 31 March 2018, the investment (Paid up capital, Free Reserves and Long-term loans) in 25 PSUs was ₹ 13,718.74 crore as given in table 3 below.

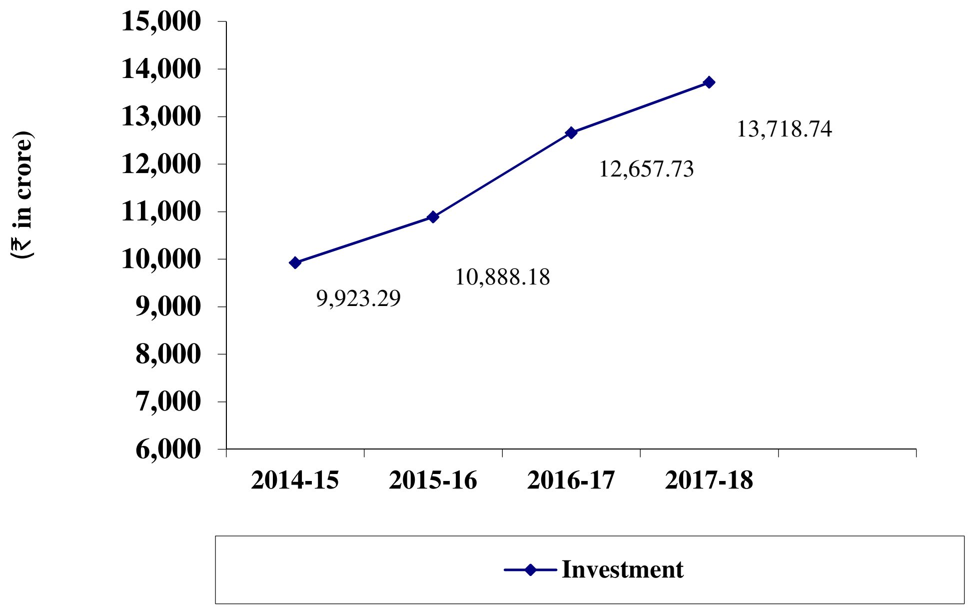
Table 3: Total Investment in PSUs

(₹ in crore)

Type of PSUs	Government Companies				Statutory Corporations				Grand Total
	Paid up Capital	Long Term Loans	Free Reserves	Total	Paid up Capital	Long Term Loans	Free Reserves	Total	
Working PSUs	3309.00	9064.00	112.18	12485.18	820.06	334.71	0	1154.77	13639.95
Inactive PSUs	18.64	60.15	0	78.79	-	-	-	-	78.79
Total	**3327.64**	**9124.15**	**112.18**	**12563.97**	**820.06**	**334.71**	**0**	**1154.77**	**13718.74**

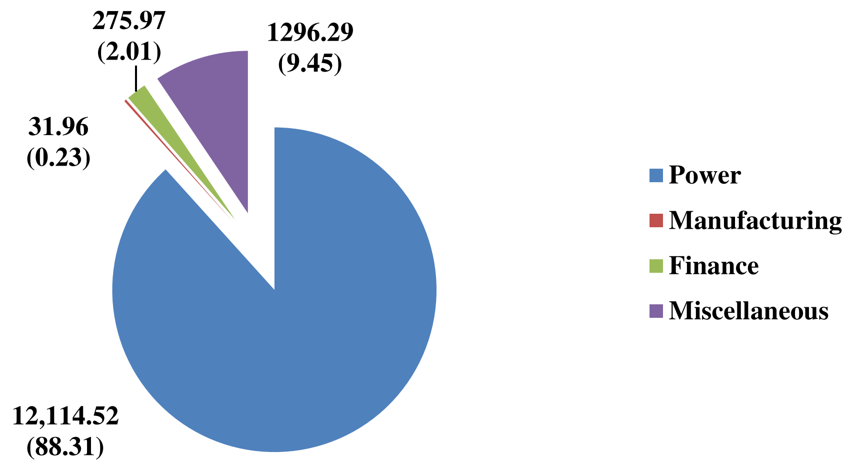
As on 31 March 2018, of the total investment 99.43 *per cent* was in working PSUs and the remaining 0.57 *per cent* in inactive PSUs. This total investment consisted of 30.23 *per cent* towards paid up capital, 0.82 *per cent* in Free Reserves and 68.95 *per cent* in long-term loans. The investment has grown from ₹ 9,923.29 crore (Paid up Capital: ₹ 3,304.06 crore, free reserves ₹ 51.12 crore and Long term loans: ₹ 6,568.11 crore) in 2014-15 to ₹ 13,718.74 crore (Paid up Capital: ₹ 4,147.70 crore, Free Reserves: ₹ 1,12.18 crore and Long term loans: ₹ 9,458.86 crore) in 2017-18 as shown in the graph 1 below.

Graph 1: Total Investment in PSUs



8 The investment in four significant sectors and percentage thereof at the end of 31 March 2018 is indicated in graph. 2 below.

Graph 2: Sector Wise Investment in PSUs



(Figures in brackets show the sector-wise percentage of Investment to total Investment)

Keeping in view the high level of investment in Power Sector, we are presenting the results of four Power Sector PSUs in Part I[9] of this report and of the 21 PSUs (other than power sector) in Part II[10] of the report.

[9] The Part I includes Chapter-I (Functioning of State Power Sector Undertakings), Chapter-II (Performance Audit relating to Power Sector Undertakings) and Chapter-III (Compliance Audit Observations relating to Power Sector Undertakings).

[10] The Part II includes Chapter-IV (Functioning of State PSUs other than Power Sector) and Chapter-V (Compliance Audit Observations relating to PSUs other than Power Sector).

PART - I

CHAPTER - I

FUNCTIONING OF STATE POWER SECTOR UNDERTAKINGS

PART-I

CHAPTER-I

FUNCTIONING OF STATE POWER SECTOR UNDERTAKINGS

1 *Introduction*

1.1 The power sector companies play an important role in the economy of the State**.** The State has identified power potential of 27,436 MW out of which 10,571.17 MW has been harnessed upto March 2019. Out of which 814.09 MW is under the control of State government while the rest is being utilised by the Central Government (7,457.73 MW) and Private Sector (2,299.35 MW). State PSUs are operating hydroelectric projects of 652.55 MW. During the year ended 31 March 2018 against the total demand of 9,390.82 MUs HPSEBL was able to generate only 1,962.11 MUs and the balance of 7,428.71 MUs was received by the HPSEBL from other generating stations. Apart from providing a critical infrastructure required for development of the State's economy, the sector also adds significantly to the GDP of the State. A ratio of Power sector PSUs' turnover to Gross State Domestic Product (GSDP) shows the extent of activities of PSUs in the State economy. The table below provides the details of turnover of the power sector undertakings and GSDP of Himachal Pradesh for a period of five years ending March 2018.

Table 1.1: Details of turnover of power sector undertakings *vis-a-vis* GSDP of Himachal Pradesh

(₹in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	3,830.56	4,230.44	5,093.79	5,599.56	5,993.79
GSDP of Himachal Pradesh	85,841	95,587	1,10,511	1,24,570	1,35,914
Percentage of Turnover to GSDP of Himachal Pradesh	4.46	4.43	4.61	4.50	4.41

Source: Compiled based on Turnover figures of power sector PSUs and GSDP figures as per Economic Review 2017-18 of Government of Himachal Pradesh.

The turnover of power sector undertakings has recorded continuous increase over previous years. The increase in turnover ranged between 7.04 *per cent* and 20.41 *per cent* during the period 2013-18, whereas increase in GSDP of Himachal Pradesh ranged between 9.11 *per cent* and 15.61 *per cent* during the same period. The compounded annual growth of GSDP was 12.17 *per cent* during last five years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 12.17 *per cent* of the GSDP, the turnover of power sector undertakings recorded lower compounded annual growth of 11.84 *per cent* during last five years. This resulted in decrease in share of turnover of these power sector undertakings to the GSDP from 4.46 *per cent* in 2013-14 to 4.41 *per cent* in 2017-18.

1.2 Restructuring / Formation of Power Sector Undertakings

Pursuant to Electricity Act, 2003, the Government of Himachal Pradesh constituted three companies *viz,* Himachal Pradesh Power Corporation Limited (HPPCL) during 2006-07 however, equity of ₹ 79.71 crore was infused during 2007-08 and Himachal Pradesh Power Transmission Corporation Limited (HPPTCL) by infusing equity of ₹ 3.00 crore in 2008-09 and Himachal Pradesh State Electricity Board Limited (HPSEBL) during December 2009.

The State government formulated (June 2010) the Himachal Pradesh Power Sector Reforms Transfer Scheme 2010 (HPPSRT Scheme 2010) for unbundling of Himachal Pradesh State Electricity Board (HPSEB) and transfer of assets, properties, liabilities, obligations, proceedings and personnel of HPSEB to Himachal Pradesh State Electricity Board Limited (HPSEBL). The Company came into existence *w.e.f.* 10 June 2010 and all the assets and liabilities of HPSEB was transferred to the newly created Company according to the provisions of the HPPSRT Scheme 2010. Another power sector company namely Beas Valley Power Corporation Limited (BVPCL) was also incorporated during 2002-03, as subsidiary of the HPSEB for execution of 100 MW Uhl-III HEP. Thus, there were four Power Sector companies in the State as on 31 March 2018. Of these four Power Sector companies, Beas Valley Power Corporation Limited had not commenced commercial activities till 2017-18.

Twenty one hydroelectric power projects having total generating installed capacity of 477.450 MW along with distribution activities would be maintained by HPSEBL and only six new hydroelectric projects having generating capacity of 986 MW had been transferred to HPPCL for construction. In addition, the HPSEBL had two projects of 110 MW capacity under execution out of which one project of 10 MW was commissioned during 2014. The State government has also allotted four new hydroelectric projects having total installed capacity of 70.50 MW to HPSEBL for construction in April 2013.

All assets and liabilities relating to transmission lines (not being essential part of distribution system or the dedicated lines from existing or future HEPs of HPSEBL) shall stand vested / transferred to HPPTCL. Accordingly, 14 existing transmission lines of 66 KV and above (278.860 Circuit Kilometers) were transferred to HPPTCL during 2009-11.

Thus, HPSEBL is still managing / operating all its existing generating and transmission network except 14 transmission lines *ibid,* along with distribution activities, therefore, the very purpose of unbundling of the Board in true spirit as envisaged in Electricity Act, 2003 has not been achieved.

Investment in Power Sector Undertakings

1.3 The activity-wise summary of investment in the power sector undertakings as on 31 March 2018 is given below:

Table 1.2: Activity-wise investment in power sector undertakings

Activity	Number of government undertakings	Investment (₹ in crore)				
		Equity		Long term loans		Total
		GoHP	Others	GoHP	Others	
Generation of Power (HPPCL)	1	527.64	1,327.92	2,508.62	14.71	4,378.89
Transmission of Power (HPPTCL)	1	177.75	108.70	680.87	37.18	1,004.49
Distribution of Power (HPSEBL)	1	670.56	-	2,909.61	1,917.57	5,497.74
Other[1] (BVPCL)	1	-	300	-	933.40	1,233.40
Total	**4**	**1,375.95**		**6,099.10**	**2,902.86**	**12,114.52**

Source: Compiled based on information received from PSUs.

As on 31 March 2018, the total investment (equity and long term loans) in four power sector undertakings was ₹ 12,114.52 crore. The investment consisted of 25.69 *per cent* towards equity and 74.31 *per cent* in long-term loans.

[1] Subsidiary of HPSEBL created for construction of Uhl-III HEP.

The long term loans advanced by the State government constituted 67.75 *per cent* (₹ 6,099.10 crore) of the total long term loans whereas 32.25 *per cent* (₹ 2,902.86 crore) of the total long term loans were availed from other financial institutions. During 2016-17, the State government had taken over ₹ 2,890.50 crore (75 *per cent*) of the outstanding debts (₹ 3,854 crore) of the DISCOMs as on 15 September 2015 under Ujwal DISCOM Assurance Yojana[2] (UDAY) scheme.

Budgetary Support to Power Sector Undertakings

1.4 The Government of Himachal Pradesh (GoHP) provides financial support to power sector undertakings in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants / subsidies, loans written off and loans converted into equity during the year in respect of power sector undertakings for the last three years ending March 2018 are as follows:

Table 1.3: Details of budgetary support to power sector undertakings during last three years

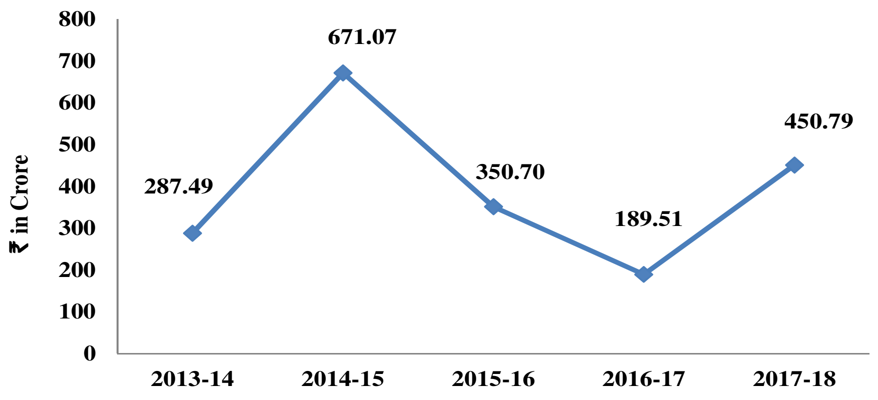
(₹in crore)

Particulars[3]	2015-16		2016-17		2017-18	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital (i)	3	265.00	2	69.51	3	182.11
Loans given (ii)	1	85.00	1	120.00	1	262.68
Grants/Subsidy provided (iii)	1	0.70		-	1	6.00
Total Outgo (i+ii+iii)		350.70		189.51		450.79
Loan repayment written off		0		-		-
Loans converted into equity		-				-
Guarantees issued during the year	1	300.00	1	2,890.50	-	-
Guarantee Commitment/ Outstanding	1	2,650.59	1	3,760.25	1	3,715.50

Source: Compiled based on information received from PSUs.

The details of budgetary support towards equity, loans and grants / subsidies for the last five years ending March 2018 are given in a graph below:

Graph 1.1: Budgetary support towards Equity, Loans and Grants/Subsidies



[2] Scheme launched by Ministry of Power and GoI for financial and operational turnaround of DISCOMs.

[3] Amount represents outgo from State Budget only.

The budgetary assistance received by these PSUs during the year ranged between ₹ 189.51 crore and ₹ 671.07 crore during the period 2013-14 to 2017-18. In 2014-15 increase in budgetary support was due to release of ₹ 521.07 crore to Himachal Pradesh State Electricity Board Limited (HPSEBL) and Himachal Pradesh Power Transmission Corporation Limited (HPPTCL) in the shape of loans and grant / subsidies and during 2017-18 due to release of equity and loans of ₹ 427.52 crore to HPPTCL and Himachal Pradesh Power Corporation Limited (HPPCL).

In order to enable PSUs to obtain financial assistance from banks and financial institutions, State government provides guarantee and charges guarantee fee from zero *per cent* to one *per cent*.

Reconciliation with Finance Accounts of Government of Himachal Pradesh

1.5 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Himachal Pradesh. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. There were differences in the position of Equity and loans as on 31 March 2018 as stated below:

Table 1.4: Loans outstanding as per Finance Accounts vis-à-vis records of power sector undertakings

(₹in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	827.71	848.30	20.59
Loans	3,387.83	6,099.10	2,711.27

Source: Compiled based on information received from PSUs and Finance Accounts.

The differences between the figures are persisting since last many years. The issue of reconciliation of differences was also taken up with the PSUs / Departments from time to time. We, therefore, recommend that the State government and the PSUs should reconcile the differences in a time-bound manner.

Submission of accounts by Power Sector Undertakings

1.6 Timeliness in preparation of accounts by Power Sector Undertakings

There were four power sector undertakings under the audit purview of CAG as of 31 March 2018. Accounts for the year 2017-18 were not submitted by any of these working PSUs by 30 September 2018 as per statutory requirement. Details of arrears in submission of accounts of power sector undertakings as on 30 September of each financial year for the last five years ending 31 March 2018 are given below:

Table 1.5: Position relating to submission of accounts of Power Sector Undertakings

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	2.	3.	4.	5.	6.	7.
1.	Number of PSUs	4	4	4	4	4
2.	Number of accounts submitted during current year	2	3	4	4	3
3.	Number of PSUs which finalised accounts for the current year	1	0	0	0	0

1.	2.	3.	4.	5.	6.	7.
4.	Number of previous year accounts finalised during current year	1	3	4	4	3
5.	Number of PSUs with arrears in accounts	4	4	4	4	4
6.	Number of accounts in arrears	4	5	5	5	6
7.	Extent of arrears	Two years	Two years	Two years	Two years	Two years

Source: Compiled based on accounts of working PSUs received during the period October 2017 to September 2018.

Of these four working State PSUs, three PSUs had finalised three annual accounts for previous years during the period 1 October 2017 to 30 September 2018. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period.

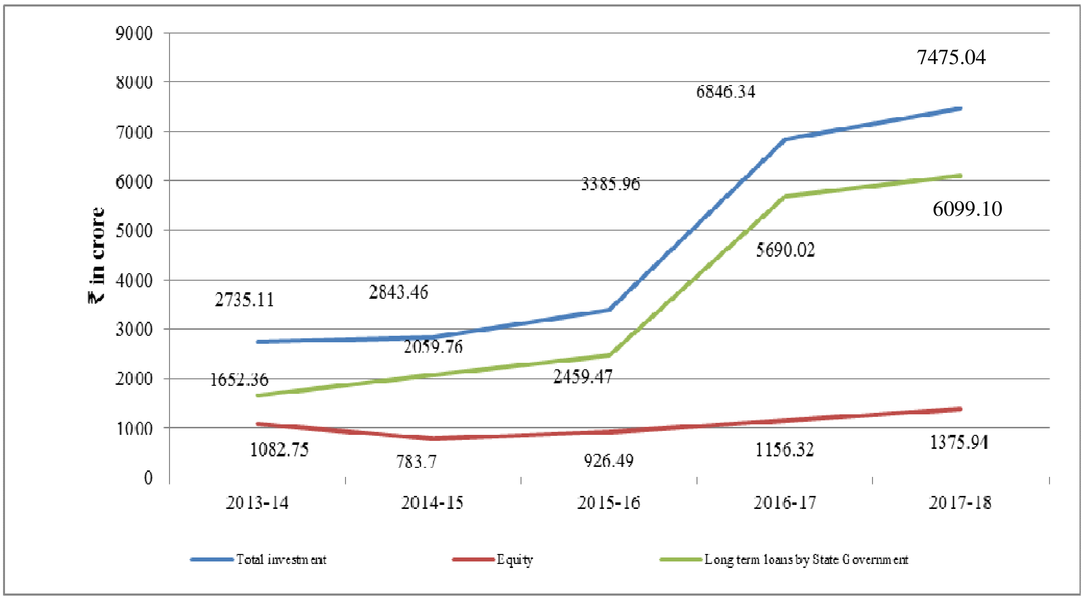
Performance of Power Sector Undertakings

1.7 The financial position and working results of four power sector Companies are detailed in ***Appendix 1.1*** as per their latest finalised accounts as of 30 September 2018.

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in them. The total investment of State government and others in the power sector PSUs was ₹ 12,114.52 crore consisting of ₹ 3,112.57 crore as equity and ₹ 9,001.95 crore as long term loans. Out of this, GoHP has investment of ₹ 7,475.04 crore in the three Power Sector Undertakings only consisting of equity of ₹ 1,375.94 crore and long term loans of ₹ 6,099.10 crore. The increase in loans in the year 2016-17 was mainly due to loan of ₹ 2,890.50 crore given by the GoHP to HPSEBL under UDAY scheme.

The year wise status of investment of GoHP in the form of equity and long term loans in the power sector PSUs during the period 2013-14 to 2017-18 is as follows:

Graph.1.2: Total investment of GoHP in power sector undertakings

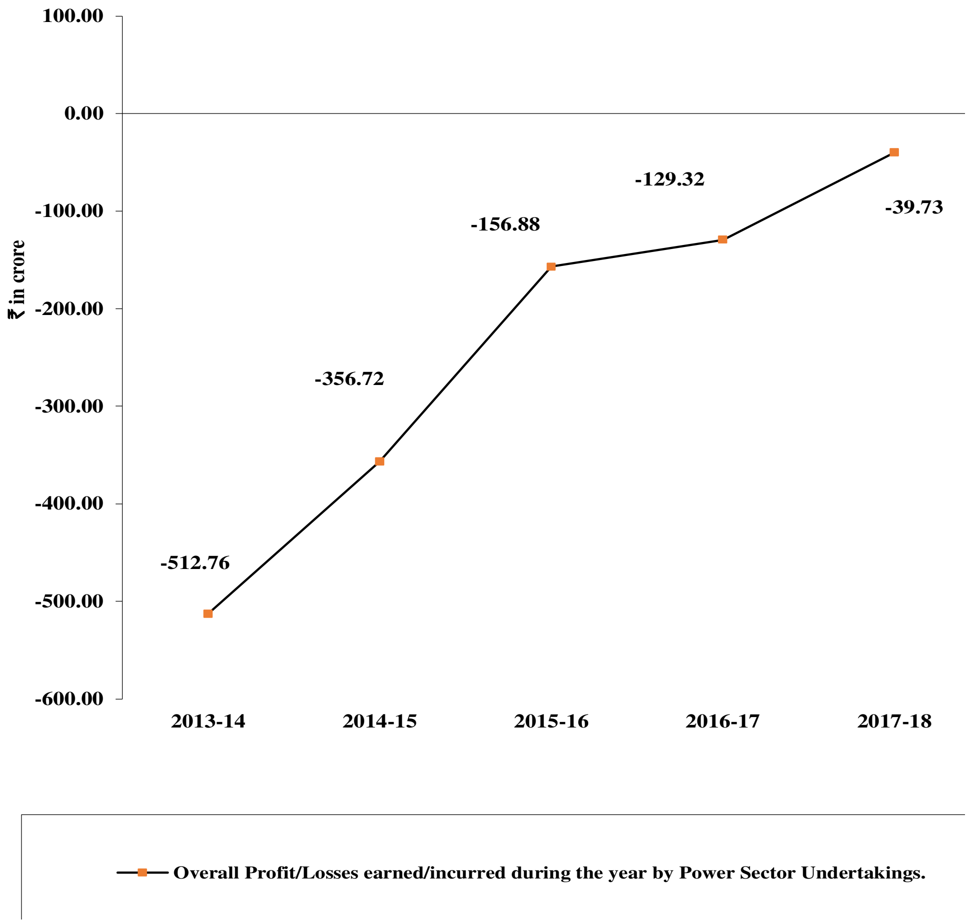


The profitability of a company is traditionally assessed through return on investment and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested and is expressed as a percentage of net profit to total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used.

Return on Investment

1.8 Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit/losses[4] earned/incurred by all the power sector undertakings during 2013-14 to 2017-18 is depicted below in a graph.

Graph 1.3: Profit/Losses earned/incurred by Power Sector Undertakings



- The losses incurred by these PSUs was ₹ 39.73 crore in 2017-18 ***(Appendix 1.1)*** against losses of ₹ 512.76 crore incurred in 2013-14.
- The main reason for decrease in losses was grant of financial package in the form of grants-in-aid / subsidy by the State government.

[4] Figures are as per the latest finalised accounts during the respective years.

Position of Power Sector Undertakings which earned/incurred profit/loss during 2013-14 to 2017-18 is given below:

Table 1.6: Power Sector Undertakings which earned/incurred profit/loss during 2013-14 to 2017-18 as per their latest finalized accounts

Financial year	Total PSUs in power sector	Number of PSUs which earned profits	Number of PSUs which incurred loss	Number of PSUs which had not prepared their Profit and Loss account during the year
2013-14	4	-	1	3
2014-15	4	1	2	1
2015-16	4	1	2	1
2016-17	4	1	2	1
2017-18	4	-	3	1

(a) Return on the basis of historical cost of investment

1.9 Out of four power sector undertakings of the State, the State government infused funds in the form of equity, loans and grants / subsidies in three power sector undertakings only. The State government did not infuse any direct funds in one company (BVPCL) where no equity was subscribed by the State government till 2017-18. The entire equity of the company which is subsidiary of HPSEBL was contributed by the concerned holding company.

The investment of State government in these three Power Sector Undertakings was ₹ 1,376.44 crore consisting of equity only.

The return on investment on historical cost basis for the period 2013-14 to 2017-18 is as given below:

Table 1.7: Return on State government Investment on historical cost basis

Financial year	Funds infused by the GoHP in form of Equity and Interest Free Loans on historic cost basis (*₹ in crore*)	Total Earnings/ Losses (*₹ in crore*)	Return on Investment (in *per cent*)
2013-14	1,082.75	-512.76	-47.36
2014-15	784.21	-356.72	-45.49
2015-16	926.99	-156.88	-16.92
2016-17	1,156.80	-129.32	-11.18
2017-18	1,376.44	-39.73	-2.89

The return on investment of the four power sector PSUs ranged between -47.36 *per cent* to -2.89 *per cent* during 2013-14 to 2017-18.

(b) On the basis of Present Value of Investment

1.10 In view of the significant investment by Government in the three Power Sector companies, return on such investment is essential from the perspective of State government. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. Therefore, in addition to the calculation of return on funds invested by GoHP in three Power Sector companies on historical cost basis, the return on investment has also been calculated after considering the Present Value (PV) of money. PV of the State government investment was computed where funds had been infused by the State government in the shape of equity and interest free loan since inception of these companies till 31 March 2018.

The PV of the State government investment in power sector undertakings was computed on the basis of following assumptions:

- The average rate of interest on government borrowings for the concerned financial year[5] was adopted as discount rate[6] for arriving at Present Value since they represent the cost incurred by the government towards investment of funds for the year.

For the period 2013-14 to 2017-18 when the four companies incurred losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of the company is commented upon in **Paragraph 1.12**.

1.11 The Company wise position of State government investment in the three power sector companies in the form of equity and loans since inception of these companies till 31 March 2018 is indicated in ***Appendix 1.2.*** The consolidated position of the PV of the State government investment relating to the three power sector companies since inception of these companies till 31 March 2018 is indicated in table below:

Table 1.8: Year wise details of investment by the State government and present value (PV) of government funds from 2007-08 to 2017-18

(₹in crore)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Total
i	**Present value of total investment at the beginning of the year**											
	-	86.96	370.46	604.59	1225.33	840.82	1108.75	1509.20	1306.42	1930.60	1564.42	
ii	**Equity infused by the State government during the year**											
	79.71	252.32	186.31	532.29	-445.35	185.04	292.42	-298.54	142.79	229.81	219.64	**1376.44**
iii	**Interest free loans given by the State government during the year**											
	-	-	-	-	-	-	-	-	-	-	-	
Iv	**Interest free loans converted during the year**											
	-	-	-	-	-	-	-	-	-	-	-	
v	**Total investment during the year (v=ii+iii-iv)**											
	79.71	252.32	186.31	532.29	-445.35	185.04	292.42	-298.54	142.79	229.81	219.64	
vi	**Total investment at the end of the year (vi=i+v)**											
	79.71	339.28	556.77	1136.88	779.98	1025.86	1401.17	1210.66	1449.21	1794.23	2150.24	
vii	**Average rate of interest on government borrowings (in %)**											
	9.09	9.19	8.59	7.78	7.80	8.08	7.71	7.91	7.95	7.60	7.71	
viii	**Present value of total investment at the end of the year (viii={vi*(1+ vii)/100})**											
	86.96	370.46	604.59	1225.33	840.82	1108.75	1509.20	1306.42	1564.42	1930.60	2316.02	
ix	**Minimum expected return to recover cost of funds for the year ix={vi*vii/100}**											
	7.25	31.18	47.83	88.45	60.84	82.89	108.03	95.72	115.17	136.32	165.73	
x	**Total earnings for the year[7]**											
	-	-	-	-152.62	-152.62	-315.94	-512.76	-356.72	-156.88	-129.32	-39.73	

The balance of investment of the State government in these three companies at the end of the year increased to ₹ 1,376.44 crore in 2017-18 from ₹ 79.71 crore in 2007-08 as the State government made further investments in shape of equity (₹ 1,296.73 crore). The PV of investments of the State government upto 31 March 2018 worked out to ₹ 2,316.02 crore.

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5 The average rate of interest on government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Himachal Pradesh) for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

6 Discount rate that could be earned in alternative investments.

7 Total Earning for the year depicts total of net earnings (profit/loss) for the concerned year relating to those three Power Sector PSUs where funds were infused by State government.

It could be seen that total earnings of the companies remained negative during 2010-11 to 2017-18, which indicates that instead of generating returns on the invested funds, these companies did not even recover the cost of funds.

Erosion of Net worth

1.12 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The overall accumulated losses of the four Power Sector Undertakings were ₹ 2,064.03 crore as against the capital investment of ₹ 2,747.21 crore (historical cost) resulting in net worth of ₹ 683.18 crore (***Appendix 1.1***). Of the four Power Sector Undertakings, the net worth was eroded completely in HPSEBL (₹ -1,396.34 crore).

The following table indicates paid up capital, accumulated profit / loss and net worth of the four Power Sector Undertakings (holding companies) during the period 2013-14 to 2016-17:

Table 1.9: Net worth of four Power Sector Undertakings during 2013-14 to 2016-17

(₹in crore)

Year	Paid up Capital at end of the year	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue Expenditure	Net worth
2013-14	2,447.16	-1,398.35	125.05	923.76
2014-15	2,110.01	-1,755.07	120.98	233.96
2015-16	2,391.14	-1,920.33	116.20	354.61
2016-17	2,677.69	-2,049.65	115.53	512.51

The State government continued to provide financial support to these four power sector companies by infusing equity during the period 2013-18 to improve their liquidity and for capital works. However, despite infusion of substantial capital, the accumulated losses of these power companies increased from ₹ 1,398.35 crore in 2013-14 to ₹ 2,049.65 crore in 2016-17.

Out of four PSUs during 2013-14 to 2017-18, net worth of one[8] PSU was in negative and three[9] PSUs showed positive net worth.

Dividend Payout

1.13 The State government had formulated (April 2011) a dividend policy under which all profit making PSUs are required to pay a minimum return of five *per cent* on the paid up share capital contributed by the State government, subject to a ceiling of 50 *per cent* of the profit after tax. However, as per their latest finalised accounts, received during the year 2017-18 none of the PSUs earned profit.

Return on Equity

1.14 Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using company's assets to create profits and is calculated by dividing net income (i.e. net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

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[8] Himachal Pradesh State Electricity Board Limited.

[9] Himachal Pradesh Power Corporation Limited, Himachal Pradesh Power Transmission Corporation Limited and Beas Valley Power Corporation Limited.

Shareholders' fund of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

Return on Equity has been computed in respect of four power sector undertakings where funds had been infused by the State government. The details of Shareholders fund and ROE relating to these four power sector undertakings during the period from 2013-14 to 2017-18 are given in table below:

Table 1.10: Return on Equity relating to four Power Sector Undertakings where funds were infused by the GoHP

Year	Net Income/ total Earnings for the year[10] (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (%)
2013-14	-512.76	923.76	-
2014-15	-356.72	233.96	-
2015-16	-156.88	354.61	-
2016-17	-129.32	512.51	-
2017-18	-39.73	683.18	-

As can be seen from the above table, during the last five years period ended March 2018, the Net Income were negative during 2013-14 to 2017-18, Since the Net Income for all the years were negative, ROE in respect of these PSUs could not be worked out.

Return on Capital Employed

1.15 Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed.

ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[11]. The details of ROCE of all the four power sector undertakings during the period from 2013-14 to 2017-18 are given in table below:

Table 1.11: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (%)
2013-14	-251.64	2,318.15	-10.86
2014-15	-356.72	6,045.75	-5.90
2015-16	-156.88	7,348.83	-2.13
2016-17	-128.29	6,341.71	-2.02
2017-18	-39.73	7,174.49	-0.55

The ROCE of the Power Sector Undertakings ranged between -0.55 *per cent* and -10.86 *per cent* during the period 2013-14 to 2017-18.

Analysis of Long term loans of the Companies

1.16 The analysis of the long term loans of the companies which had leverage during 2013-14 to 2017-18 was carried out to assess the ability of the companies to service the debt owed by the companies to Government, banks and other financial institutions. This is assessed through the Interest coverage ratio and Debt Turnover Ratio.

10 As per their latest finalised annual accounts.

11 Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

Interest Coverage Ratio

1.17 Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in those power sector companies which had interest burden during the period from 2013-14 to 2017-18 are given in table below:

Table 1.12: Interest coverage ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2013-14	261.11	-251.64	4	-	4
2014-15	455.37	-356.72	4	-	4
2015-16	573.38	-156.88	4	-	4
2016-17	535.52	-128.29	4	-	4
2017-18	518.55	-39.73	4	-	4

It was observed that none of power sector companies had coverage ratio of more than one during 2013-14 to 2017-18.

Debt-Turnover Ratio

1.18 During the last five years, the turnover of power sector undertakings recorded compounded annual growth of 11.84 *per cent* and compounded annual growth of debt was 4.19 *per cent* due to which the Debt-Turnover Ratio improved from 1.44 in 2013-14 to 1.08 in 2017-18 as given in table below:

Table 1.13: Debt Turnover ratio relating to the Power Sector undertakings

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from government and others (Banks and Financial Institutions)	5,509.06	6,160.88	4,957.69	5,829.20	6,491.31
Turnover	3,830.56	4,230.44	5,093.79	5,599.56	5,993.79
Debt-Turnover Ratio	1.44:1	1.46:1	0.97:1	1.04:1	1.08:1

Source: Compiled based on ***Appendix 1.1.***

Assistance under Ujwal DISCOM Assurance Yojana (UDAY)

1.19 The Ministry of Power (MoP), Government of India launched (20 November 2015) Ujwal DISCOM Assurance Yojana (UDAY Scheme) for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). As per provisions of UDAY Scheme, the participating States were required to undertake following measures for operational and financial turnaround of DISCOMs:

Scheme for improving operational efficiency

1.19.1 The participating States were required to undertake various targeted activities like compulsory feeder and distribution transformer (DT) metering, smart metering of all consumers consuming above 200 units per month, Demand Side Management (DSM) by providing LED for domestic and other category consumers, undertaking consumer awareness programs for optimum utilisation of resources and to foster long term behavioural changes and replace at least 10 *per cent* of existing agriculture pumps with energy efficient pumps. The timeline prescribed for these targeted activities were also required to be followed so as to ensure achievement of the targeted benefits *viz.* ability to track losses at feeder and DT level, identification of loss making areas, reduce technical losses and minimise outages, reduce power theft and enhance public participation for reducing the theft, reduce peak load and energy consumption, *etc.* The outcomes of operational improvements were to be measured through indicators *viz.*, reduction of AT&C loss to 12.75 *per cent* in 2018-19 as per loss reduction trajectory finalised by the MoP and States, reduction in gap between average cost of supply and average revenue realised to zero by 2018-19.

Scheme for financial turn around

1.19.2 The State was required to take over 75 *per cent* of DISCOMs debt by 2016-17. The scheme for financial turnaround *inter alia* provided that:

- State will issue non-SLR bonds and the proceeds realized from issue of such bonds shall be transferred to the DISCOMs which in turn shall discharge the corresponding amount of Banks / FIs debt. The bonds so issued will have a maturity period of 10-15 years with a moratorium on repayment of principal upto five years.
- Debt of DISCOM will be taken over in the priority of debt already due, followed by debt with higher cost.
- The transfer to the DISCOM by the State in 2016-17 will be as a loan which will be converted into 75 *per cent* Grant and 25 *per cent* equity during 2020-21 subject to achievement of certain targets by the State DISCOM.

Implementation of the UDAY Scheme

1.19.3 The status of implementation of the UDAY Scheme is detailed below:

A. Achievement of operational parameters

The achievements *vis-a-vis* targets under UDAY Scheme regarding different operational parameters relating to the three State DISCOMs were as under:

Table 1.14: Parameter wise achievements *vis-a-vis* targets of operational performance upto 30 September 2018

Parameter of UDAY Scheme	Target under UDAY Scheme	Progress under UDAY Scheme	Achievement (in %)
Feeder metering (in Nos.)	Meters already installed		
Metering at Distribution Transformers (in Nos.)			
Urban	Meters already installed		
Rural	10,300	618	6.00
Rural Feeder Audit (in Nos.)	Energy Audit already being done		
Electricity to unconnected household (in lakh Nos.)	0.05	0.07	100
Distribution of LED UJALA (in lakh Nos.)	Already distributed		
AT&C Losses (in %)	12.75	11.51	100
ACS-ARR Gap (₹ per unit)	-0.05	-0.25	100

Source: State Health Card under UDAY Scheme as per website of the MoP, GoI.

The State has performed poorly in metering of DTs in rural areas, whereas the performance has been excellent in terms of providing electricity to unconnected households. Further, the State has achieved the most important target of reduction of AT&C loss to 12.75 *per cent*.

B. Implementation of Financial Turnaround

1.19.4 The Government of Himachal Pradesh (GoHP) conveyed (18.08.2016) its *'in principle'* consent to the MoP, GoI to take benefit of the UDAY Scheme. Thereafter, tripartite Memorandum of Understanding (MoUs) were signed (8 December 2016 between the MoP, the GoHP and State DISCOM (*i.e.* HPSEBL). As per provisions of the UDAY Scheme and tripartite MoU, out of total outstanding debt (₹ 3,854 crore) pertaining to the State DISCOM as on 15 September 2015, the GoHP took over total debt of ₹ 2,890.50 crore during 2016-17 by taking over the loan as detailed below:

Table 1.15: Implementation of UDAY Scheme

(₹in crore)

Year	Equity Investment	Loan	Subsidy	Total
2015-16	--	--	--	--
2016-17	--	2890.50	--	2,890.50
Total	**--**	**2,890.50**	**--**	**2,890.50**
2017-18	--	--	--	--
Position as on 31-03-2018	--	2,890.50	--	2,890.50

The amount of ₹ 2,890.50 crore which was provided by way of loans under UDAY Scheme, was to be converted into 75 *per cent* Grant and 25 *per cent* equity during 2020-21.

Comments on Accounts of Power Sector Undertakings

1.20 Three Power sector Companies forwarded their three audited accounts to the Accountant General during the period from 1 October 2017 to 30 September 2018. All the accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG for the accounts of 2015-18 are as follows:

Table 1.16: Impact of audit comments on Power Sector Companies

(₹in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	1	3.27	-	-
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	-	-	2	21.16	2	24.98
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts	-	-	-	-	-	-

Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Government Companies.

During the year 2017-18, the Statutory Auditors had issued qualified certificates on two accounts and disclaimer on one account. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out four instances of non-compliance to the Accounting Standards in one accounts.

Performance Audit and Compliance Audit Paragraphs

1.21 For Part-I of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2018, a performance audit on 'Execution of Sainj Hydro Electric Project by Himachal Pradesh Power Corporation Limited' and four compliance audit paragraphs relating to power sector undertakings were issued to the Principal Secretary of Energy Department, GoHP with request to furnish replies within two weeks. Replies on two compliance audit paragraphs have not been received (September 2019) from the State Government. The replies received have been suitably incorporated in this report. The total financial impact of the PA and the compliance audit paragraphs is ₹ 671.82 crore.

Follow up action on Audit Reports

1.22 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Himachal Pradesh issued (February 1994) instructions to all Administrative Departments to submit replies / explanatory notes to paragraphs / performance audits included in the Reports of the CAG of India within a period of three months of their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU). The Department of Energy, GoHP has forwarded all the explanatory notes for the paragraphs contained in the Audit Reports.

Discussion of Audit Reports by COPU

1.23 The status of discussion of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) by the COPU as on 30 September 2018 was as under:

Table 1.17: Performance Audits/Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 September 2018

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2011-12	1	5	1	1
2012-13	2	5	0	3
2013-14	1	5	0	5
2014-15	1	9	0	0
2015-16	0	9	0	0
2016-17	1	9	0	0

Source: Compiled based on the discussions of COPU on the Audit Reports.

The discussion on Audit Reports (PSUs) up to 2010-11 has been completed.

CHAPTER - II
PERFORMANCE AUDIT RELATING TO POWER SECTOR UNDERTAKINGS

CHAPTER-II

PERFORMANCE AUDIT RELATING TO POWER SECTOR UNDERTAKINGS

Performance Audit on Execution of Sainj Hydro Electric Project

The Himachal Pradesh Power Corporation Limited (Company)[1] implemented Sainj Hydro Electric Project (Project) having installed capacity of 100 MW. The Project with estimated cost of ₹ 676.29 crore was scheduled to be completed by March 2015, but the same was commissioned after a delay of 29 months in September 2017 at a cost of ₹ 1,319.33 crore. As a result, the generation cost had increased from ₹ 3.74 to ₹ 6.23 per unit against the prevailing average sale rate of ₹ 4.30 per unit thereby rendering the Project commercially unrewarding. The Performance Audit of the Project covered Planning, Execution, Project Management, Financial Management and Monitoring.

Highlights

The Asian Development Bank (ADB) loan received through Government of India in the shape of 90 *per cent* grant (₹ 659 crore) and 10 *per cent* loan (₹ 73.22 crore) was extended as 100 *per cent* loan by Government of Himachal Pradesh, placing extra burden of ₹ 931.80 crore including interest of ₹ 272.80 crore on the project cost and increasing the generation cost by ₹ 4.40 per unit.

Against the DPR cost of ₹ 676.29 crore the Project was completed at a cost of ₹ 1,319.33 crore. Consequently, keeping in view current sale rate of power the project cost is anticipated to be recovered in nine and half years instead of five years, had there been no cost overrun. Thus, there would be delay of four and half years in recovery of project cost directly impacting the commercial viability of the Project.

Time overrun of 29 months was attributable to delay by the Company in providing access to the sites to the Contractor, stoppage of work by local people, change in location and design of Gas Insulated Switchgear (GIS) & Pot head yard. Project was completed with cost overrun of ₹ 643.04 crore. Consequently, per unit generation cost had increased from ₹ 3.74 to ₹ 6.23 per unit against the prevailing average sale rate of ₹ 4.30 per unit.

(Paragraph 2.7.1)

We also noticed following:

Overpayment of price escalation ₹ 13.60 crore.

(Paragraph 2.12.3)

[1] The Company has two completed (Sainj and Kashang-I) and three ongoing (Kashang-II & III, Sawra Kuddu and Shongtong) Hydro Electric Power (HEP) Projects.

Non-safeguarding the interests of the Company by inserting suitable clauses overburdened the Project by ₹ 18.82 crore.

(Paragraph 2.13)

2.1 Introduction

The Government of Himachal Pradesh (GoHP) has identified Hydel potential of 4,590 MW on the Beas basin, out of which 2,500 MW had already been harnessed. Sainj Hydro-Electric Project 100MW (Project) was conceived as a run of the river project on Sainj Khad (a tributary of Beas River) in Kullu district of Himachal Pradesh. Techno Economic Clearance (TEC) for the project (100 MW) was accorded (December 2010) by the Central Electricity Authority (CEA) for ₹ 676.29 crore[2] inclusive of Interest During Construction (IDC)[3] of ₹ 96.77 crore. The cost overrun was mainly due to time overrun, undue favour to the Contractor, extra expenditure, currency fluctuation, change in design and excess deployment of staff. The main objective of the project was to generate clean power at affordable rates. The financial arrangements were envisaged with loan of ₹ 473.40 crore and Company's equity of ₹ 202.89 crore in the ratio of 70:30. The project is designed to generate 322.23 Million Units (MUs) per annum during 90 *per cent* dependable year[4]. The project was to be executed through Engineering, Procurement and Construction (EPC) mode and the work was divided in two packages i.e. Civil & Hydro-mechanical works and Electro-mechanical works. As per approved Detailed Project Report (DPR) the Project was to be completed within four years from the date of Techno Economic Clearance (TEC) i.e. by December 2014. As per award of works the scheduled completion period was March 2015. However, the Project was commissioned during September 2017, at a cost of ₹ 1,319.33 crore, after a total delay of 29 months.

2.2 Organisational set up

The Company was created by the GoHP for execution of Hydro Electric Projects in the State. The Management of the Company is vested with a Board of Directors (BoDs). Managing Director heads the BoD and there are four other Directors for supervising the business of the Company. The execution of Sainj project was under the overall control of the General Manager, Sainj HEP, who was assisted by three Engineers-in-charge:- Civil, Mechanical and Electrical, along with other supporting staff.

2.3 Audit objectives

The objectives of the performance audit were to assess whether:

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[2] At June 2009, price level.

[3] Interest on borrowed funds accrued during construction and capitalised.

[4] 90 *per cent* dependable year is the year in which the annual generation has the probability of being equal to or exceed 90 *per cent* of the time on annual basis during the expected period of operation of the scheme.

- The Project was commercially viable i.e. the market price at which power will be sold would cover the cost of generation;
- the terms & conditions of the Contract were, enforced during execution of the Project;
- the Project was executed in economic, efficient and effective manner;
- there was a monitoring and evaluation system in place to review performance of Project, take corrective measures to overcome deficiencies identified and respond promptly; and
- necessary steps for pollution control and afforestation were initiated to comply with the environment/forest law/guidelines.

2.4 Scope and Methodology of Audit

The present Performance Audit was conducted between February 2018 and May 2018 to cover the activities of planning, award & execution of Civil and Electro-Mechanical (E&M) works of the Project from its inception to March 2018. Audit examination involved scrutiny of records in Corporate Office at Shimla, Office of General Manager (Design) at Sundernagar, district Mandi and Project Offices at Sarabai and Larji in Kullu district relating to planning, design and execution of the Project.

The entry conference for the Performance Audit was held in February 2018 to explain audit objectives to the Company and Government of Himachal Pradesh (GoHP). The audit findings were discussed in the exit conference held on 17 December 2018 with Government / Management of the Company. The replies of the Management/Government, have been incorporated in the Performance Audit.

2.5 Audit Criteria

The audit criteria adopted for assessing the achievement of the audit objectives were sourced from the following:

- Norms/ guidelines of Central Electricity Authority (CEA), regarding planning of the projects;
- guidelines / instructions / directions of Central Water Commission (CWC);
- DPR, Contract Agreements, and quality control;
- construction schedule and methodology submitted by the Contractor for the execution of project; and
- environment Impact Assessment, Environment Management Plan, Regulations issued by State Regulatory Commission/ instructions/directions of State government.

2.6 Audit Findings

Audit findings arising from Performance Audit are discussed in succeeding paragraphs:

2.7 Financial Management

Financial management relating to execution of project involves arranging funds at low cost, timely and promptly recovering the dues from the contractor, deploying only required staff and avoid unnecessary financial booking to the project cost.

The financial management of the Company was not efficient and effective as the Company failed to, safeguard its financial interest as advances from the contractor were not recovered in time bound manner, excess staff was deployed resulting in booking of avoidable cost to the project. The deficiencies noticed in Financial Management have been discussed in the succeeding paragraphs:

2.7.1 Financial viability of the Project

The DPR was sanctioned for an amount of ₹ 676.29 crore assuming 70 *per cent* loan component and 30 *per cent* equity with average generation cost of ₹ 3.74 per unit. The scheduled completion time was 48 months. The project was not able to recover the average cost of generation (₹ 6.23 per unit) after its completion, the reasons for which are discussed below:

- The DPR considered the financial viability of the Project on the basis of projected severe power deficit in northern region. The projected shortage of energy availability during 2011-12 was 19.05 *per cent*. However, there was no further year-wise projections of power demand and supply analysis in DPR. By the time the Project was commissioned during September 2017, demand and supply scenario of power had changed drastically in the northern region. Load generation balance report of CEA for the year 2017-18 (May 2017), showed only 1.8 *per cent* anticipated deficit of power availability in northern region during 2016-17 which was turning to anticipated 9.8 *per cent* surplus power in 2017-18.

Table: 2.1 Time & cost overrun as on 31 March 2018

(₹ in crore)

Name of work/ Package	Estimated cost	Due date of completion as per award	Actual date of completion	Actual expenditure	Cost overrun	Time over run (in month)
Civil works (inclusive of IDC)	542.56	August 2014	June 2017	1,106.13	563.57	35
Electro-Mechanical works	133.73	March 2015	July 2017[5]	213.20	79.47	28
Total	**676.29**			**1,319.33**	**643.04**	

[5] Completion certificate to Contractor was issued in July 2017 whereas, the Project was commissioned during September 2017.

- Against the estimated project cost of ₹ 676.29 crore in the DPR, an expenditure of ₹ 1,319.33 crore has been booked to the Project (March 2018). Consequently, keeping in view of current sale rate (₹ 4.30 per unit) of power, project cost is anticipated to be recovered in nine and half years[6] assuming the demand scenario does not change. Whereas, had the Project been completed in time at DPR cost, the cost could have been recovered in five years. Hence, there would be delay of four and half years in recovery of project cost, which will directly impact the commercial viability of the Project. Out of ₹ 643.04 crore (₹ 1,319.33 crore - ₹ 676.29 crore) expended more than estimated cost, an amount of ₹ 250.88 crore was on account of expenses which were controllable and could have been avoided had there been no time over-run. The controllable factors are:

  (i) IDC: ₹ 193.15 crore, (ii) price escalation: ₹ 53.48 crore and (iii) warranty extension and overrun charges: ₹ 4.25 crore which are discussed in **Paragraph 2.11**.

- Against sanctioned loan of ₹ 577.00 crore (January 2011) from ADB carrying interest at the rate of 0.20 *per cent* above LIBOR[7] rate, the GoI transferred funds of ₹ 732.22 crore[8] up to March 2018 as of 90 *per cent* grant and 10 *per cent* loan at an interest rate of nine *per cent per annum* through GoHP. The GoHP, however, had converted the grant into loan while releasing to the Company with an interest rate of 10 *per cent* per annum. The conversion of grant of ₹ 659.00 crore into loan resulted in total extra burden of ₹ 931.80 crore including interest of ₹ 272.80 crore[9] up to March 2018 on the Project cost thereby, increasing the cost of generation by ₹ 4.40 per unit[10] and impacting the very purpose of grant released by GoI for providing clean energy at affordable rates. Had this grant not been converted into loan the generation cost would have been ₹ 1.83 per unit. By converting grant into loan the State government has gained ₹ 834.03 crore[11] (up to March 2018).

The DPR was approved by considering viability at generation cost of ₹ 3.74 per unit with 70 *per cent* loan and release of grant by the GoI was a subsequent development. The viability of the project would have remained intact as envisaged in two situations *viz.*, (i) had it been completed at DPR cost and time, or (ii) ₹ 659 crore grant from GoI would have not been converted

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6 ₹ 1,319.33 crore / ₹ 138. 56 crore annual revenue (322.23 MU x ₹ 4.30 (average sale rate till May 2018)) = 9.5 years.

7 London Interbank Offered Rate.

8 Including price escalation and variation in awarded works.

9 ₹ 303.11 crore (Total interest accrued till March 2018) x 90 per cent (portion of grant in the total loan released to the Company) = ₹ 272.80 crore.

10 ₹ 6.23 (per unit generation cost worked out by the Company)/ ₹ 1,319.33 crore (project cost) X ₹ 931.80 crore = ₹ 4.40 per unit.

11 GoHP's gain = {liability of the Company ₹ 931.80 crore (₹ 732.22 crore loan amount + ₹ 272.80 crore interest accrued @ 10 *per cent* up to March 2018) minus liability of the GoHP ₹ 97.77 crore (₹ 73.22 crore loan amount +₹ 24.55 crore interest accrued thereon @ 9 *per cent*)}.

into loan by the State government. Non-attainment of either of the situations during execution had impacted its viability.

The Debt Equity Ratio till March 2018 was 55:45 against the prescribed norms of 70:30 by the Central Electricity Regulatory Commission (CERC) for tariff determination.

The Government stated (December 2018) that the actual power generated is more than that envisaged in DPR and cost will be recovered in shorter period than anticipated by the audit. The reply does not take into account the fact that energy market is volatile and recovery of cost in shorter period is not assured.

2.7.2 Sale of power below the levelised tariff [12]

The Company entered into an agreement (3 May 2017) with Tata Power Trading Company Ltd (TPTCL) for selling power through Indian Energy Exchange (IEX). As per the agreement, settlement of sale transaction was to be done as per the actual price and volume discovered on power exchange. Sale rate was to vary on daily basis and was dependent on market forces.

As per the levelised tariff (calculated by the Company) per unit cost works out to ₹ 6.23 on the basis of project cost of ₹ 1,319.33 crore against the DPR cost of ₹ 3.74 per unit. From sale of power the Company could realise the average revenue of ₹ 4.30 per unit (excluding GoHP share) against the levelised tariff of ₹ 6.23 per unit. This has resulted in revenue deficit of ₹ 28.15 crore on sale of 145.88 MUs generated during the period from September 2017 to May 2018 to the Company.

2.7.3 Non Availing Carbon Credits

Clean Development Mechanism (CDM) allows emission-reduction projects in developing countries to earn Certified Emission Reduction (CER) credits, each equivalent to one tonne of Carbon Dioxide (generated during industrial production). These CERs can be traded and sold, and used by industrialised countries to meet a part of their emission reduction targets under the Kyoto Protocol.

Environment Management Plan (EMP) included in the Detailed Project Report (DPR) of the Sainj Hydro Electric Project was prepared to mitigate the environmental loss during construction of the project. In DPR/EMP, the Company had not considered possibility of reduction in cost of project by trading of CERs through CDM. Company in its 38th Board of Director's meeting (January 2013) had discussed that it is not eligible for availing the carbon credit benefits under normal CDM process as the same was not considered in the initial stage of finalisation of project. Hence, there is no scope for trading of CERs retrospectively under CDM. It was, therefore, decided that company would trade Voluntary Emission Reduction (VER) under voluntary carbon offset scheme by getting the project registered for the same. However, the company had not initiated any action in the matter so far (September 2019).

[12] The minimum price at which energy must be sold for an energy project to break even.

Company had sold 1,45,881 MWh (up to May 2018) energy generated from the Project which was equal to 1,32,416[13] CERs. Due to not considering the option of availing carbon credits in the DPR and not initiating action for trading the VER's, the Company lost the opportunity of availing these benefits. The Company should consider registering for VERs for availing the benefits available.

2.8 *Planning for execution of the Project*

Planning for execution of the Project involves conceptualisation, preparation of DPR, to assess the commercial viability of the project, detailed designing, anticipating obstructions, local requirements and plan for coordinated approach to complete the Project economically in a time bound manner.

Knowing the nature and scope of work, the structure of the Contract should be prepared considering the measures to anticipate, identify and address the obstructions, statutory obligations, elements of environment management, price escalation, recovery of dues and fluctuation in currency exchange rates etc. Suitable measures and control mechanism should have been in place. There was shortfall in Anticipating obstructions, Coordinated approach and suitable control mechanism was not in place in principle and practice as noticed during test check and discussed in the succeeding paragraphs:

As per guidelines of CEA for "formulation of DPRs for Hydro Electric Project" DPRs should be prepared within 30 months after allotment of project/ signing of MOU by the State government which may be extended by six months for reasons beyond the control of developer.

Feasibility study of Sainj HEP was initiated (1998-99) by Himachal Pradesh State Electricity Board (HPSEB now HPSEB Limited), however, the DPR could be finally got approved during December 2010. The sequence of events is given below:

1998-99
Feasibility Study of Sainj HEP initiated by HPSEB

June 2002
MoU signed between GoHP and M/s Jindal Hydro Electric Company Ltd. for execution of project including preparation of DPR. The MoU was cancelled in June 2004 due to non-submission of DPR in prescribed time limit of 18 months. Reasons for work not being executed bv HPSEB was not available in record.

June 2004
Project again allotted to HPSEB. The DPR was prepared by SPV of HPSEB {Kinner Kailash Power Corporation Limited (KKPCL)} and submitted in October 2007

October 2007
KKPCL was merged with HPPCL and the DPR was resubmitted by HPPCL. However, the DPR submitted did not have adequate geological investigation.

September 2009
After making necessary compliance, Company resubmitted the DPR for approval which was approved in December 2010.

[13] 1,45,881 MWh (generation up to May 2018) x 0.9077 (emission factor of the grid) = 1,32,416

Due to wavering approach of the State government in deciding the developers, it took 129 months (January 1999 to September 2009), with a delay of almost eight years in comparison to timeline of 36 months prescribed by CEA, to submit the DPR.

The Government in its reply (December 2018) has stated that the time taken after allotment of the project to the Company was within the prescribed limit. The reply does not address the issue of impact of overall delay due to defective planning process at State level.

2.8.1 Non-insertion of appropriate clause in the bidding document

Common contractual and financial prudence demands that recoveries of interest free advances made to the contractors out of borrowed funds should be made promptly so as to avoid any extra financial burden of interest to the Company. To regulate such recoveries, the Central Vigilance Commission (CVC) had also issued guidelines (April 2007) which stipulates that the Commission does not encourage interest free mobilisation advance.

The Company had provided for charging of interest on mobilisation advance in the contract of balance works of HRT of its Sawra-Kuddu HEP. Further, Satluj Jal Vidyut Nigam Limited (Joint venture of GoI and GoHP) was releasing interest bearing advances only.

Charging of interest assumes significance as the Company had borrowed funds for the execution of the project carrying interest rate of 10 *per cent* per annum.

The Company while preparing the bidding documents for construction of Sainj project, stipulated interest free advance instead of interest bearing advance and linked the recovery of advance with the progress of work.

As per provisions contained in contract agreements, contractors were eligible for interest free mobilisation advance. The following interest free mobilisation advances were allowed to the contractors:

- ₹ 43.10 crore to the civil Contractor (Contractor-I) in three installments between August 2010 and March 2011, with recovery commencing after 30 *per cent* progress of the work.

- ₹ 8.26 crore, EURO 3,30,442/- and USD 8,31,978/- to E&M Contractor (Contractor-II) between September 2011 and June 2012.

The requisite 30 *per cent* progress in Civil contract was achieved after 916 days from release of advance during which the Company incurred interest liability of ₹ 9.67 crore[14]. The recovery was completed in another 1,129 days (April 2016), increasing the liability of interest by ₹ 5.68 crore.

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[14] At the rate of 10 *per cent* per annum (rate of interest borne by the company).

Similarly, in case of E&M Contractor advance against supply of material remained unadjusted for 210 days (INR), 472 days (EURO) and 1,130 days (USD) during which the company had incurred interest liability of ₹ 4.71 crore.

Thus, due to release of interest free advance, the Company had to bear interest liability of ₹ 20.06 crore (₹ 15.35 crore for civil Contractor and ₹ 4.71 crore for E&M Contractor).

The Government stated (December 2018) that the recovery of advance payment was kept linked with the progress of work to draw parity with other ADB funded contract packages. The reply is not tenable as the Company had made provision for time bound recovery in its other project (Sawra Kuddu HEP).

Release of interest free advance burdened the project with cost escalation. Resultantly, Project initially anticipated to recover the cost in five years is now anticipated to recover the cost in nine and half years, directly impacting its commercial viability.

2.9 Time and Cost over run

There was time and cost overrun in execution of the Project as shown in **table 2.1**.

An expenditure of ₹ 1,106.13 crore had been incurred on civil works with cost overrun of ₹ 563.57 crore. The time overrun of 35 months in civil works was mainly attributable to delay by the Company in providing access to the sites to the Contractor, stoppage of work by local people, change in location and design of Gas Insulated Switchgear (GIS) & Pot head yard.

The cost overrun in civil works occurred due to time overrun, difference in awarded and estimated cost (₹ 170.64 crore), price escalation (₹ 124.59 crore) extra expenditure (₹ 21.08 crore), undue favour to the Contractor (₹ 17.90 crore) and changes in design (₹ 7.42 crore) etc.

In case of E&M package there was cost over-run of ₹ 79.47 crore and time over run of 28 months. Time over run was mainly due to delay in completion of civil package leading to delay in availability of working front. Cost over-run occurred mainly due to price escalation (₹ 23.34 crore), currency fluctuation (₹ 23.47 crore), change in design (₹ 10.29 crore), difference in awarded and estimated cost (₹ 12.67 crore) and extra expenditure (₹ 5.49 crore), etc.

Consequent to increase in project cost, the Company had incurred liability of ₹ 8.91 crore towards Local Area Development Fund (1.5 *per cent* of differential cost) as discussed in **Paragraph 2.19.3**.

The total delay of 29 months (March 2015 to September 2017) in commissioning of the Project had not only resulted in increase in cost but, also resulted in potential generation loss of 778.72 MUs valued at ₹ 291.24 crore[15], including free power share of ₹ 34.95 crore[16] to the State government as royalty. Besides, non-achievement of social objective of providing one *per cent* free power to the local area residents.

Time Overrun

2.9.1 Factors contributing to delay / time overrun

During execution of the civil works the following factors contributed towards delay:

- There was delay of 22 months due to deciding the final location of Gas Insulated Switchgear (GIS), its orientation and redesigning of GIS superstructure including delay in shifting feeder line of another project (Jiwa Hydel Power Project) passing through the Pot Head Yard (PHY).

- The company could not provide access roads to the civil contractor for project site (sites for surge shaft and adit-II) in time delaying the works by 17 months,

- Stoppage of work in various time intervals by local people delayed the execution of project by 2 months.

Time overrun in E&M works was mainly due to delay in handing over of civil fronts to the E&M contractor.

2.9.2 Delay in submission of design by the Contractor and further delay in approval thereof by the Company

As per the contract-agreement of E&M package the Contractor had to submit the drawings to the project manager for its approval. Approval or disapproval alongwith reasons required, was to be intimated by Project Manager within 14 days after receipt, otherwise document to be deemed approved.

There was delay of 43 to 769 days, from the agreed schedule, by the Contractor in submission of drawings for material to be supplied. Further, the Company also took time ranging between 12 and 284 days, for approving the drawings, in excess of prescribed 14 days.

2.10 Cost overrun

After completion of preliminary works in order to facilitate the execution of the Project, works had been broadly divided into two packages and awarded through global tenders to two different contractors. Civil and Hydro

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15 322.23 MUs per year / 12 x 29 months = 778.72 MUs x ₹ 3.74 DPR rate.

16 Calculated at the rate of 12 *per cent* of ₹ 291.24 crore.

Mechanical work was awarded during June 2010 to M/s Hindustan Construction Company Ltd. (Contractor-I) for ₹ 431.00 crore. The work was to be completed by August 2014, however, the Contractor completed the work only by June 2017 i.e. after a delay of 35 months. Electro Mechanical work was awarded during August 2011 to M/s Voith Hydro Private Ltd. (Contractor-II) in two parts i.e. Supply for ₹ 73.64 crore, Euro 33,04,219 and USD 83,19,779 and Service for ₹ 14.32 crore. The work was to be completed by the Contractor by March 2015. However, the project was commissioned in September 2017. The factors contributing towards Cost Overrun were : (i) Time Overrun , (ii) Deficient Contract Management and (iii) Other miscellaneous reasons.

2.11 Cost Overrun due to time overrun

2.11.1 Interest during Construction

Interest accrued on the amount of loan during construction period is capitalised. As per contracts awarded for execution, the project was scheduled for commissioning during March 2015. The project could not be completed on time and due to delayed commissioning (September 2017) ₹ 193.15 crore interest was capitalised after the scheduled commissioning, overburdening the project to the same extent.

2.11.2 Price Escalation[17]

Company also had to pay price escalation of ₹ 53.48 crore to the civil and E&M contractors for the period after scheduled completion period. This was controllable by getting the project commissioned in time through anticipating the bottlenecks and taking pro-active actions to overcome them.

2.11.3 Overrun and Warranty extension charges

E&M works were delayed due to delay in handing the civil fronts by the civil contractor to the E&M contractor. Hence, completion period was extended up to October 2016. As the delay was not attributable to the E&M contractor, Company had to bear overrun charges[18] of ₹ 87.40 lakh.

Similarly for the delay not attributable to the E&M contractor Company had to release warranty extension charges of ₹ 3.38 crore for the equipments to the contractor, for the period of delay in commissioning of the project as discussed in **Paragraph 2.14**.

Based on test check of contract agreement and records relating to execution of works cases of extra expenditure, over payment / short-recovery / undue favour

[17] Price escalation is adjustment in prices on account of fluctuation of costs.

[18] Compensation for maintenance of establishment by Contractor at site for extended period.

to the Contractor, extra payment / avoidable extra expenditure were noticed as discussed in succeeding paras:

2.12 Contract Management

2.12.1 Payment of escalation on advance

Contract for Electro-Mechanical package provides for an advance payment of 10 *per cent* against total contract price of supply and installation. Further, Appendix-2 (volume1-A) contained provisions for payment of price adjustment. The fixed portion was kept as 15 *per cent* of awarded amount and variable portion was kept 85 *per cent* in the contract for the purpose of calculating price escalation.

The Company did not insert suitable provision in contract for excluding the 10 *per cent* advance paid to the contractor, from the variable cost for working out price escalation payable. It is relevant to point out here that in case of price adjustment provision provided in contract for erection portion and in civil contract 10 *per cent* advance was reduced from the value of work done, while calculating price adjustment thereon. Only in case of supply contract of E&M works this clause was not inserted. This has resulted in avoidable payment of ₹ 1.81 crore to the Contractor.

The Government stated (December 2018) that being a ADB funded project, the bidding documents were approved by the ADB. The reply is not tenable as the similar condition was got approved from the ADB in case of civil contract of this project.

2.12.2 Extra expenditure / payment due to fluctuation in exchange rates

As per para 2.29 read with para 2.33 of the "procurement guidelines (2015)" issued by ADB, if the bid price is required to be stated in the local currency, but the bidder has requested for payment in foreign currencies. The exchange rate to be used for purpose of payments shall be those specified by the bidder in the bid, to ensure that the value of the foreign currency portion of the bid is maintained without any loss or gain.

Audit noticed that Contractor had submitted its price bid in three currencies viz INR, USD and EURO. The Company failed to insert suitable clause, in the bid for fixing the exchange rate for making future payments, in terms of ADB guidelines. However, tender evaluation was done by adopting exchange rates of 28 September 2010. Contractor in its price bid, has quoted plant, mandatory spare parts and O&M tools in EURO 3,53,308/-, however, material was quoted to be supplied from India. Despite goods proposed to be supplied from India, Company awarded the work in EURO. Subsequently in absence of suitable clause, stage wise payments were released to the Contractor during September 2013 to May 2015, based on prevailing exchange rates ranging between ₹ 66.68 and ₹ 86.25 per EURO against tender evaluation rate of

₹ 61.82. Thus, the Company had to bear extra burden of ₹ 59.47 lakh due to fluctuation in exchange rates.

The Government stated (December 2018) that the contractor has quoted the price in EURO and not in local currency. Therefore, ADB guidelines were not applicable. The reply is not tenable as the guidelines were applicable for the portion of material, to be supplied by the Contractor from within India, and price of which are quoted in foreign currency.

2.12.3 Over payment of price escalation

As per clause 13 of General Conditions of Contract (GCC) of civil contract, if the contract price is to be adjusted for variation in cost, the same shall be calculated as per Particular Conditions of Contract (PCC). Sub clause 13.8 of PCC, (document – II of IV) provided that, no price adjustment shall be made for the advance payment made to the contractor.

However, Company allowed escalation on the mobilisation advance paid to the Contractor while making payment for the price escalation in contravention of the provisions of the contract. This has resulted in undue favour of ₹ 13.60 crore to the Contractor.

The Management assured in the exit conference (December 2018) that appropriate action shall be taken after scrutiny of the matter.

2.12.4 Injudicious fixation of rates, irregular payment of price escalation

(A) The specification and location of Pot Head Yard (PHY) and GIS hall had to be changed which resulted in significant change in quantity of Gas Insulated Bus Duct (GIB) from 54 mtr. to 349 mtr. (finally executed 343.5 mtr.). The Contractor submitted (24.07.2014) his quotation for supply of additional GIB at the rate of USD 4,674 per mtr. Thereafter, negotiation was held between the Company and the Contractor on 25 November 2014 and price of USD 3,850 per mtr. was approved by the Company.

The Contractor supplied the deviated quantity purchased at the rate USD 1,760[19] per mtr. from its sub-vendor. Even after allowing 20 *per cent* profit on additional costs, claimed by the Contractor-II, extra avoidable expenditure works out to ₹ 1.71 crore. This was indicative of the fact that the company while approving the rates did not carry out adequate due diligence to arrive at the final rates, as the rates were not readily available for negotiation. The Company should incorporate suitable clause in the contract for determining price of additional items/changes on the basis of actual cost plus contractor's profit and overheads.

In reply, Government stated (December 2018) that GIB is not standard equipment but tailor made as per the specific site requirement and price quoted

[19] {CHF 5,11,860 x 0.9955 (USD conversion rate on 17-3-2015) /289.5 mtr.}.

by the firm against GIS was on lump sum basis. The reply is not tenable, because the rates approved by the Company was more than twice the supply rate of the sub-contractor.

(B) The Contractor-II agreed (May 2015) for not claiming price escalation on deviated quantity of GIB. However, GM, Sainj HEP made (May 2016) the payment of price escalation of ₹ 0.71 crore.

Government has accepted (December 2018) the point.

2.13 Non-insertion of suitable clause

The Company did not insert suitable clauses for excluding, bought out items, advance payment released to contractor and calculation of price escalation as discussed below:

(A) It was seen that the E&M contractor bought material of ₹ 51.91 crore and supplied the same to the Company at contract price of ₹ 67.83 crore and had earned 31 *per cent* profit of ₹ 15.92 crore. Item wise profit was as high as 1,154 *per cent* in few items. Further, the Company had also paid price variation of ₹ 11.48 crore on these items. The payment of price variation, could have been avoided if the appropriate clause, regarding exclusion of bought out items from the ambit of price variation clause, had been incorporated in the contract.

The Government stated (December 2018) that being a ADB funded project, the bidding documents were approved by the ADB. The reply is not tenable as the Company had not sent the same clause for approval to the ADB.

(B) The Company while inviting bids specified in the Price Variation Clause that 'No price adjustment shall be made for an amount of 15 *per cent* of the Contract Price which shall be fixed element representing overhead charges and profit.'

Against the bid invitation for "EPC Contract for 100 MW Sainj Hydro Electric Project", four bids were received in which, two bidders quoted 25 *per cent* as overhead and profits, one bidder quoted profit as 10 *per cent* but did not quote overheads separately, and the fourth bidder quoted 20 *per cent* as overhead and profit.

The fourth bidder was the lowest and accordingly was awarded the work although the overhead and profit of 20 *per cent* (fixed element) quoted by him was above the 15 *per cent* fixed element stipulated as per the bid document. While concluding the contract, in price variation clause, overhead charges and profit was considered at 15 *per cent* and 85 *per cent* of contract price was considered for calculation of price adjustment whereas, 80 *per cent* should have been considered keeping in view 20 *per cent* profit and overhead charges quoted by the Contractor. This resulted in extra expenditure / payment of ₹ 7.34 crore out of total price variation of ₹ 124.59 crore paid to the Contractor.

The Government stated (December 2018) that the provision of 15 *per cent* contractor's profit and overheads is in line with HPPWD Schedule of Rates. The reply is not tenable as the Company should have considered only 80 *per cent* of the contract price for calculation of price adjustment based on 20 *per cent* rates of overhead charges and profit quoted by the contractor in response to the bid issued in accordance with HPPWD Schedule of Rates.

Non-safeguarding the interests of the Company by inserting suitable clauses overburdened the Project by ₹18.82 crore.

2.14 Avoidable expenditure

(A) As per contract for the E&M package, work was scheduled to be completed by March 2015. In terms of commercial amendment (19 September 2010) the Contractor quoted the overrun charges (on delays not attributable to contractor) on per month basis for a period of 24 months.

Commissioning of the Project was delayed due to delay in providing civil fronts to E&M Contractor, which was mainly due to non-availability of access roads to the civil contractor as discussed in **Paragraph 2.9.1**.

Accordingly, completion period was extended by the company up to 31 October 2016. Finally, the Project was commissioned in September 2017 after a delay of 29 months from scheduled completion period.

Thus, due to delay not attributable to E&M Contractor, Company had to bear avoidable over run charges of ₹ 87.40 lakh for the 19 months, which may increase further on grant of final extension by the Company.

Had the access roads and encumbrance free sites been provided to civil Contractor in time, the delay in civil as well as E&M works could have been avoided.

The Government has accepted (December 2018) the point.

(B) As per contract agreement of the E&M package, the defect liability period of 540 days was available from the date of completion or one year from the date of operational acceptance. Due to delay in completion of the Project not attributable to the contractor, date for completion was extended up to 31 October 2016. Contractor claimed warranty charges for the intervening period till actual completion of facilities. In view of above the Company approved (March 2018) warranty extension charges of ₹ 2.37 crore, EURO 60,716 and USD 79,284 (upto October 2016) @ 2 *per cent* per annum of composite price. The total warranty charges worked out to ₹ 3.38 crore[20]. The Project was, however, commissioned during September 2017 and the amount of warranty charges would increase (₹ 1.86 crore) further on grant of final extension of time to the Contractor.

[20] As per USD rate 67 per INR and EURO 79 per INR on 8 June 2018.

It was also observed that the Contractor supplied 117 items in advance to the Master Time Schedule (MTS) resulting in extension of warranty period. Therefore, warranty charges payable due to delay in completion got enhanced by ₹ 29.54 lakh. Had such material been dispatched as per the agreed schedule, on the one end warranty charges could have been reduced and on the other end interest burden of ₹ 0.47 crore on release of 55 *per cent* payment (₹ 19.99 crore as per contract conditions[21]) ahead of the schedule could have been avoided.

The Government stated (December 2018) that it was done as per site requirement. Reply is not tenable as material was supplied ahead of the agreed MTS.

Company should insert a suitable clause in future contracts, to follow the MTS strictly and no payment should be released resulting from non-adherence of MTS.

Non-synchronising the Electro-Mechanical works with progress of civil works and control failure increased the project cost by ₹ 4.72 crore.

2.15 Undue favour to the Contractor

During execution of work undue favour amounting ₹ 4.37 crore was extended to the Contractor-I due to non-compliance of various contractual provisions etc. as discussed in the following paragraphs:

2.15.1 Wrong calculation resulting in extra payment to the Contractor

For calculation of price escalation on cement, steel and all commodities except fuel and lubricants, the Company entered into a supplementary agreement with Contractor-I during February 2012. The supplementary agreement[22] provided for conversion of new series (Base year 2004-05) of Wholesale Price Index (WPI) to old series (Base year 1993-94), using linking factor of 1.873 published by the Economic Advisor, Ministry of Commerce & Industry, GoI w.e.f. September 2010.

The Contractor started submitting price escalation bills from May 2011. The Project authorities, while releasing the payment of price escalation on "All commodities", converted the index of new WPI series, for current months, to old series (since base month was September 2009) by applying linking factor of 1.873 but, the index of the base month was considered from the old series, instead of converting it from the new series. This had resulted in undue favour of ₹ 92.27 lakh to the Contractor-I.

The Government stated (December 2018) that the linking factor has been used for conversion of new series to old series where index numbers in old series are

[21] Appendix 1A of (volume 1A) provided for 55 *per cent* payment against dispatch documents.

[22] Clause (d) of Section 1 of supplementary agreement.

not available. The reply is not tenable as the price index of the base month was also required to be converted from new series so as to make it comparable with current month's index.

2.15.2 Approval of design below the standards of Bureau of Indian Standards

Code[23] of practice for 'design in tunnels conveying water' issued by Bureau of Indian Standards (BIS) for a reinforced structure concrete lining, recommends a minimum thickness of 300 mm.

In few reaches/stretches (415.4 meter) of Head Race Tunnel (HRT), reinforcement was done by the Contractor-I with concrete lining thickness of 250 mm against the minimum thickness of 300 mm recommended by the BIS, *ibid*. This has resulted in execution and acceptance of works below BIS standard. Besides, being EPC contract, reduced thickness had resulted in less execution 535 M^3 of M-25 concrete and extension of undue benefit of ₹ 42.92 lakh[24] to the Contractor-I. It is worth mentioning here that in similar case, in Kashang HEP, the Company approved drawings of concrete lining of 300 mm thickness.

The Government stated (December 2018) that the design was satisfying all the criteria and was found suitable for normal and extreme load conditions. The reply did not address the issue of non-following the BIS standard and not proportionately deducting the cost of less execution of concrete by ₹ 42.92 lakh.

2.15.3 Non-levy of interest on payment released against incomplete work.

Provision of the contract[25] of civil package provided for payments in five stages in respect of underground power house and allied work thereto. Payments were to be made after completion of each specific milestone. Payment for 10 *per cent* final stage[26] was to be made on "providing and laying relevant architectural finishing in various floors of the power house complex".

The Contractor-I submitted (February 2015) an Interim Payment Application (IPA) amounting to ₹ 4.61 crore for different works against the milestone, without completing the work. Flooring work in unit bay, service bay and architectural finishing works in Switch Gear room were incomplete, cost of which was worked out to ₹ 1.20 crore. Part payment of ₹ 3.41 crore was released by the company during March 2015. Balance work of ₹ 1.20 crore was completed after 24 months, during March 2017.

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23 Section 7.2 of IS 4880 (Part IV).

24 $535M^3$ x ₹ 8,023 = ₹ 42.92 lakh.

25 Sub clause 14.4 (schedule of payments, Document II of IV).

26 Sr. No. 1.7.5.

In another similar case of the same contract {Supplementary Agreement (SA-8)}, where payment against the incomplete work was made to Contractor, the Company levied interest at the rate of 14.60 *per cent* per annum on the progressive payment till actual completion of payment milestone. However, in the instant case, the Company extended undue favour to the Contractor-I by not levying interest, and had forgone interest of ₹ 1.00 crore[27] for the period from March 2015 to March 2017.

The Government stated (December 2018) that the work in unit bay and service bay could not be completed due to the ongoing E&M activities. The reply of the Government did not address the issue of non-levy of interest.

2.15.4 Non-handing over of Diesel Generating sets by the Contractor

The civil contract[28], provides that the Contractor shall arrange DG sets to ensure the safety and progress of the works in case of power failure. The same shall be handed over completely overhauled to the Company after completion of all works.

The Contractor-I arranged power supply by installing DG sets of various ratings for emergency backup during execution of works. The works were completed and Commercial Operation Date of the Project was achieved in September 2017, but 13 DG sets valuing ₹ 2.02 crore as per *ibid* clause were neither handed over by the Contractor nor the Company demanded the same from the Contractor.

The Government stated (December 2018) that the Contractor has been requested to handover the DG sets.

Undue favour to contractor was a result of control failure, over burdening the project by ₹4.37 crore consequently increasing the generation cost.

2.16 Monitoring and Internal Control

The Monitoring of progress of works of the Project was not effective as the Company approved deficient design, used sub-standard coarse aggregate, made excess payment of Net Present Value for diversion of forest land and short claimed loss of generation caused by locals.

Through internal control Company / organisation gains reasonable assurance for efficient and effective operations, reliability of financial reporting, compliance of applicable rules, regulations and ensuring statutory obligations. Issues relating to monitoring and Company's internal control failure in availing exemption of Excise Duty, payment of excess Central Sales Tax, reimbursement of inadmissible Entry Tax to the Contractor and ensuring its statutory obligations has been discussed below:

[27] Calculated at the rate of 14.60 *per cent* per annum.
[28] (Chapter 2 of Document IV).

2.16.1 Deficiency in design of Tail Race Tunnel

During joint site visit (22 February 2018) of Civil, E&M contractors and Director (Electrical) of the Company, it was observed that considerable amount of water was filling up in runner removal area during operation of units at 110 MW (maximum permissible limit).

Hence, it was decided to modify the Tail Race Tunnel (TRT) junction, to obtain smooth flow condition in TRT junction area. Design wing of the Company recommended cutting of 19.59 M^3 area and concreting with M-20 grade concrete at TRT junction. Civil contractor refused (March 2018) to execute the job taking the plea that original work was done as per approved drawings and insisted that the same may be treated as extra item.

The work for cutting/breaking of RCC (19.59 M^3) and steel ribs for the widening of TRT junction was executed through another Contractor at a cost of ₹ 22.68 lakh (completed during April 2018).

In reply, Government stated (December 2018) that the work has now been completed. The reply is silent about extra expenditure.

2.16.2 Non-adherence of gradation of coarse aggregate to the acceptable standards

Contract[29] provides that grading of the coarse aggregate shall be such that when the coarse aggregate is combined with the approved fine aggregate and cement, it shall produce a workable concrete of maximum density. It further provided that gradation of coarse aggregate shall be within grading limits as specified in the relevant codes.

In 23 cases out of 47 cases test checked, results of aggregate used, were not as specified in standard (IS)-383. Limit of five *per cent* for 2.36 mm sieve was exceeded 17 times. In case of 4.75 mm sieve 20 *per cent* limit was exceeded 13 times. For 10 mm sieve, two times the sample was below the minimum prescribed limit of 85 *per cent* and in 12.5 mm sieves the 100 *per cent* material was required to pass through but, it failed four times.

Each time, the gradation analysis report was prepared, instructions were issued to the Contractor to improve the gradation, however, the Contractor did not heed to the instructions and no corrective measures were taken by the Contractor as is evident from the fact that fault in gradation continued right from January 2012 till February 2016. This was indicative of weak quality control, besides, no penal clause was incorporated in the contract to guard against sub-standard work / use of rejected material by the contractor.

In reply, Government stated (December 2018) that rejected material was used in allied miscellaneous works. The reply is not tenable as there was no mechanism in place to ensure that the sub-standard material is not used in main works.

29 Clause 1.2.2.6 of chapter 07 read with Clause 7.4.1.

2.16.3 Worker's Welfare Cess

GoI notified (November 2008) the "Building and Other Construction Workers' Welfare Cess Act, 1996" with a view to augment the resources for the building and other construction workers' welfare.

- As per clause 9 of E&M contract, the Contractor was liable to deposit the Worker's Welfare Cess and claim reimbursement from the Company. Worker's Welfare Cess of ₹ 1.53 crore was due, on the gross payment of ₹ 152.66 crore made to the Contractor, which was not deposited to the concerned authority either by the Contractor or by the Company. Non-deposit of Cess may attract penalty of 100 *per cent* besides payment of Cess.
- The civil contractor claimed the increase of taxes and royalties amounting ₹ 11.45 crore which was paid by the Company. However, Company had not recovered the workers welfare cess of ₹ 11.45 lakh from the claims of the Contractor.

The Government stated (December 2018) that the reimbursement to the E&M contractor was made on actual basis against documentary proof. For civil contract, matter has been taken up with the contractor.

2.16.4 Excess payment of NPV and non-refund of Tax Collected at Source

GoI, Ministry of Environment and Forest (MoE&F) accorded approval (14 September 2009) for diversion of forest land (48 hectare) in favour of the Company for construction of the Project, for which the Company deposited (September 2009) ₹ 4.30 crore for diversion of 47.993 hectare land.

There were 2,344 trees existing on the forest land diverted for the Project constituting density of 9.90 *per cent.* Forest department made the rounding of figure on higher side i.e. to 10 *per cent.* The rates of Net Present Value (NPV) on diversion of forest land for non-forestry use, for density of forest of 10 *per cent* and above, were higher as compared to rates for forest density below 10 *per cent*. The Company did not object to the rounding of figure of density of forest on higher side, resulting in overpayment of ₹ 95.03 lakh towards NPV and consequential interest loss of ₹ 0.79 crore for the period from November 2009 to March 2018.

Besides, the Company paid ₹ 19.20 lakh towards Tax Collected at Source (TCS) to forest department in November 2009, which was not applicable to the Company under provisions of Income Tax Act[30], being a Public Sector Company. The Company could not claim refund of TCS from the Income Tax department as neither it had TCS certificate from forest department nor the forest department had filed income tax return for that year. This has also resulted in interest loss of ₹ 17.12 lakh on payment of non-applicable TCS for the period from November 2009 to March 2018.

[30] Section 206.

The Government stated (December 2018) that the matter has been taken up with forest department.

2.16.5 Short-claim of compensation for delays due to stoppage of work by local people

As per revised guidelines (October 2011) for management of Local Area Development Fund in respect of HEPs, the developer was entitled to claim compensation for the delays in commissioning of the Project due to work stoppage on account of agitation by local people during construction of the Project. The loss on this account was to be deducted / adjusted from the revenue to be contributed towards LADF in shape of one *per cent* free power to be made available to local population.

The Directorate of Energy clarified (July 2017) that the loss should be calculated at present per unit sale rate of power. However, Company claimed (December 2017) generation loss for 64 days at ten months average rate of Indian Energy Exchange of ₹ 3.02 per unit instead of its own current (November 2017) average sale rate of ₹ 3.59 per unit. This has resulted in short claim of loss of ₹ 3.24 crore.

The Government stated (December 2018) that the necessary action taken in the matter will be intimated.

2.16.6 Non-ensuring black start capabilities[31]

The Indian Electricity Grid Code (IEGC) Regulations, 2010 provides that in case of grid failure, HEP should have black start capabilities which should be tested every six months to ensure their functionality.

It was observed that DPR of the Project have the provisions for black start capabilities, it was not included in the scope of the work of the Contractor and is still pending. In the absence of black start capabilities, the Project will not be able to start generation immediately in case of grid failure and will have to wait for initial current for start from the HPSEBL.

The reply of the Government (December 2018) is silent about required changes.

Monitoring and internal control mechanism of the Company was not functioning properly and failed to safe guard its interests ultimately impacting the cost of project and generation.

[31] Process of restoring electric power station to operation without relying on external electric power. Station service power is provided by drawing power from the grid. However, during wide area outage, off-site power from the grid is not available. In such cases black start is performed to bootstrap the grid into operation.

2.17 Other Topics of interest

Other topics of interest resulting in increase in project cost are discussed below:

2.18 Taxes not due, paid to the contractor

The Company also failed to regulate the legitimate exemptions /taxes/ regulations as detailed in ***Appendix 2.1***. Few cases are discussed below

2.18.1 Inadmissible payment of entry tax

Section 3 of Himachal Pradesh Tax on Entry of Goods into Local Area Act, 2010 provides that a registered dealer (registered under HPVAT Act, 2005) who brings goods into local area is not liable to pay entry tax.

The contractor executing civil works being a registered dealer was not liable to pay entry tax. However, no suitable clause addressing the same was incorporated in the contract. The contractor deposited and claimed reimbursement of ₹ 5.44 crore on entry tax paid between September 2010 and December 2016. The entire claim was reimbursed. The contractor not only had the claim reimbursed but also availed input tax credit on VAT which was accorded by the Assessing Authority. The engineer-in-charge, internal auditors, statuary auditors and Management failed to point the inadmissible reimbursement made to the Contractor. This resulted in extra burden of ₹ 5.44 crore on the project.

The Government did not offer any reply on the above observation.

2.18.2 Non-availing exemption of Excise Duty

As per notification issued by the GoI in August 1995, all ADB funded Projects are exempted from payment of Excise and Custom duties.

Test check of records relating to E&M works showed that neither the Contractor demanded Project Authority Certificate (PAC), nor the Company issued the same. The Contractor deposited the Excise Duty (ED) of ₹ 6.09 crore which was reimbursed by the Company. After being pointed out in audit (June 2015), the recovery process was initiated (October 2016) by the Company. A sum of ₹ 3.06 crore still remained to be recovered.

Failure to claim ED exemption also resulted in avoidable payment of CST of ₹ 12.18 lakh[32].

The Government stated (December 2018) that the balance amount will be recovered from the Contractor.

[32] ED ₹ 6.09 crore X 2 *per cent* CST.

2.18.3 Deployment of staff in excess of sanctioned strength

Scrutiny of sanctioned strength of different categories of staff vis a vis actual manpower deployed there against showed that the Company had deployed staff in excess of sanctioned strength during the period from April 2008 to March 2017. This had resulted in avoidable increase in project cost by ₹ 6.74 crore on account of pay and allowances paid to the staff deployed in excess of the sanctioned strength during the same period.

The Government stated (December 2018) that the overall sanctioned strength of the Company had not exceeded at any point of time. The reply did not address the posting of staff in excess of sanctioned strength in the Project.

2.18.4 Deployment of staff without any requirement

The Company had deployed various field staff such as, Ferro printer, rock driller carpenter, wireless operator, air compressor operator, *etc*., at project site, though all the works were executed through EPC mode. Thus, deployment of such staff at the project was avoidable. The Company had incurred avoidable expenditure of ₹ 1.73 crore on their pay and allowance during the period from April 2008 to March 2018.

In reply, Government stated (December 2018) that excess staff was due to transfer of staff of HPSEBL at the disposal of the Company at the time of transfer of execution of project to the Company.

2.18.5 Transmission works - Extra burden on the Project

The project being ADB funded was eligible for exemption from excise duty

The Company decided to assign the execution of transmission work, for evacuation of power generated from the Project, to Himachal Pradesh Power Transmission Corporation Limited (HPPTCL), for which the ADB had refused to finance due to the reason that the work was being executed as deposit work from other agency. The Company deposited ₹ 5.00 crore[33] with HPPTCL for execution of works. The line was energised in May 2017.

The decision of assigning the work to the HPPTCL had resulted in avoidable payment of service and departmental charges of ₹ 0.97 crore to HPPTCL, non-availing benefit of ₹ 35.72 lakh towards exemption on account of excise duty and other levies thereon, putting extra financial burden of ₹ 1.33 crore on the Project.

The Government stated (December 2018) that the work was assigned to HPPTCL, as it involved the revision of overall forest clearance, if the work was executed by the Company itself. The reply is not tenable as the Company itself should have got the revised forest clearance to avoid extra financial burden of ₹ 1.33 crore on the Project and avail financial assistance of ₹ 5.00 crore from ADB.

[33] ₹ 1.00 crore in March 2016 and ₹ 4.00 crore in March 2017.

Overall planning and control mechanism in execution of the project was missing and Company failed to control the cost through optimised utilisation of its staff and avail benefits by getting the transmission works done by itself.

2.19 Environment and public health

On the basis of Environment Impact Assessment (EIA) studies, the Company prepared Environment Management Plan (EMP) and the Ministry of Environment and Forests, GoI (ME&F GoI) accorded (May 2009) environment clearance for the construction of Sainj HEP.

Sainj Valley Conservation Cell (SVCC) was created as per direction of the ME&F GoI under the aegis of GHNP. In this regard, a monitoring committee was required to be notified in which project authority was required to be included as one of the member, however, project authority had not been the part of monitoring committee. Resultantly the Company could not properly monitor the following environmental aspects relating to the project:

- No proposal was sent by Principal Chief Conservator of Forest (Wild Life) department of the GoHP (May 2018) to avail financial assistance of ₹ 30.00 lakh, provided in the EMP.

- It could not be ensured that an expenditure of ₹ 51.69 lakh reimbursed to GHNP for deployment of forest guards, ₹ 30.76 lakh for running of hired vehicle to ensure regulatory provisions for the protection of the existing biodiversity including doing anti-poaching measures at three check posts were actually used for the intended purpose or not.

- For treatment of catchment area of the project, funds of ₹ 10.40 crore against the provision of ₹ 11.15 crore was provided to the Forest Department of the GoHP between April 2010 and March 2017 for execution of various works. The work executing agency reported that ending March 2015 an expenditure of ₹ 2.37 crore was incurred, representing only 22.79 *per cent*. As such, adverse impact due to sedimentation in the barrage site caused by soil erosion will ultimately reduce the capacity of the barrage.

- Under the component, public health and delivery system, provision of establishment of the dispensary was made to serve the labour as well as local population. The Company established dispensary in the GM, Office Complex – Sarabai (Kullu) which is about 50 kms away from the construction site, and incurred ₹ 1.12 crore towards salary of the staff and purchase of medicines. This deprived the public of affected area from intended benefits besides, overburdening of project.

The Company should have made sincere efforts for constitution of monitoring committee to effectively monitor the environmental aspects relating to the project.

2.19.1 Non-protection of dumping sites

The Company provided seven dumping site to the Contractor in different areas having capacity of 11,61,084 M^3 (10.729 hectare) in which the Contractor had dumped 2,00,179 M^3 muck (September 2016), however, as per provisions of the contract[34], the Contractor had not executed the works of reclamation even after the commercial operation of the project.

The Company had also not taken any corrective steps for doing reclamation works on the risk and cost of the Contractor by providing earth cushion and jute matting over the dumped muck to avoid the soil erosion as well as possibility of roll down of the muck into the river and get washed.

The Government stated (December 2018) that the Contractor has been asked to do the needful.

2.19.2 Extra expenditure on local area development activities

As per the provisions of State Hydro Power Policy of 2006, an expenditure of 1.5 *per cent* of project cost has to be deposited towards Local Area Development Fund (LADF). The funds were to be utilised by Local Area Development Committee (LADC) on local area development. Company executed certain works on behalf of LADC by incurring an expenditure of ₹ 5.20 crore upto March 2018.

Company had not charged departmental charges at the rate of 11 *per cent* and service tax thereon amounting ₹ 0.64 crore on the works executed under local area development scheme resulting in short adjustment towards LADF and putting extra burden on project cost to the above extent.

The Government while admitting the point stated (December 2018) that the short adjustment will be recovered against future payments.

2.19.3 Additional liability towards Local Area Development Activities due to increased project cost.

Based on the project cost of ₹ 725.24 crore of Sainj HEP, ₹ 10.87 crore toward LADF was deposited by the Company with concerned authority. However, now the project cost has increased to ₹ 1,319.33 crore (excluding LADF expenditure), which resulted in further liability of ₹ 8.91crore towards LADF.

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[34] Clause 4.18 of GCC read with sub clause 4.18.

The Government stated (December 2018) that although the expenditure have exceeded from the TEC cost however, the revised project cost is yet to be approved by the CEA.

Conclusion

The main objective for execution of the project was to generate clean power at affordable rates, which could have been achieved through anticipation, coordinated approach, efficient contract management and suitable control mechanism to address the obstructions. The GoI transferred funds of ₹ 732.22 crore in the shape of 90 *per cent* grant and 10 *per cent* loan at an interest rate of nine *per cent* per annum through State government (GoHP). The same were transferred by GoHP to the Company at an interest rate of 10 *per cent* per annum, increasing the generation cost by ₹ 4.40 per unit. The Project was commissioned during September 2017 with time overrun of 29 months and cost overrun of ₹ 643.04 crore. The time and cost overrun was a result of ill planning and control failure, *etc.*, over burdening the project. Monitoring and internal control mechanism of the Company was not functioning properly and failed to safeguard its interests through timely handing over the sites, constructively structuring the agreements, synchronising the Electro-Mechanical and civil works, controlling the expenditure and availing exemptions, *etc.* Internal control was deficient in ensuring statutory obligations. The Company failed to monitor the implementation of environment management plan. Overall planning and control mechanism in execution of the project was missing, leading to higher project cost and increasing the generation cost. Consequently, the per unit generation cost of power had increased from ₹ 3.74 to ₹ 6.23 against prevailing average sale rate of ₹ 4.30 per unit. Resultantly, the project, which was anticipated to recover the cost in five years would now be able to recover it in nine and half years i.e. delay of four and half years in recovery of project cost, which will directly impact the commercial viability of the Project.

Recommendations

The Company may consider to ensure the following for its ongoing/future projects:-

- Timely handing over the sites and proper monitoring the progress of works;
- structure provisions of agreement duly guarding interests of the Company and work;
- coordinated efforts of civil and electrical wings to ensure timely completion of its future projects;

- effective control mechanism in all activities vis., claims, Administration of project, Contract Management, Financial Management and Project Management; and

The State government may consider;-

- transfer of grant received from GoI direct to the Company to avoid increase in the cost of Project.

CHAPTER - III
COMPLIANCE AUDIT OBSERVATIONS RELATING TO POWER SECTOR UNDERTAKINGS

CHAPTER-III

COMPLIANCE AUDIT OBSERVATIONS RELATING TO POWER SECTOR UNDERTAKINGS

Beas Valley Power Corporation Limited

3.1 Extra payment of differential cost

Failure of the Company to include the royalty charges in the analysed cost of aggregate and sand at quarry site, for working out the differential cost of aggregate and sand procured from open market resulted in extra payment of differential cost of ₹ 75.02 lakh.

Beas Valley Power Corporation Limited (Company) awarded (October 2010) the complete package for construction of balance work of Head Race Tunnel (HRT) of Uhl-III Hydro Electric Project (HEP) to M/s Abir Infrastructure Pvt, Ltd (Contractor) for ₹ 55.39 crore. As per terms and conditions of the contract agreement[1] all taxes including royalty on all material, that contractor has to purchase for construction of HRT, was payable by the Contractor and the Company was not to entertain any claim for compensation what so ever, in this regard. The rates quoted by the Contractor, were be deemed to be inclusive of all such taxes, duties, levies and any increase thereon. Further, it was also provided[2] in the contract, that in pursuance to any law, rule, notification or order, royalty payable by the Company to the State government / local authorities in respect of any material used by the Contractor, in the work shall be recovered by the Company to recover the amount paid, from the dues of the Contractor.

The Contractor, due to restriction imposed by the Hon'ble High Court, Shimla, could not operate two[3] allocated quarries for production of crushed aggregate & sand and, therefore, had to procure sand and aggregate from open market. The Company (Board of Directors) decided (December 2012) to reimburse the additional / differential cost on purchase of aggregate and sand by the Contractor from open market on Free on Rail basis, which included royalty charges. For arriving at differential cost of aggregate and sand, the Company analysed the cost of aggregate at quarry site and reimbursed the differential cost in respect of quantity procured from open market.

Audit noticed (December 2017) that to work out the differential cost, the Uhl Construction Division-I of the Company, while analysing the cost of aggregate and sand at quarry site, failed to include the royalty charges, which were payable by the Contractor to State government on quantity of aggregate and sand excavated from the quarry. Thus, incorrect analysis of rates at quarry site resulted in extra payment of differential cost of ₹ 75.02 lakh, on 1,04,546 MT of aggregate and sand, to the Contractor between January 2013 and December 2017.

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1 Clause 35(i).

2 Clause 35(ii).

3 One at Balh and another at Chulla & Kothi.

The Government stated (October 2018) that the amount has been placed in the Personal Ledger Account (PLA) of the Contractor and the recovery will be made from the final bill / other claims due for payment to the Contractor.

The point is based on test check, Management should consider fixing of responsibility for the lapse and streamline its rate analysis System to avoid such lapse in future and scrutinise other similar cases across the Company.

Himachal Pradesh State Electricity Board Limited

3.2 Undue favour to consumers

Failure to charge the Contract Demand from three consumers as per the limit prescribed by the Himachal Pradesh Electricity Regulatory Commission in its tariff orders issued in April 2013 resulted in short recovery of CD of ₹ 1.97 crore during the period from April 2013 to December 2018. This loss would increase further as short recovery is continuing till the suitable action as per tariff order is taken by the Company.

Tariff order issued (April 2013) by the Himachal Pradesh Electricity Regulatory Commission (HPERC) specifies that the consumers to whom two part tariff[4] is applicable shall be entitled to revise the Contract Demand (CD) twice in a financial year without surrendering their *lien* of total sanctioned CD subject to the condition: (a) the CD shall not be reduced to less than 50 *per cent* of the total sanctioned contract demand. (b) the provision under (a) shall come into force from 1st July 2013 in cases where any consumer has got his CD reduced to less than 50 *per cent* of the total CD under the existing mechanism. In such cases, the financial year shall be construed from 1st July 2013 for the purpose of number of revision in a financial year. In the meanwhile, the Himachal Pradesh State Electricity Board Limited (Company) and the consumers shall take suitable action during the interim period. Further, in case the consumer gets his CD reduced permanently, the limit under clause (a) and (b) shall be considered to such reduced CD.

Scrutiny of records of three[5] consumers having four power connections showed (August 2016) that the consumers had reduced their CD, much below the 50 *per cent* limit of their original sanctioned CD, before the implementation of HPERC orders, *ibid,* with the prior approval of the Company. However, neither the Company insisted nor the consumer applied for increase in CD as required under revised Tariff Order (April 2013) in order to bring it up to the minimum prescribed limit of 50 *per cent* of sanctioned CD and the Company continued to levy demand charges from these consumers on the basis of their reduced CD (as per provision of tariff order 90 *per cent* of CD or recorded demand whichever is higher) in violation of the HPERC

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4 Two part tariff consists fixed charges based on contract demand and variable charges based on consumption of electricity.

5 Indira Gandhi Medical College Shimla (two meters), Mashobra Resort Limited and Hotel Peter Hoff, Shimla (one meter each).

orders. Thus, failure to levy and recover demand charges on 50 *per cent* of their original sanctioned CD resulted in revenue loss of ₹ 1.97 crore (as detailed in ***Appendix 3.1*** to the Company during April 2013 to December 2018. Non-levy / non-recovery of demand charges were mainly due to non-review of consumer cases in the light of HPERC's orders of April 2013. Further the Company continued to incur the loss as no corrective action has been taken, so far (September 2019).

The Government stated (February 2019) that the two consumers had reduced their CD as per their requirement and recovery from the third consumer has been made.

The reply was not acceptable as the consumers have reduced their CD prior to April 2013 temporarily, without surrendering their lien and the recovery was made from one consumer whereas, the amount was not recovered from other two consumers showing the arbitrariness of the Company. The Company and the consumers were required to take suitable action where CD was less than 50 *per cent* of sanctioned contract demand during the interim period (April 2013 to June 2013). Moreover, the Chief Engineer (Commercial) had also clarified (August 2015) that for permanent reduction of CD, the consumer has to furnish an undertaking to that effect, which was not furnished by the consumers in the above mentioned cases.

The point is based on test check, Management should ensure that after any change in the tariff order, effecting the billing, all consumer cases should be reviewed so as to avoid any revenue loss in future and check all other such cases across the Company.

3.3 Payment of excise duty without documentary proof

Failure to deduct the component of Excise Duty, from the bills of the Contractor, in absence of documentary proof, as per the terms and conditions of the contract agreement, resulting in extra payment of Excise Duty of ₹ 42.77 lakh to the contractor.

In terms of notification of Government of India, issued in June 2003 and subsequent amendments, industrial units in Himachal Pradesh and Uttrakhand, established up to March 2010, were exempted from Excise Duty (ED).

The work for design, manufacturing, supply of equipment / material, erection, testing and commissioning of 11 KV HT / LT lines, re-conductoring / augmentation of existing Distribution Transformers / providing single and three phase energy meters in Baddi town was awarded to M/s Shyam Indus Power Solution Pvt. Ltd (Contractor) for ₹ 26.97 crore (supply part) by Himachal Pradesh State Electricity Board Limited (Company) during May 2012. The rates for supply of material were inclusive of all taxes and duties, *etc*. Further, as per terms and conditions of the contract agreement executed with the Contractor, ED which was included in the total unit price was payable as per actual, against documentary proof only. Further, the accounting manual[6] of the Company provides that supplier's bill shall be passed as per the terms and conditions of the purchase order / contract agreement.

Audit noticed (December 2016) that as per documents supplied by the Contractor and inspections carried out by the officers of the Company, the Contractor had procured major items such as Steel Tubular Poles, RCC muff and CTPT unit from the manufacturers in Himachal Pradesh and Uttrakhand, as such, were exempt from the payment of ED. The Contractor while submitting the bills did not furnish the breakup of cost of each item and applicable taxes and duties thereon. Further, various invoices furnished along with his claims, showed that detailed break up on invoices were either erased or covered with fluid mark due to which the details of ED, if any, paid by the Contractor could not be confirmed. The Baddi Division of the Company, before passing the bills failed to ask the Contractor for supplying the documents regarding actual payment of ED, as per terms and conditions of the contract and Accounts Wing of the Company while releasing the payments to the Contractor failed to note this and did not ask for documentary proof of ED. In absence of documentary evidence, the Company instead of deducting the component of ED till the production of documentary proof of deposit of ED with the Government authorities, passed and paid the total amount of bills for payment. During the period between April 2013 and November 2016, the Company released total payment of ED of ₹ 42.77 lakh on supply of Steel Tubular Poles, RCC Muffs and CT / PT to the Contractor without insisting for documentary proof of deposit of it with the Government authorities as detailed below:

Table 3.1: Details of released payment to Contractor

Particulars	Size	Quantity in number	ED rate	Amount (in ₹)
Steel tubular poles	9 meter	1,595	685.29	10,93,037
	11 meter	1,899	1,061.51	20,15,807
	8 meter	357	493.91	1,76,325
RCC muff	1.8 meter	3,775	52.11	1,96,715
CTPT	10/5 ampere to 100/5 ampere	266	2,674.03	7,11,292
	Add: Sales tax @ 2 *per cent*			83,863.52
	Total			**42,77,039.52**

The payment of ED on items manufactured in Himachal Pradesh / Uttrakhand was exempt, as per the Government of India notification *ibid*, and the Contractor has also concealed the details of taxes and duties on the invoices. Moreover, as per the terms and condition of the agreement, the payment of ED was payable as per actual, against documentary proof only. Thus, failure of the Company to deduct the component of Excise Duty, from the bills of the contractor, in absence of documentary proof, as per the terms and conditions of the contract agreement, resulted in extra payment of Excise Duty of ₹ 42.77 lakh to the Contractor.

[6] Instruction No. 5.6 (4.02).

The Chief Engineer (Operation) South, stated (July 2017) that notices have been issued in March 2017 and June 2017 to the Contractor for submitting documentary evidence for payment of Excise Duty failing which the amount of ₹ 42.77 lakh ED paid would be recovered / deducted from the retention money lying with the Company.

The reply was not acceptable as neither any documentary proof of payment of ED has been furnished by the Contractor nor any recovery has been affected though more than two years period had elapsed from the issue of first notice.

The point is based on test check, Management should consider taking appropriate action against the defaulters as per extant rules for the lapse and streamline financial scrutiny to avoid such lapse in the future by scrutiny of all similar cases across the Company.

The matter was reported to the Government / Management (June 2018); their reply was awaited (September 2019).

Himachal Pradesh Power Corporation Limited

3.4 Loss due to non-signing of Power Purchase Agreement

Before applying for Long Term Access, failure of the Company to sign PPAs, which was a pre-requisite for signing of Long Term Access agreement, resulted in avoidable loss of ₹ 37.41 lakh due to forfeiture of fee and security by Power Grid Corporation of India Limited after revocation of approval in absence of Power Purchase Agreements.

Central Electricity Regulatory Commission (CERC) issued Regulations on “Grant of connectivity, long-term access and medium-term open access in inter-state transmission and related matters” in August 2009. The regulations provides[7] that exact destination of off-take shall have to be firmed up, which is firmed up only after signing of Power Purchase Agreement (PPA), and notified to the nodal agency, which, in this case was Power Grid Corporation of India Limited (PGCIL) at least three years prior to the intended date of availing Long Term Access (LTA). Prescribed time[8] for processing of application was 120 days where augmentation of transmission system was not required and 180 days, where augmentation of transmission system was required.

Himachal Pradesh Power Corporation Ltd. (Company) without signing the PPAs for its three[9] upcoming Hydro Electric Projects (HEPs) applied (September 2010) for connectivity and LTA with PGCIL’s transmission network and deposited prescribed fee of ₹ 16 lakh along with Bank Guarantees (BGs) of ₹ 40.60 lakh with PGCIL. The PGCIL approved

7 Sub-regulation -12 (I).
8 Sub-regulation- 7.
9 Kashang, Sawra-Kuddu, and Sainj.

connectivity for its two[10] HEPs during May 2011 and for other[11] HEP in December 2013 subject to signing of LTA agreement.

Audit noticed (March 2017) that the Company had not signed the PPAs for the three HEPs, before applying for LTA although it was a prerequisite for signing of LTA agreement as stated above. In absence of PPA, the Company could not sign the LTA with PGCIL within the prescribed time. Consequently, PGCIL revoked the connectivity, it had approved for its transmission network, Kashang (May 2016) and for Sainj and Sawra-Kuddu (February 2017) and forfeited ₹ 16 lakh non-refundable fee besides encashing the BGs of ₹ 21.10 lakh on 10 January 2017. Subsequently, the Company applied to Himachal Pradesh Power Transmission Corporation Limited (State Transmission Undertaking) for connectivity as per the directions (2 September 2011) of Himachal Pradesh Electricity Regulatory Commission. Thus, before applying for LTA, failure of the Company to sign PPAs, which was a pre-requisite for signing of LTA, resulted into loss of ₹ 37.41 lakh[12].

The Management stated (August 2018) that power purchase through power exchange / competitive bidding became cheaper than long term PPAs. Accordingly, all the buyers as well as utilities have started purchasing from power exchange as well as through competitive bidding. Further, after 2015 Solar power has boosted the energy availability in the market and this power is also obligatory to utilities.

Reply of the Company is not tenable, as the Company should not have applied for LTA, without signing the PPAs, which was a pre-requisite for signing of LTA.

The case is based on test check, Management should ensure proper planning to avoid such lapse in future and scrutinise other similar cases across the Company.

The matter was reported to the Government (June 2018); their reply was awaited (September 2019).

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10 Sawra-Kuddu, and Sainj.

11 Kashang.

12 ₹ 16.00 lakh non-refundable fee, B.Gs of ₹ 21.10 lakh and bank charges of ₹ 0.31 lakh paid on BG.

PART – II
CHAPTER – IV
FUNCTIONING OF STATE PUBLIC SECTOR UNDERTAKINGS (0THER THAN POWER SECTOR)

PART-II

CHAPTER-IV

FUNCTIONING OF STATE PUBLIC SECTOR UNDERTAKINGS (OTHER THAN POWER SECTOR)

Introduction

4.1 There were 21 State Public Sector Undertakings (PSUs) as on 31 March 2018 which were related to sectors other than Power Sector. These State PSUs were incorporated during the period 1967-68 and 2017-18 and included 19 Government Companies and two Statutory Corporations *i.e.* Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation. Out of 19 Government Companies two[1] companies are inactive. During the year 2017-18, one PSU[2] was incorporated.

The State government provides financial support to the State PSUs in the shape of equity, loans and grants/subsidy from time to time. Of the 21 State PSUs (other than Power Sector), the State government invested funds in 18 State PSUs only as the State government did not infuse any funds in the three Government Companies.

Contribution to Economy of the State

4.2 A ratio of turnover of the PSUs to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the State economy. The table below provides the details of turnover of State PSUs (other than Power Sector) and GSDP of Himachal Pradesh for a period of five years ending March 2018:

Table 4.1: Details of turnover of State PSUs (other than Power Sector) *vis-a-vis* GSDP of Himachal Pradesh

(₹in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	2,122.23	2,305.90	2,471.95	2,743.10	2,821.02
GSDP of Himachal Pradesh	85,841	95,587	1,10,511	1,24,570	1,35,914
Percentage of Turnover to GSDP of Himachal Pradesh	2.47	2.41	2.24	2.20	2.08

Source: Compiled based on Turnover figures of working PSUs (other than power) and GSDP figures as per Economic Review 2017-18 of Government of Himachal Pradesh.

The turnover of these PSUs has recorded continuous increase over previous years. The increase in turnover ranged between 3.04 *per cent* and 10.97 *per cent* during the period 2013-18, whereas increase in GSDP of the State ranged between 9.11 *per cent* and 15.61 *per cent* during the same period. The compounded annual growth of GSDP was 12.17 *per cent* during last five years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 12.17 *per cent* of the GSDP, the turnover of other than power sector undertakings recorded lower compounded annual growth of 7.43 *per cent* during last five years. This resulted in marginal decrease in share of turnover of these PSUs to the GSDP from 2.47 *per cent* in 2013-14 to 2.08 *per cent* in 2017-18.

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1 Agro Industrial Packaging India Limited and Himachal Worsted Mills Limited which ceased to carry out their operations.

2 Dharamshala Smart City Limited.

Investment in State PSUs (other than Power Sector)

4.3 There are some PSUs which function as instruments of the State government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through PSUs which function in a competitive environment with private sector undertakings. The position of these State PSUs have therefore been analysed under five major classifications *viz*., those in the Agriculture and Allied sector, Financing sector, Infrastructure sector, Manufacturing sector and those functioning in Service sector. Details of investment made in these 21 State PSUs in shape of equity and long term loans upto 31 March 2018 are detailed in ***Appendix 4.1***.

4.4 The sector-wise summary of investment in these State PSUs as on 31 March 2018 is given below:

Table 4.2: Sector-wise investment in State PSUs (other than power sector)

Sector	No. of PSUs	Investment (₹ in crore)				
		Equity		Long term loans		Total
		GoHP	Others	GoHP	Others	
Agriculture and Allied	4	76.55	10.50	116.85	1.43	205.33
Financing	4	127.96	6.69	94.62	37.83	267.10
Infrastructure	3	55.82	0	0	0	55.82
Manufacture	2	7.04	1.04	2.97	0	11.05
Service	8	734.01	15.46	0.95	202.26	952.68
Total	**21**	**1,001.38**	**33.69**	**215.39**	**241.52**	**1,491.98**

Source: Compiled based on information received from PSUs.

As on 31 March 2018, the total investment (equity and long term loans) in these 21 PSUs was ₹ 1,491.98 crore. The investment consisted of 69.38 *per cent* towards equity and 30.62 *per cent* in long-term loans. The Long term loans advanced by the State government constituted 47.14 *per cent* (₹ 215.39 crore) of the total long term loans whereas 52.86 *per cent* (₹ 241.52 crore) of the total long term loans were availed from other financial institutions.

The investment has grown by 39.32 *per cent* from ₹ 1,070.88 crore in 2013-14 to ₹ 1,491.98 crore in 2017-18. The investment increased due to addition of ₹ 186.28 crore and ₹ 234.82 crore towards equity and long term loans respectively during 2013-14 to 2017-18.

Disinvestment, restructuring and privatisation of State PSUs (other than Power Sector)

4.5 During the year 2017-18, no disinvestment, restructuring or privatisation was done by the State government in State PSUs (other than Power Sector).

Budgetary Support to State PSUs (other than Power Sector)

4.6 The Government of Himachal Pradesh (GoHP) provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of State PSUs (other than Power Sector) for the last three years ending March 2018 are as follows:

Table 4.3: Details regarding budgetary support to State PSUs (other than Power Sector) during the years

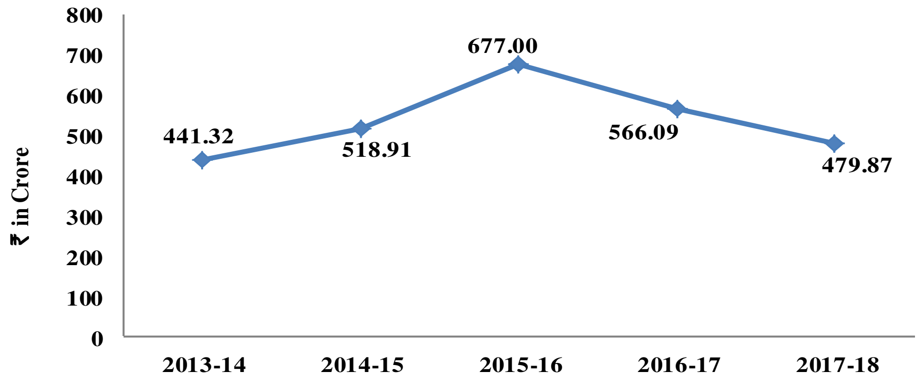
(₹ in crore)

Particulars[3]	2015-16		2016-17		2017-18	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	5	43.29	3	46.50	2	50.80
Loans given (ii)	1	11.04	1	13.06	1	5.44
Grants/Subsidy provided (iii)	8	622.67	5	506.53	6	423.63
Total Outgo (i+ii+iii)	**-**	**677.00**	**-**	**566.09**	**-**	**479.87**
Loan repayment written off	-	-	-	-	-	-
Loans converted into equity	-	-	-	-	-	-
Guarantees issued	8	204.65	5	284.35	5	192.65
Guarantee Commitment	7	205.14	4	230.92	5	277.98

Source: Compiled based on information received from PSUs.

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last five years ending March 2018 are given in a graph below:

Graph 4.1: Budgetary outgo towards Equity, Loans and Grants/Subsidies



The annual budgetary assistance to these PSUs ranged between ₹ 441.32 crore and ₹ 677.00 crore during the period 2013-14 to 2017-18. The budgetary assistance of ₹ 479.87 crore given during the year 2017-18 included ₹ 50.80 crore, ₹ 5.44 crore and ₹ 423.63 crore in the form of equity, loans and grants / subsidy respectively. The subsidy/grants given by the State government was primarily to provide free / concessional travel to the public.

In order to enable PSUs to obtain financial assistance from Banks and financial institutions, State government provides guarantee and charges guarantee fee ranging from Zero *per cent* to one *per cent*. During 2017-18, the Government had guaranteed loans aggregating ₹ 192.65 crore obtained by five PSUs. The guarantee commitment increased to ₹ 277.98 crore (five PSUs) in 2017-18 from ₹ 230.92 crore (five PSUs) in 2016-17. One PSU[4] paid guarantee fee of ₹ 0.01 crore during 2017-18.

3 Amount represents outgo from State Budget only.
4 Himachal Pradesh State Handicrafts and Handloom Corporation Limited.

Reconciliation with Finance Accounts of Government of Himachal Pradesh

4.7 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs (other than Power Sector) should agree with that of the figures appearing in the Finance Accounts of the Government of Himachal Pradesh. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2018 is stated below:

Table 4.4: Equity, loans, guarantees outstanding as per Finance Accounts of Government of Himachal Pradesh vis-à-vis records of State PSUs (other than Power Sector)

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	77.29	151.91	74.62
Loans	55.53	163.12	107.59
Guarantees	256.28	251.15	5.13

Source: Compiled based on information received from PSUs and Finance Accounts.

Audit observed that out of 21 State PSUs, such differences occurred in respect of 13 PSUs as shown in ***Appendix 4.2***. The differences between the figures are persisting since last many years. The issue of reconciliation of differences was also taken up with the PSUs and the Departments from time to time. Major difference in balances was observed in Himachal Pradesh Financial Corporation. We, therefore, recommend that the State government and the respective PSUs should reconcile the differences in a time-bound manner.

Submission of accounts by State PSUs (other than Power Sector)

4.8 Of the total 21 State PSUs (other than Power Sector), there were 19 working PSUs *i.e.* 17 Government Companies and two Statutory Corporations and two inactive PSUs under the purview of CAG as of 31 March 2018. The status of timelines followed by the State PSUs in preparation of accounts is as detailed under:

Timeliness in preparation of accounts by the working State PSUs

4.8.1 Accounts for the year 2017-18 were required to be submitted by all the working PSUs by 30 September 2018. However, out of 19 working Government Companies, one Government Company submitted its accounts for the year 2017-18 for audit by CAG on or before 30 September 2018 whereas accounts of 18 Government Companies were in arrears. Out of two Statutory Corporations, the CAG is the sole auditor in one Statutory Corporation (Himachal Road Transport Corporation). Of these two Statutory Corporations, accounts of one Statutory Corporation (Himachal Pradesh Financial Corporation) for the year 2017-18 were presented for audit in time. The accounts of Himachal Road Transport Corporation (HRTC) for the year 2017-18 were awaited as on 30 September 2018.

Details of arrears in submission of accounts of working PSUs (other than Power Sector) as on 30 September 2018 are given below:

Table 4.5: Position relating to submission of accounts by the working State PSUs (other than Power Sector)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Number of PSUs (other than Power Sector)	15	15	16	17	19
2.	Number of accounts submitted during current year	14	13	15	17	11
3.	Number of working PSUs which finalised accounts for the current year	4	1	2	3	1
4.	Number of previous year accounts finalised during current year	10	12	13	14	10
5.	Number of working PSUs with arrears in accounts	11	14	14	13	18
6.	Number of accounts in arrears	19	21	22	22	30
7.	Extent of arrears	One to three years	One to three years	One to three years	One to three years	One to four years

Source: Compiled based on accounts of PSUs received during the period October 2017 to September 2018.

Of these 19 working State PSUs, 11 PSUs had finalised 11 annual accounts during the period 1 October 2017 to 30 September 2018 which included one annual account for the year 2017-18 and ten annual accounts for previous years. Further, 30 annual accounts were in arrears which pertain to 18 PSUs as detailed in ***Appendix 4.3.*** The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The concerned Departments were informed quarterly regarding arrear in accounts.

The GoHP had provided ₹ 426.92 crore (Loan: ₹ 8.00 crore, Subsidy: ₹ 418.92 crore) to 8 of the 18 working State PSUs accounts of which had not been finalised by 30 September 2018 as prescribed under the Companies Act, 2013, whereas no investment was made in remaining 10 PSUs during the period for which accounts are in arrears. PSUs wise details of investment made by State government during the years for which accounts are in arrears are shown in ***Appendix 4.3***. However, four accounts for the period 2015-16 to 2017-18 pertained to four[5] of these working State PSUs were finalised and submitted for audit during the period from October 2018 to December 2018 whereas 26 accounts pertained to 18 working State PSUs as detailed in ***Appendix 4.3*** were awaited till December 2018.

In the absence of finalisation of accounts and their subsequent audit in remaining 14 PSUs, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoHP investment in these PSUs, therefore, remained outside the control of State Legislature.

Timeliness in preparation of accounts by inactive State PSUs

4.8.2 There were arrears in finalisation of accounts by two inactive PSUs details of which are as given below:

[5] Himachal Consultancy Organisation, Himachal Pradesh Agro Industries Corporation Limited, Himachal Pradesh State Electronics Corporation Limited and Himachal Road Transport Corporation.

Table 4.6: Position relating to arrears of accounts in respect of inactive PSUs

S. No.	Name of inactive companies	Period for which accounts were in arrears
1.	Himachal Worsted Mills Limited	2001-02 to 2017-18
2.	Agro Industrial Packaging India Limited	2014-15 to 2017-18

Source: Compiled based on accounts of PSUs received during the period October 2017 to September 2018.

Of these two inactive PSUs, accounts of Himachal Worsted Mills Limited was in the process of liquidation since 2000-01 and its accounts were finalised up to that period. The Agro Industrial Packaging Limited had its accounts in arrears for the years 2014-15 to 2017-18.

Placement of Separate Audit Reports of Statutory Corporations

4.9 Out of two working Statutory Corporations, Himachal Pradesh Financial Corporation had forwarded their accounts of 2017-18 by 30 September 2018.

Separate Audit Reports (SARs) are audit reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. Status of annual accounts of Statutory Corporations and placement of their SARs in legislature is detailed below:

Table 4.7: Status of placement of SAR of the Statutory Corporations

Name of the Corporation	Year of Accounts	Month of placement of SAR
Himachal Road Transport Corporation	2016-17	24.03.2018
Himachal Pradesh Financial Corporation	2016-17	27.3.2018
	2017-18	Yet to be laid

Source: Compiled based on information available on the website of Himachal Pradesh Legislative Assembly.

Impact of non-finalisation of accounts of State PSUs (other than Power Sector)

4.10 As pointed in **Paragraph 4.8**, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs (other than Power Sector) to State GDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Administrative Department should strictly monitor and issue necessary directions to liquidate the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to liquidate the arrears in accounts.

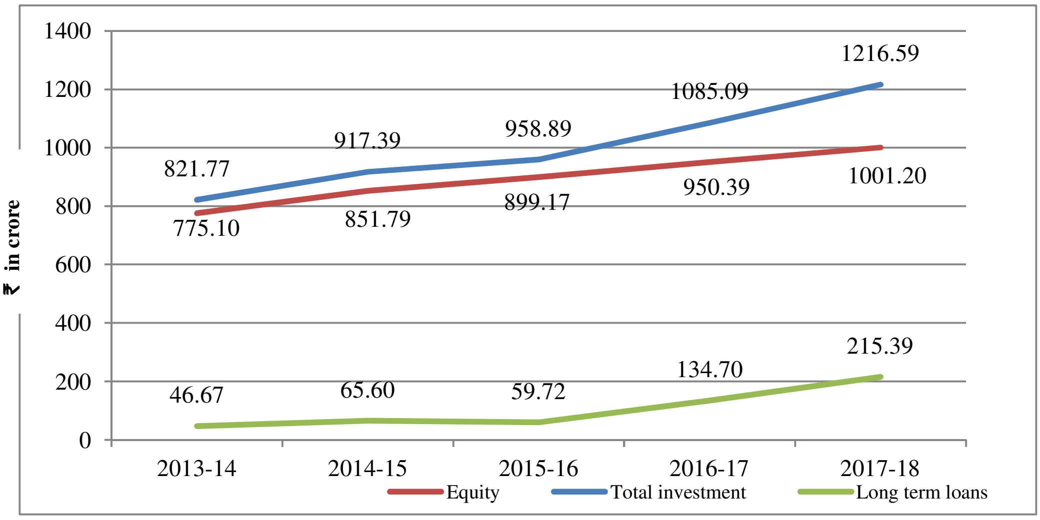
Performance of State PSUs (other than Power Sector)

4.11 The financial position and working results of the 21 State PSUs (other than Power Sector) are detailed in ***Appendix 4.4*** as per their latest finalised accounts as of 30 September 2018.

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the undertakings. The total investment of State government and others in the PSUs other than power sector was ₹ 1,491.98 crore consisting of equity of ₹ 1,035.07 crore and long term loans of ₹ 456.91 crore. Out of this, Government of Himachal Pradesh has investment of ₹ 1,216.59 crore in the 18 PSUs other than Power Sector consisting of equity of ₹ 1,001.20 crore and long term loans of ₹ 215.39 crore.

The year wise statement of investment of GoHP in the PSUs other than power sector during the period 2013-14 to 2017-18 is as follows:

Graph 4.2: Total investment of GoHP in PSUs (other than power sector)

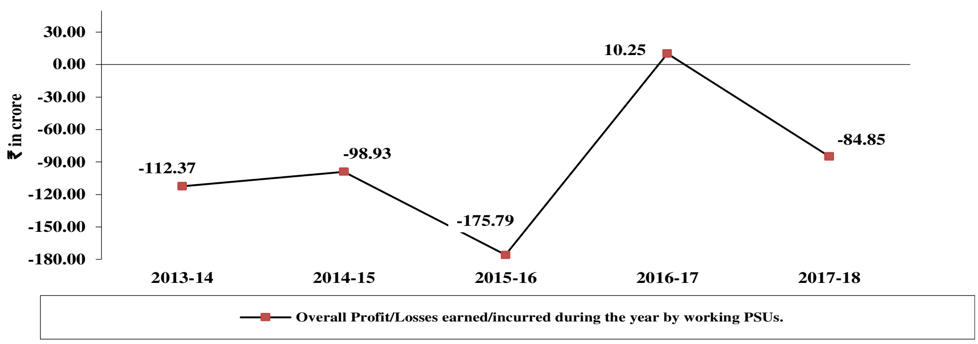


The profitability of a company is traditionally assessed through return on investment and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested and is expressed as a percentage of net profit to total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used.

Return on Investment

4.12 The Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit/losses[6] earned / incurred by the 19 working State PSUs (other than Power Sector) during 2013-14 to 2017-18 is depicted below in a graph:

Graph 4.3: Profit/Losses earned/incurred by 19 working PSUs (other than Power Sector) during the years



6 Figures are as per the latest finalised accounts of the respective years.

The losses of ₹ 112.37 crore incurred by these working PSUs in 2013-14 decreased to ₹ 84.85 crore in 2017-18. According to latest finalised accounts of these 19 working State PSUs, 10 PSUs earned profit of ₹ 24.03 crore and six PSUs incurred losses of ₹ 108.88 crore, two PSUs have not made their first Profit & Loss accounts and one[7] PSU prepares it accounts on no profit and no loss. Profit during 2016-17 was due to the fact that Himachal Road Transport Corporation (HRTC) earned profit of ₹ 1.73 crore against the loss of ₹ 172.70 crore and ₹ 95.27 crore in the year 2015-16 and 2017-18 respectively as detailed in ***Appendix 4.4***.

The top profit making companies were Himachal Pradesh State Industrial Development Corporation Limited (₹ 10.07 crore) and Himachal Pradesh General Industries Corporation (₹ 6.72 crore) while Himachal Road Transport Corporation (₹ 95.27 crore) and Himachal Pradesh Financial Corporation (₹ 5.50 crore) incurred heavy losses.

Of the 19 working PSUs (other than Power Sector) as on 31 March 2018, position of working PSUs (other than Power Sector) which earned/incurred profit/loss during 2013-14 to 2017-18 is given below:

Table 4.8: Details of working Public Sector Undertakings (other than Power Sector) which earned/ incurred profit/loss during 2013-14 to 2017-18 as per their latest finalized accounts

Financial year	Total number of PSUs (other than Power Sector)	Number of PSUs which earned profits	Number of PSUs which incurred loss	Number of PSUs which had nil or marginal profit/ loss[8]
2013-14	15	8	4	3
2014-15	15	6	8	1
2015-16	16	7	5	3
2016-17	17	11	3	2
2017-18	19	9	5	3

(a) Return on Investment on the basis of historical cost of investment

4.13 Out of 21 Public Sector Undertakings (other than Power Sector) of the State, the State government infused funds in the form of equity, long term loans and grants / subsidies in 18 PSUs only. The Government has invested ₹ 1,216.59 crore in these 18 PSUs including equity of ₹ 1001.20 crore and long term loans of ₹ 215.39 crore. The funds made available in the forms of the grants/subsidy have not been reckoned as investment since they do not qualify to be considered as investment. Out of the total long term loans, only Interest free loans have been considered as investment. However, in cases where Interest free loans have been repaid by the PSUs, the value of investment based on historic cost and present value (PV) was calculated on the reduced balances of Interest free loans over the period as detailed in **Table 4.9**.

Out of the released long term loans of ₹ 215.39 crore, ₹ 53.95 crore were interest free loans based on the reduced balances of interest free loans over the period. Thus, the total investment of State government in these 18 PSUs on the basis of historical cost was ₹ 1055.15 crore (₹ 1001.20 crore + ₹ 53.95 crore).

7 Himachal Pradesh Road and Other Infrastructure Development Corporation Limited.

8 Himachal Pradesh Kaushal Vikas Nigam during 2015-16, Himachal Pradesh Beverages Limited during 2016-17 to 2017-18 and Dharamshala Smart City Ltd. during 2017-18 had not prepared their first final accounts.

The return on investment on the basis of historical cost of investment for the period 2013-14 to 2017-18 is as given below:

Table 4.9: Return on State government Funds on the basis of historical cost of investment

Year	Total Earnings (₹ in crore)	Investment by GoHP in form of Equity and Interest Free Loans on the basis of historical cost (₹ in crore)	Return on State Government on the basis of historical cost (%)
2013-14	-112.37	836.45	-13.43
2014-15	-98.93	881.38	-11.22
2015-16	-175.79	939.19	-18.72
2016-17	10.21	996.32	1.02
2017-18	-84.08	1,055.15	-7.97

The return on State government investment is worked out by dividing the total earnings[9] of these PSUs by the cost of the State government investments. The return earned on State government investment ranged between -18.72 *per cent* and 1.02 *per cent* during the period 2013-14 to 2017-18. The return on State government investment deteriorated during 2017-18 in comparison to that for the period 2016-17 mainly due to increase in losses of Himachal Road Transport Corporation.

(b) Return on Investment on the basis of Present Value of Investment

4.14 An analysis of the earnings *vis-a-vis* investments in respect of those 21 State PSUs (other than Power Sector) where funds had been infused by the State government was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on the basis of historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the PV of money. Therefore in addition to the calculation of return on funds invested by GoHP in the 18 companies other than power sector on historical cost basis, the return on investment has also been calculated after considering the PV of money. PV of the State government investment was computed where funds had been infused by the State government in the shape of equity and interest free loan since inception of these companies till 31 March 2018. During the period from 2013-14 to 2017-18, these 18 PSUs had a positive return on investment during the year 2016-17. The return on investment for this year have, therefore, been calculated and depicted on the basis of PV.

The PV of the State government investment in these undertakings was computed on the following assumptions:

- Interest free loans have been considered as fund infusion by the State government. However, in case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of interest free loans over the period. The funds made available in the form of grant / subsidy have not been reckoned as investment since they do not qualify to be considered as investment as indicated by the nature of subsidy indicated in **Paragraph 4.13**.

9 This includes net profit/losses for the concerned year relating to those State PSUs where the investments have been made by the State government.

- The average rate of interest on Government borrowings for the concerned financial year[10] was adopted as discount rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year.

For the years 2015-16 and 2017-18 when these 21 companies incurred losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of the company is commented upon in **Paragraph 4.17**.

4.15 Position of State Government investment in these 18 State PSUs in the form of equity and loans on historical cost basis for the period from 2000-01 to 2017-18 is indicated in ***Appendix 4.5***. Further, consolidated position of NPV of the State Government investment relating to these PSUs for the same period is indicated in table below:

Table 4.10: Year wise details of investment by the State Government and present value (PV) of Government investment for the period from 2000-01 to 2017-18

(₹in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State government during the year	Interest free loans given by the State government during the year[11]	Total investment at the end of the year	Average rate of interest on government borrowings (in %)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total Earnings for the year[12]
	i	ii	iii	iv = ii + iii	v	vi = iv(1+v/100)	vii = iv*v /100	viii
Upto 1999-2000	-	300.03	0.49	300.52	8.83	327.06	26.54	-
2000-01	327.06	32.48	1.51	361.05	10.15	397.69	36.65	-49.50
2001-02	397.69	13.01	-	410.70	11.06	456.13	45.42	-36.70
2002-03	456.13	12.43	-	468.56	10.37	517.14	48.59	-29.19
2003-04	517.14	28.60	-	545.74	10.98	605.67	59.92	-31.10
2004-05	605.67	16.06	-	621.73	10.60	687.63	65.90	-43.44
2005-06	687.63	13.99	0.15	701.77	9.20	766.33	64.56	-30.72
2006-07	766.33	14.27	-	780.60	9.40	853.98	73.38	-62.08
2007-08	853.98	37.82	2.25	894.05	9.09	975.32	81.27	-46.66
2008-09	975.32	54.46	-0.10	1,029.68	9.19	1,124.31	94.63	-33.88
2009-10	1,124.31	117.16	-	1,241.47	8.59	1,348.11	106.64	-55.92
2010-11	1,348.11	34.61	-	1,382.72	7.78	1,490.29	107.58	-38.15
2011-12	1,490.29	26.94	9.50	1,526.73	7.80	1,645.82	119.09	-72.06
2012-13	1,645.82	45.76	5.00	1,696.58	8.08	1,833.66	137.08	-88.46
2013-14	1,833.66	67.49	2.54	1,903.69	7.71	2,050.47	146.77	-112.41
2014-15	2,050.47	44.93	-	2,095.40	7.91	2,261.14	165.75	-98.97
2015-16	2,261.14	43.27	14.54	2,318.95	7.95	2,503.31	184.36	-175.83
2016-17	2,503.31	47.06	10.07	2,560.44	7.60	2,755.04	194.59	10.21
2017-18	2,755.04	50.83	8.00	2,813.87	7.71	3,030.81	216.95	-84.08
Total		**1,001.20**	**53.95**					

10 The average rate of interest on Government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Himachal Pradesh) for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

11 Negative figures of Interest free loans shown in this column represent repayment of loans by the PSUs to the State government during the concerned year.

12 Total Earning for the year depicts total of net earnings (profit/loss) for the concerned year relating to those 21 PSUs (other than Power Sector) where funds were infused by State government. In case where annual accounts of any PSU was pending during any year then net earnings (profit/loss) for that year has been taken as per latest audited accounts of the concerned PSU.

The balance of investment by the State Government in these PSUs at the end of the year increased to ₹ 1055.15 crore[13] in 2017-2018 from ₹ 300.52 crore in 1999-2000 as the State Government made further investments in shape of equity (₹ 701.17 crore) and interest free loans (₹ 53.46 crore) during the period 2000-2001 to 2017-2018. The PV of funds infused by the State Government upto 31 March 2018 amounted to ₹ 3,030.81 crore. Total earnings for the year relating to these companies remained negative during 2000-01 to 2015-16 and 2017-18 which indicates that instead of generating returns on the invested funds, these companies did not recover the cost of funds. Further, the positive total earning for the year 2016-17 also remained substantially below the minimum expected return towards the investment made in these, other than power sector, companies.

4.16 As during the year 2016-17 the Government had positive returns on investments made in theses PSUs, sector-wise comparison of returns on State government funds at historical cost and at present value for this year is given in table below:

Table 4.11: Return on State Government Funds

(₹in crore)

Sector-wise break-up	Total Earnings	Funds invested by the GoHP in form of Equity and Interest Free Loans on historical cost	Return on State government investment on historical cost basis (%) 4=2/3x100	PV of the State government investment at end of the year	Return on State government investment considering the present value of the investments (%)
1	**2**	**3**	**4**	**5**	**6**
2016-17					
Agriculture and Allied	-6.06	120.44	-5.03	335.76	-1.81
Financing	9.79	127.23	7.69	317.88	3.08
Infrastructure	-5.29	55.82	-9.48	252.37	-2.10
Manufacture	5.47	7.04	77.56	29.49	18.51
Service	6.30	685.79	0.92	1,819.54	0.35
Total	**10.21**	**996.32**	**1.02**	**2,755.04**	**0.37**

The return earned on State government investment on historical cost basis was 1.02 *per cent* in 2016-17, whereas the returns earned on State Government funds considering the present value of the investments was 0.37 *per cent* during the same year.

Erosion of Net worth

4.17 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The capital investment and accumulated losses of these 21 State PSUs (other than Power Sector) as per their latest finalised accounts were ₹ 977.54 crore and ₹ 1,448.97 crore respectively resulting in net worth of ₹ -471.43 crore as

[13] ₹ 1001.20 crore+₹ 53.95 crore = ₹ 1055.15 crore.

detailed in ***Appendix 4.4***. Net worth of the PSUs did not improve despite financial assistance of ₹ 1,552.83 crore by the State Government during last three years in the shape of grants and subsidies. Analysis of investment and accumulated losses disclosed that net worth eroded fully in nine out of these 21 PSUs as the capital investment and accumulated losses of these nine PSUs were ₹ 879.58 crore and ₹ 1,556.38 crore respectively. Of these nine PSUs, the maximum net worth erosion was in Himachal Road Transport Corporation (₹ 1,113.91 crore), Himachal Pradesh Financial Corporation (₹ 166.56 crore), Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (₹ 83.20 crore) and Agro Industrial Packaging India Limited (₹ 78.23 crore). Of these nine PSUs where net worth had been fully eroded, three[14] PSUs earned profit during the year 2017-18 although there were substantial accumulated losses.

Further the following table indicates total paid up capital, total accumulated profit / loss, and total net worth of the 18 other than power sector companies where the State Government has made direct investment:

Table 4.12: Net worth of 18 other than power sector undertakings during 2013-14 to 2017-18

(₹in crore)

Year	Paid Capital at end of the year	Accumulated Profit (+) Loss (-) at end of the year	Deferred revenue Expenditure	Net Worth
2013-14	803.85	-1,089.18	-	-285.33
2014-15	844.63	-1,190.75	-	-346.12
2015-16	885.87	-1,366.15	-	-480.28
2016-17	930.74	-1,187.79	-	-257.05
2017-18	976.47	-1,445.90	-	-469.43

As can be seen, the net worth of these companies fluctuated during the period. It decreased from ₹ -285.33 crore in 2013-14 to ₹ -469.43 crore in 2017-18. Out of 18 PSUs, 9 PSUs[15] showed positive net worth and net worth of eight PSUs[16] was in negative during 2017-18. One[17] PSUs have not prepared their first annual accounts.

[14] Himachal Pradesh Agro Industries Corporation Limited for 2015-16, Himachal Pradesh Tourism Development Corporation Limited for 2015-16 and Himachal Worsted Mills Limited for 2000-01.

[15] Himachal Backward Classes Finance and Development Corporation, Himachal Pradesh Mahila Vikas Nigam, Himachal Pradesh Minorities Finance and Development Corporation, Himachal Pradesh Road and Other Infrastructure Development Corporation Limited, Himachal Pradesh State Industrial Development Corporation Limited, Himachal Pradesh General Industries Corporation Limited, Himachal Pradesh State Civil Supplies Corporation Limited, Himachal Pradesh State Electronics Development Corporation Limited and Himachal Pradesh Kaushal Vikas Nigam.

[16] Himachal Pradesh Agro Industries Corporation Limited, Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited, Himachal Pradesh State Forest Development Corporation Limited, Himachal Pradesh State Handicrafts and Handloom Corporation Limited, Himachal Pradesh Tourism Development Corporation Limited, Himachal Pradesh Financial Corporation, Himachal Road Transport Corporation and Agro Industrial Packaging India Limited.

[17] Himachal Pradesh Beverages Limited.

Dividend Payout

4.18 The State government had formulated (April 2011) a dividend policy under which all profit making PSUs (except those in welfare and utility sector) are required to pay a minimum return of five *per cent* on the paid up capital contributed by the State government subject to a ceiling of 50 *per cent* of profit after tax. As per their latest finalised accounts, 7 PSUs earned an aggregate profit of ₹ 21.22 crore out of which only two[18] PSUs declared / paid a dividend of ₹ 1.89 crore during 2016-17. The remaining five profit making PSUs had not paid any dividend to the State government.

Return on Equity

4.19 Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using shareholders' fund to create profits and is calculated by dividing net income (i.e. net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

Return on Equity has been computed in respect of 18 other than power sector undertakings where funds had been infused by the State Government. The details of Shareholders fund and ROE relating to 18 PSUs (other than Power Sector) during the period from 2013-14 to 2017-18 are given in table below:

Table 4.13: Return on Equity relating to 18 PSUs (other than Power Sector) where funds were infused by the GoHP

Year	Net Income	Shareholders' Fund	ROE
	(₹ in crore)		(%)
2013-14	-112.41	-285.33	-
2014-15	-98.97	-346.12	-
2015-16	-175.83	-480.28	-
2016-17	10.21	-257.05	-
2017-18	-84.08	-469.43	-

During the last five years period ended March 2018, the Net Income during 2013-14 to 2015-16 and 2017-18 were negative and only during 2016-17 Net Income was positive. Since the Net Income and Shareholders' fund of these PSUs were in negative, ROE in respect of these PSUs could not be worked out. However, negative shareholders' fund indicates that the liabilities of these PSUs have exceeded the assets.

Return on Capital Employed

4.20 Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed.

18 Himachal Pradesh State Civil Supply Corporation and Himachal Pradesh State Industrial Development Corporation Ltd.

ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[19]. The details of total ROCE of all the State PSUs (other than Power Sector) together during the period from 2013-14 to 2017-18 are given in table below:

Table 4.14: Return on Capital Employed

Year	EBIT	Capital Employed	ROCE
	(₹ in crore)		(%)
2013-14	-83.01	120.46	-68.91
2014-15	-99.33	259.42	-38.29
2015-16	-177.91	-58.56	NA
2016-17	23.87	226.04	10.56
2017-18	-69.77	20.87	-334.31

The ROCE of these State PSUs ranged between -334.31 *per cent* and 10.56 *per cent* during the period 2013-14 to 2017-18. The ROCE decreased substantially during the year 2017-18 in comparison to 2016-17 and turned into negative return due to increase in losses of Himachal Road Transport Corporation during the year 2017-18.

Analysis of Long Term Loans of the PSUs (other than Power Sector)

4.21 Analysis of the Long Term Loans of the PSUs which had leverage during 2013-14 to 2017-18 was carried out to assess the ability of the companies to serve the debt owed by the companies to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

Interest Coverage Ratio

4.22 Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio during the period from 2013-14 to 2017-18 are given in table below:

Table 4.15: Interest Coverage Ratio relating to State PSUs (other than Power Sector)

Year	Interest	Earnings before interest and tax (EBIT)	PSUs having liability of loans from Government and Banks and other financial institutions	PSUs having interest coverage ratio more than 1	PSUs having interest coverage ratio less than 1
	(₹ in crore)		(In number)		
2013-14	19.26	-83.01	11	-	11
2014-15	18.45	-99.33	11	-	11
2015-16	40.35	-177.91	10	-	10
2016-17	36.00	23.87	12	-	12
2017-18	35.05	-69.77	12	-	12

[19] Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

Of the 12 State PSUs (other than Power Sector) having liability of loans from Government as well as banks and other financial institutions during 2017-18, All PSUs had interest coverage ratio below one which indicates that these PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

Debt Turnover Ratio

4.23 During the last five years, the turnover of these PSUs recorded compounded annual growth of 7.43 *per cent* and compounded annual growth of debt was 4.66 *per cent* due to which the debt turnover ratio decreased from 0.19 in 2013-14 to 0.17 in 2017-18 as given in table below*:*

Table 4.16: Debt Turnover Ratio relating to the State PSUs (other than Power Sector)

(₹in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government and others (Banks and Financial Institutions)	410.31	407.23	426.84	395.84	492.30
Turnover	2,122.23	2,305.90	2,471.95	2,743.10	2,826.45
Debt-Turnover Ratio	0.19:1	0.18:1	0.17:1	0.14:1	0.17:1

Source: Compiled based on ***Appendix 4.4.***

The debt-turnover ratio ranged between 0.19 and 0.17 during this period. The overall accumulated losses increased substantially during the year 2017-18 in comparison to that for the year 2016-17 which was mainly due to increase in accumulated losses of Himachal Road Transport Corporation.

Winding up of inactive State PSUs

4.24 Two of the 21 State PSUs (other than Power Sector) were inactive companies having a total investment of ₹ 78.79 crore (₹ 77.87 crore in Agro Industrial Packaging India Limited and ₹ 0.92 crore in Himachal Worsted Mills Limited) towards capital (₹ 18.64 crore) and long term loans (₹ 60.15 crore) as on 31 March 2018. The number of inactive PSUs at the end of each year during last five years ended 31 March 2018 are given below:

Table 4.17: Inactive State PSUs

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
No. of inactive companies	2	2	2	2	2

Source: Compiled from the information included in Audit Report (PSU), GoHP of respective years

The Himachal Worsted Mills Limited had been under liquidation since 2000-01 while the liquidation process in respect of Himachal Pradesh Agro Industrial Packaging India Ltd was yet to be started. The Government may take appropriate decision regarding these PSUs.

Comments on Accounts of State PSUs (other than Power Sector)

4.25 Eleven working companies forwarded 11 audited accounts to the Accountant General during the period from 1 October 2017 to 30 September 2018. All these accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are as follows:

Table 4.18: Impact of audit comments on Working Companies (other than Power Sector)

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	5	4.99	6	1.72	5	5.29
2.	Increase in profit	2	0.66	1	0.09	1	0.28
3.	Increase in loss	2	6.34	1	0.06	2	0.66
4.	Decrease in loss	2	1.29	2	0.70	-	-
5.	Non-disclosure of material facts	2	3.93	-	-	-	-
6.	Errors of classification	2	0.34	-	-	-	-

Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Government Companies.

During the year 2017-18, the Statutory Auditors had issued qualified certificates on eight accounts and adverse certificate on two accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out five instances of non-compliance to the Accounting Standards in three accounts.

4.26 The State has two Statutory Corporations *i.e.* (i) Himachal Road Transport Corporation (HRTC) and (ii) Himachal Pradesh Financial Corporation (HPFC). The CAG is sole auditor in respect of HRTC.

Out of two working Statutory Corporations, one Corporation (HPFC) forwarded its annual accounts for the year 2017-18 whereas HRTC forwarded annual accounts for the year 2016-17 during 01 October 2017 to 30 September 2018. All two accounts were selected for supplementary audit. The Statutory Auditors had given qualified certificates on annual accounts of HPFC for the year 2017-18. Further, in case of the accounts of HRTC, the CAG has given a 'true and fair' certificate on the accounts of the year 2016-17.

The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the CAG in respect of Statutory Corporations are given below:

Table 4.19: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	-	-	1	2.50	-	-
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	1	49.19	-	-	1	34.90
4.	Decrease in loss	1	0.04	1	0.47	1	0.36
5.	Non-disclosure of material facts	1	0.57	-	-	-	-
6.	Errors of classification	-	-	-	-	-	-

Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Statutory Corporations.

Compliance Audits Paragraphs

4.27 For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2018, seven compliance audit paragraphs related to Himachal Pradesh State Electronic Development Corporation, Himachal Pradesh Financial Corporation limited, Himachal Pradesh General Industries Corporation Limited, Himachal Pradesh State Handicrafts and Handloom Corporation Limited, Himachal Pradesh State Industrial Development Corporation Ltd., Himachal Road Transport Corporation and Himachal Pradesh Road and Other Infrastructure Development Corporation were issued to the Principal Secretaries/ Secretaries of the respective Administrative Departments with request to furnish replies. Replies on none of the compliance audit paragraphs have been received from the State Government. The total financial impact of these compliance audit paragraphs is ₹ 56.22 crore.

Follow up action on Audit Reports

Replies outstanding

4.28 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Himachal Pradesh issued instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

Table 4.20: Position of explanatory notes on Audit Reports related to PSUs other than Power Sector (as on 30 September 2018)

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs related to Non Power Sector in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2016-17	05.04.2018	-	4	-	3

Source: Compiled based on explanatory notes received from respective Departments of GoHP.

Explanatory notes on three[20] compliance audit paragraphs were pending with two departments till September 2018. However, the explanatory notes on one compliance audit paragraphs from one department were received in October 2018.

[20] Three compliance audit paragraph relating to Himachal Pradesh Road & Other Infrastructure Development Corporation Limited (01) and Himachal Pradesh Tourism & Development Corporation Limited (02).

Discussion of Audit Reports by COPU

4.29 The status of discussion of Performance Audits and paragraphs related to PSUs (other than Power Sector) that appeared in Audit Reports (PSUs) by the COPU as on 30 September 2018 was as under:

Table 4.21: Performance Audits/Paragraphs appeared in Audit Reports *vis-a-vis* discussed as on 30 September 2018

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2010-11	-	6	-	6
2011-12	-	8	-	8
2012-13	-	7	-	7
2013-14	-	5	-	2
2014-15	1	3	0	2
2015-16	1	2	0	0
2016-17	-	4	-	0

Source: Compiled based on the discussions of COPU on the Audit Reports.

The discussion on Audit Reports (PSUs) up to 2012-13 has been completed.

Compliance to Reports of COPU

4.30 Action Taken Notes (ATNs) on four reports of the COPU presented to the State Legislature in March 2017 and February 2018 had not been received (30 September 2018) relating to the State PSUs (other than Power Sector) as indicated in the following table:

Table 4.22: Compliance to COPU Reports

Year of the COPU Report	Total number of Reports of COPU	Total number of recommendation in COPU Reports	Number of recommendations where ATNs not received
2014-15	4	23	14
2015-16	4	10	6
2016-17	4	8	8
2017-18	5	31	26

Source: Compiled based on ATNs received on recommendations of COPU from the respective Departments of GoHP.

ATN in respect of recommendation of COPU shown above had not been received till March 2019.

CHAPTER - V
COMPLIANCE AUDIT OBSERVATIONS RELATING TO PUBLIC SECTOR UNDERTAKINGS (0THER THAN POWER SECTOR)

CHAPTER-V

COMPLIANCE AUDIT OBSERVATIONS RELATING TO PUBLIC SECTOR UNDERTAKINGS (OTHER THAN POWER SECTOR)

Himachal Pradesh State Electronic Development Corporation Limited

5.1 Purchase of unwarranted software

Failure of the Company in securing its financial interests involving extra cost towards unnecessary bundling of Visio software resulted in non-recovery of ₹ 84 lakh, with consequential interest loss of ₹ 27.82 lakh.

During the budget speech 2014-15, the Chief Minister, Himachal Pradesh announced to provide 7,500 laptops under Rajiv Gandhi Digital Student Yojana to meritorious students. Accordingly, the Director of Higher Education, Government of Himachal Pradesh (Education Department) instructed Himachal Pradesh State Electronics Development Corporation Limited (Company) to arrange for proforma invoice for supply of 7,500 laptops. The Company invited (July 2014) Expression of Interest (EoI) for procuring 7,500 laptops. As per the specifications received from the Education Department, the laptops were required to be preloaded with Microsoft Windows 8.1 Operating System, MS Word, MS Excel and Power Point under Shape the Future (StF) Scheme of Microsoft Corporation.

The Company placed (March 2015) a supply order of 7,500 laptops on M/s Acer India (Pvt) Ltd (L-1 bidder) for ₹ 14.74 crore plus VAT. Though the Visio Software[1] was not part of the requirement / EoI but it was stated to be bundled under StF Scheme by a representative of the Microsoft Corporation, accordingly supply order for 7,500 licenses of Visio software for ₹ 1.95 crore (including service tax and VAT) was also placed on Innovative Secure Technologies Private Limited (ISTPL).

The Additional Chief Secretary (IT), while processing second procurement order for 10,000 laptops under the similar arrangement, enquired (March 2016), from the Marketing Executive of Microsoft as to whether the Visio software is bundled with Microsoft Windows 8.1, MS Word, MS Excel and Power Point under StF Scheme and can it be excluded from the Scheme, as it was not required by Education Department. In response, Microsoft clarified (April 2016) that the StF Scheme included only MS Office and Windows and inclusion of any other product a value to students is a customer's prerogative and not mandatory.

The Company cancelled (April 2016) the second supply order of Visio software placed (April 2016) on ISTPL for the year 2015-16. The Company further pursued (July 2016 and onwards) with Microsoft the issue of already

[1] Microsoft Visio is software for drawing a variety of diagrams. These include flowcharts, org charts, building plans, floor plans, data flow diagrams, process flow diagrams, business process modeling, 3D maps, and many more. It's a Microsoft product, sold as an addition to MS Office.

supplied 7,500 Visio software during 2014-15 through misleading information provided by their representative. Microsoft agreed (January 2017) to refund the amount by raising the issue through ISTPL. Had the Company verified the facts regarding Visio software being bundled with Microsoft Windows 8.1, MS Word, MS Excel and Power Point, under StF Scheme, directly from the Microsoft at the first instance, the situation could have been avoided. However, out of the total extra payment of ₹ 1.95 crore, the Company could recover only ₹ 1.11 crore (₹ 0.91 crore during June 2017 and ₹ 0.20 crore during July 2017) leaving ₹ 84 lakh unrecovered. This unrecovered amount of ₹ 84 lakh was deducted by the ISTPL on account of duties and taxes (Service Tax, VAT, Income Tax, *etc.*,). Audit observed that the Company failed to recover the cost in full and did not take any action against ISTPL for selling the Visio software through unfair trade practices by lodging FIR or blacklisting the supplier even after elapse of 15 months.

Thus, the Company failed to secure its financial interests and incurred extra cost for unnecessary purchase of Visio software without verifying the fact, directly, from the Microsoft. Further, not taking any action to get the amount of taxes and duties refunded, resulted in non-recovery of ₹ 84 lakh, with consequential interest loss of ₹ 27.82 lakh[2] up to September 2019.

The Management may ensure that the purchase orders are placed as per the requirements of the clients after thorough verification of all facts and information directly from the suppliers.

The matter was reported to the Government/Management (August 2018); their reply was awaited (September 2019).

Himachal Pradesh Financial Corporation

5.2 Extension of undue benefit to loanee

Failure of the Company in executing the decree and settling the loan below the prescribed limit of One Time Settlement resulted in extension of undue benefit of ₹ 22.67 lakh to the loanee.

The Himachal Pradesh Financial Corporation (Company) provides medium and long term credit to industrial undertakings. In case of default in repayment of loan or any instalment by the loanee, Section 29 and 30 of the State Financial Corporation (SFC) Act, 1951 provides that the Financial Corporation shall have the right to take possession of the industrial concern and sell the property pledged, mortgaged, hypothecated or assigned to it by the loanee. Section 31 of the SFC Act further provides that the Company may apply to the district judge for an order for the sale of the property pledged, mortgaged, hypothecated or assigned to the Company as security.

The Company sanctioned (February 2004) a term loan of ₹ 28.66 lakh and a soft loan of ₹ 10.00 lakh to a loanee[3] for setting up a hotel at village Chauri Sub-tehsil Junga, District Shimla. The loan was scheduled for repayment in

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2 ₹ 84,00,000 x 8.11% x 49 months (September 2015 to September 2019)

3 Keonthal Heritage.

23 quarterly instalments starting from October 2005 to April 2011. As security, the loanee mortgaged land measuring 17 biswas together with the building to be constructed thereon, as primary security and 16 bighas of land as collateral security. Against the sanctioned loan, the loanee availed ₹ 22.50 lakh (including soft loan of ₹ 4.36 lakh) between July 2004 and May 2005. The loanee, from the very beginning (October 2005) defaulted in repayment, consequently, the Company issued (March 2006) a Show Cause Notice and thereafter, issued (May 2006) recall notice under section 30 of the SFC Act, demanding the entire outstanding loan of ₹ 22.50 lakh along with accrued interest of ₹ 1.78 lakh . The loanee failed to respond to the recall notice and the Company filed (September 2006) a recovery suite under section 31 of the SFC Act, in the Court of District Judge, Shimla, which was finally decreed (September 2014) in favour of the Company for ₹ 26.52 lakh (outstanding as on 31.08.2006) together with cost and future interest at the agreed rate from 01.09.2006 till the date of payment, after protracted litigation.

Audit noticed that, meanwhile, the loanee approached (August 2014) the Company for clearing the loan under OTS. As per the One Time Settlement (OTS) scheme approved by the Board of Directors of the Company in 2010, the minimum OTS amount recoverable shall in no circumstances be less than 90 *per cent* of realisable value of primary and collateral security available with the Company. The Company accepted (December 2014) the offer of ₹ 50.00 lakh made by the loanee against the recoverable amount of ₹ 72.67 lakh under the OTS**.** The loanee finally cleared the OTS amount during September 2016, along with interest for delayed payment. While accepting the OTS offer of ₹ 50 lakh from the loanee, the Company relaxed the guidelines of the scheme as 90 *per cent* of the realisable value of primary & collateral security (₹ 93.20 lakh) was ₹ 83.88 lakh. Further, despite holding total security of ₹ 93.20 lakh, the Company did not opt for execution of legal decree through which it could have recovered ₹ 72.67 lakh including interest as allowed by the Court.

Thus, failure of the Company in executing the decree and settling the loan under OTS that too in violation of the prescribed limit of the OTS scheme resulted in extension of undue benefit of ₹ 22.67 lakh to the loanee.

The Management in its reply stated (July 2018) that practically it would be very difficult to sell the mortgaged landed property to recover the entire amount.

The reply of the Management is not tenable as the Company had made no efforts to auction the mortgaged property and accepted the OTS offer of the loanee violating the minimum prescribed limit, of 90 *per cent*, fixed in its own OTS scheme.

The Management should ensure that in future all cases under OTS should be settled strictly as per the Scheme/guidelines issued by the competent authorities from time to time.

The matter was reported to the Government (April 2018); their reply was awaited (September 2019).

Himachal Pradesh General Industries Corporation Limited

5.3 *Undue favour to private parties*

Non-adjustment of credit sales while allowing quantity discount on monthly sales resulted in inadmissible cash discount of ₹ 55.65 lakh.

The Himachal Pradesh General Industries Corporation Limited (Company) manufactures country liquor in its Country Liquor Bottling Plants (CLBP) at Mehatpur and Parwanoo. The Company appointed private parties, through open tenders, as its distributors on commission basis for wholesale vending of its liquor to various retailers in each district of the State. The appointed distributors lift the liquor from CLBP either against payment of cash or credit sale basis.

The Company introduced (April 2008) a scheme of quantity discount to boost the sale of liquor and encourage cash payment. As per the scheme, discount was applicable only on the quantity lifted on cash basis by the distributors, during the said month. The rates of discount for lifting of six to 20 trucks per month ranged between ₹ 8 per box[4] and ₹ 13 per box and for lifting up to 5 trucks the rate of discount was to be allowed as per tender rates.

The matter regarding inadmissible payment of cash discount of ₹ 19.84 lakh during 2008-2010 was pointed out *vide* para 4.6 of the C&AG's Audit Report (Commercial) for the year ending 31 March 2012, Government of Himachal Pradesh. In response to this, the State government informed (October 2015) the Honourable Committee on Public Undertakings (COPU) that the inadmissible amount paid to the parties has been recovered from them and the management of both the CLBP has been directed to implement the discount policy strictly in future.

Audit scrutiny showed (July 2017) that CLBP, Parwanoo and Mehatpur allowed total discount of ₹ 3.24 crore to five distributors against admissible discount of ₹ 2.68 crore due to non-adjustment of the quantity of liquor lifted on credit sales basis during the respective months which resulted into loss of ₹ 0.56 crore during 2014-17. Audit further noticed that the action of the Company not only violated its stated discount policy but also defied the commitment made by the State government before the COPU.

The Management in its reply stated (August 2018) that the quantity discount was given only on that much quantity for which payment had been received in a particular month for the excess quantity lifted; only handling charges had been given. The payments might have delayed due to direct deposits of Cheque by the contractors in the bank account of the HPGIC Ltd. instead delivering Cheque, physically.

The reply was not acceptable as this is a repeated failure causing loss to the Company and failure to ensure control / check such instances even after giving assurance to COPU regarding implementing the discount policy strictly in future. Moreover**,** these distributors had lifted total liquor valuing ₹ 127.12 crore out of which quantity valuing ₹ 97.66 crore was only lifted on

[4] Each box contains 12 bottles.

monthly cash basis and the remaining quantity was credit sale. The Company had allowed discount on the basis of total cash received during the month whereas no discount was admissible on cash received against the sale of previous month. Further, the payments received through cheques, which were not cleared during the same month cannot be treated as cash sale for particular month.

The Management should consider fixing responsibility for the lapse and streamline its financial control to avoid such lapses in future.

The matter was reported to the Government (May 2018); their reply was awaited (September 2019).

Himachal Pradesh State Handicraft & Handloom Corporation

5.4 Loss of potential revenue

Failure to rent out the vacant accommodation for the last 81 months after opening of tenders resulted in loss of potential revenue of ₹ 24.30 lakh during the period from April 2012 to September 2019. This loss would increase further, until the Company rents out the premises.

The Himachal Pradesh State Handicraft & Handloom Corporation (Company) had undertaken production of livery items in its Bilaspur Complex for supplying to class IV employees of the State government. The State government discontinued the supply of livery items to its employees in 2002, thereafter, there was no demand for its products. Consequently, the operation of this unit rendered unviable. The complex consists of 2,900 sq. mtr area including one hall (5,187.06 sq. ft.) and four rooms having size of 300-500 sq. ft. each. As there was no production activity, therefore, the hall having 5,187.06 sq. ft. area was rented out to HP State Civil Supplies Corporation (April 2007) at monthly rent of ₹ 19,544 per month but they vacated the same during (May) 2009.

To rent out this complex further, the Company invited tenders (4th November 2011) through the newspapers and the same were opened on 23rd November 2011 by the Committee constituted for finalising the offers of the parties. After evaluating the bids of three participants, the Committee recommended renting out of premises to the highest bidder[5] at a monthly rent of ₹ 25,000 for a period of three years with a provision of extension for another three years with 10 per *cent* enhancement. However, the Management did not accept (April 2012) the recommendations of the Committee on the plea that maximum bid of ₹ 25,000 appears to be less in comparison to the area available for renting out and ordered to invite fresh tenderers. Thereafter the Company failed to invite fresh tenders and no reasons to justify inaction was found on record. Thus, due to non-acceptance of the recommendations of the Committee to rent out the premises @ ₹ 25,000 per month with 10 *per cent* enhancement after three years deprived the Company from earning a potential revenue of ₹ 24.30 lakh for the period from April 2012 to September 2019. This loss would increase further until the Company rents out the premises.

[5] M/S Guru Narayan Suri & Co., Lower Main Market, Bilaspur.

As the premises are lying vacant / unutilised, the possibility of deterioration of the building cannot be ruled out.

The Management stated (May 2018) that during November 2017 the premises were rented out to M/S H.P. Beverages Corporation Limited. The reply of the Management is not tenable as prior to taking possession and starting its operation from the hired premises, the State government had decided (January 2018) to wind up the H.P. Beverages Corporation Limited.

The Management should consider fixing of responsibility for the lapse and ensure strict compliance of its orders in future.

The matter was reported to the Government (May 2018); their reply was awaited (September 2019).

Himachal Pradesh State Industrial Development Corporation

5.5 Thematic Audit on execution of deposit works by Himachal Pradesh State Industrial Development Corporation Limited

The Company executed 448 deposit works during last three years out of which 92 works were test checked and it was found that it had started the execution of works before technical sanction. The financial management of the Company was not efficient and effective, as it failed to, restrict expenditure up to the amount of funds received (₹ 21.29 crore excess over funds received) and timely return savings of ₹ 12.43 crore to the respective clients. The conditions of the contract were not adhered resulting in extra payment / expenditure of ₹ 4.23 crore. Monitoring and internal control was also inadequate and ineffective as the Company did not monitor the progress of works and failed to ensure its statutory obligations.

5.5.1 Introduction

Himachal Pradesh State Industrial Development Corporation Limited (Company) was incorporated (November 1966) as a wholly owned State government Company with an objective to promote industrial development in Himachal Pradesh. The Company was primarily engaged in execution of deposit works (civil and electrical at cost plus agency charges) of the departments, public sector undertakings and other bodies of Government of Himachal Pradesh (GoHP). Apart from deposit works Company was also carrying out other activities as detailed below:

Table 5.1: Detail of revenue earned from different activities

(₹ in lakh)

Sl. No	Particulars	2015-16	2016-17	2017-18	Total	Percentage contribution
1	2	3	4	5	6	7
1	Agency charge and contingency on execution of deposit works	775.98	1,247.23	1,064.42	3,087.63	54.60
2	Income from development and sale of industrial plots with related activities	273.47	589.34	544.88	1,407.69	24.89

1	2	3	4	5	6	7
3	Interest income on loan to industries	170.05	98.92	52.18	321.15	5.68
4	Net income from trading of iron &steel and spray oil	46.54	215.02	191.03	452.59	8.01
5	Commission on carrying and forwarding of bitumen	77.16	93.20	109.06	279.42	4.94
6	Rent income from sheds	31.78	33.54	41.10	106.42	1.88
	Total	**1,374.98**	**2,277.25**	**2,002.67**	**5,654.90**	**100.00**

(Source: Annual accounts)

The Company has not formulated its own Manual / procedures for planning, execution and monitoring of deposit works, however, in absence of Company's own Manual / procedures, it is following the HPPWD / CPWD manual. Schedule of rates published by HPPWD / CPWD and other instructions of State /Central government for execution of deposit works, wherever applicable.

The present audit was conducted between March 2018 and May 2018 to evaluate the execution of deposit works during last three years from April 2015 to March 2018. During the period covered under audit the Company, executed 448 deposit works (including 55 works of two State of the Art Industrial Areas at Kandrori and Pandoga) for 25 Departments / bodies of GoHP amounting ₹ 243.16 crore (value of work done) on which it earned agency and contingency charges of ₹ 30.88 crore comprising 54.60 *per cent* of its total income. Out of total 448 works, 92 (including 31 works of Kandrori Project and 24 works of Pandoga), involving expenditure of ₹ 171.83 crore, were selected for examination by using stratified random selection method.

5.5.2 Organisational set up

The Management of the Company is vested in the Board of Directors (BoDs) which comprises of Chairman and 14 members appointed by the GoHP. The Managing Director is the chief executive of the Company who is assisted by a General Manager and a Superintending Engineer (SE). The SE is assisted by five Executive Engineers (EE), one at Headquarters and four in the field Divisions[6].

5.5.3 Audit Findings

Audit findings have been grouped broadly under four categories viz., Planning, Financial Management, Execution of Works and Monitoring & Internal Control.

5.5.4 Planning for execution of deposit works

Central Public Works Department (CPWD) Manual[7] provides that the work shall be commenced after obtaining technical sanction from the competent authority.

Out of 92 works test checked, the Company, awarded 10 works without according technical sanction with estimated cost of ₹ 44.96 crore and got them

6 Shimla, Baddi, Dharmshala and Mehatpur.
7 Para 2.34.

completed after incurring expenditure of ₹ 27.64 crore between June 2013 and November 2017.

5.5.5 Financial Management

Financial management relating to deposit works involves timely and promptly recovering the dues of the Company and at the same time, making the payments wherever due, in prompt manner.

The financial management of the Company was not efficient and effective as the Company failed to, safeguard its financial interest by obtaining funds from its clients in advance, out of 448 works expenditure in 85 works (including 78 completed works) was incurred in excess (₹ 21.29 crore) of the deposited amount between May 2014 and March 2018. The amount of excess expenditure was met from its own resources and by diverting funds received for other works, the Company failed to collect the excess expenditure from the client departments timely. It failed to refund the savings of ₹ 12.43 crore to the client departments promptly, in 93 out of 448 works the savings ranging between ₹ 0.04 lakh to ₹ 2.23 crore were not refunded to the client departments.

(i) Short deposit of EMD

Guidelines issued by GoHP (October 2013) provides that Earnest Money Deposit (EMD) needs to be incorporated as per the rates prescribed. The Company instead, prescribed the EMD at two *per cent* of the estimated cost of the work in 330 tenders, invited during April 2015 to April 2018. Fixing the EMD at two *per cent* resulted in short deposit of ₹ 1.42 crore as EMD.

5.5.6 Execution of works

The Company gets the deposit works executed through contractors by inviting tenders.

Non-adhering tender procedures

For smooth execution of the works and to ensure fairness in award, the Company is required to adhere the standard tendering process. Deficiencies relating to non-adherence of tendering procedures were:

- The Company did not establish any mechanism to fix the timeline for scheduling the activities involved from receipt of funds to award of work. In 24 out of 92 works test checked, after receipt of funds the Company took four months to 20 months for preparation of detailed estimates, inviting tenders and award of work. In absence of any fixed schedule, the reasonability of the time taken by the Company could not be ensured.
- The Company, ignoring its own Delegation of Powers, awarded six works aggregating ₹ 3.03 crore (ranging between ₹ 3.57 lakh and ₹ 94.76 lakh) on the basis of single tender to the contractors, without the approval of competent authority during January 2014 to August 2015. No reasons for

award on single tender in three cases were available on record. However, in one case (Mata Bala Sundri Temple Trust, Trilokpur) with estimated cost of ₹ 53.60 lakh, even the work being of urgent nature, tender was re-invited after receipt of single tender**.**

5.5.7 Non-completion of works in time

Out of the test checked 92 cases, the company failed to get 33 works completed in time leading to loss of potential income to the Company.

Two projects[8] (involving 55 works) sanctioned in March 2015 by Government of India for ₹ 183.82 crore, were to be completed within two years from the date of sanction i.e. up to March 2017. However, the Company did not plan and execute the works to complete the projects in time and both the projects were still (November 2018) incomplete. Execution of these two projects have been discussed in detail in **Paragraph 5.5.8**.

(i) Loss of potential income due to delay in start of work

Against the estimated cost of ₹ 53.60 lakh Mata Bala Sundri Trust Temple, Trilokpur (Trust) released ₹ 27 lakh (December 2014) with a request to start the work of construction of clock room, shoe racks and toilet in Bala Sundri Temple on urgent basis.

The Company, due to delay in inviting tender, re-tendering, delay in taking decision against single bid received, took 22 months for awarding the work. The work was awarded (November 2015) for ₹ 42.67 lakh with scheduled completion period of six months i.e. up to May 2016. The Contractor did not start the work and the Company failed to monitor the work effectively. Although the scheduled completion period was six months but, the Baddi division of the Company took more than one year in rescinding (December 2016) the work. The Trust also demanded (December 2016) refund of ₹ 27 lakh from the Company due to non-start of the work after elapse of 23 months from release of funds which were refunded by the Company.

Thus, due to delay the Company lost the opportunity to earn potential income of ₹ 4.82 lakh as agency charges. Further, the Trust also did not entrust the Company other two works of ₹ 6.45 crore, whose preliminary estimates were already submitted by the Company to the Trust. This also resulted in loss of potential income of ₹ 58.05 lakh (at nine *per cent*) as agency charges.

(ii) Non/short levy of liquidated damages

Twenty Four works were delayed ranging between 18 days and 868 days as detailed in ***Appendix 5.1*** for which extensions were allowed by the Company on grounds such as rain, harvesting and festive seasons, scarcity of material, repair of plant and machinery, *etc.* As the scheduled period of completion was fixed after considering these commonly known factors and the contractor is

8 Pandoga and Kandrori.

responsible for arranging material for completing the work in the stipulated period. Moreover, the Company had also disapproved extension on ground of rain in case of construction of overhead tank at Kandrori.

Thus, in 24 cases ₹ 4.44 crore LD, in terms of conditions of the award, for delay in completion were not / short-levied by the Company due to extension on above grounds.

5.5.8 Execution of Kandrori and Pandoga projects

The Modified Industrial Infrastructure Upgradation Scheme (MIIUS) is an innovative and latest technology scheme for upgrading infrastructure in Industrial Areas, Estates, Parks and Greenfield Projects for urban, rural and geographically isolated areas to facilitate industrialisation and employment generation.

(i) Delay in completion.

The works of Kandrori and Pandoga projects were divided in 55 sub-works, were awarded to various contractors after inviting tenders.

20 works were incomplete (March 2018) even after incurring expenditure of ₹ 103.40 crore and one work had not been awarded. Thus, both the projects were incomplete even after elapse of one year from the stipulated completion period. The reasons for delay in completion as analysed in audit are given below:

- In Kandrori project, the works were awarded during January 2016 to October 2017 i.e. after 10 to 31 months from the date of sanction of the project. Moreover, five works were awarded even after the scheduled completion date.
- In Pandoga Project, site development works were not included in the Detailed Project Report (DPR) and could have been done before starting the execution of DPR works. The Company delayed the start of works and the works were completed by December 2017 at a cost of ₹ 25.44 crore.
- DPR works of Pandoga were awarded only between May 2016 and October 2017 i.e. after 14 to 31 months of sanction of the project. Seven works under the project were awarded after the scheduled completion date of the project.

Thus, due to delay in execution of the above two projects, the intended benefits of the scheme could not be derived despite incurring an expenditure of ₹ 103.40 crore, so far (March 2018).

(ii) Excess payment of consultancy fee

The Company appointed (September 2015) Himachal Consultancy Organisation Limited (HIMCON) as consultant for overall planning of the infrastructure of the Kandrori and Pandoga projects at consultancy fee of 2.30 *per cent* of the actual cost of the project and service tax thereon. As the actual cost of the project was not ascertainable in the beginning, first installment of the fee was to be paid on the basis of estimated cost.

- The Company awarded the above works of Kandrori and Pandoga between January 2016 and October 2017 for ₹ 27.06 crore (estimated cost: ₹ 54.98 crore) and ₹ 24.34 crore (estimated cost: ₹ 45.81 crore), respectively. Since the awarded cost in both the above projects was much lower than their estimated cost, the Company should have restricted the payment of fee to the awarded amount. However, the Company, continued to make the payment on the estimated cost basis without analysing the estimated cost and cost of already awarded works, resulting in excess payment of consultancy fee of ₹ 1.04 crore and service tax of ₹ 15.12 lakh thereon between September 2015 and June 2017.

- Water & sewerage and street light works were excluded for calculation of consultancy in Kandrori whereas, similar works awarded for ₹ 5.72 crore had been included in Pandoga resulting in excess payment of consultancy charges of ₹ 12.92 lakh and service tax of ₹ 1.94 lakh thereon. This indicated lack of clarity and uniformity in payment of consultancy fee.

(iii) Avoidable expenditure on construction of road

The work at Kandrori included construction of six km road. The work of sub-base and base of the entire road of six km was completed in February 2017 and tarring of one km road awarded in March 2017 was completed in June 2017 at a cost of ₹ 40.91 lakh. Due to sub-standard work, the tarring had to be redone through another contractor.

Although as per terms and conditions[9] of the contract, the contractor was liable to rectify the defects noticed within a year from the date of completion i.e. up to May 2018 but the Company did not invoke the condition of the contract. It neither asked the contractor to rectify the defects nor deducted / demanded ₹ 18.26 lakh from the contractor, incurred for removal of defects, due to improper execution of work.

(iv) Extra payment to the contractor

The work of construction of roads (except tarring) at Kandrori, was awarded to the contractor at 38.14 *per cent* below the estimated rates of HPSR, 2009. As per terms and conditions[10] of the agreement, rates for the altered / additional item was to be worked out based on Himachal Pradesh Schedule of Rates (HPSR) plus / minus the percentage difference between tendered amount and awarded amount of the entire work.

The rate for an additional item (reinforced concrete NP-3 pipes) was paid based on current market rates, instead of paying as per contract provision. Thus, payment of ₹ 9.28 lakh against the admissible payment of ₹ 3.54 lakh was made to the contractor, resulting in extra payment of ₹ 5.74 lakh.

5.5.9 Avoidable expenditure

The Company signed (December 2014) Memorandum of Understandings (MoU) with Himachal Pradesh School Education Society, Department of

[9] Clause-17 read with clause-35 of general conditions of the contract.
[10] Clause 12 of general conditions of the contract.

Education, Government of Himachal Pradesh for design and construction of infrastructure in the 107 existing Schools located in various districts of Himachal Pradesh at a cost of ₹ 38.31 crore.

The MoU, *inter alia*, included construction of one school building (Government High School) at Baggi, however, the Company erroneously constructed (September 2016) the school at Baggi Tungal at a cost of ₹ 29.73 lakh.

The Department of Education pointed out the deviation and requested (July 2017) the Company to construct the school at Baggi without additional funds. Consequently, the Company had to award another work for construction of school building at Baggi for ₹ 27.05 lakh which was under progress (April 2018). Thus, the Company incurred avoidable expenditure of ₹ 29.73 lakh on construction of school at Baggi Tungal. In the enquiry conducted by the Company, it was found that the mistake was on the part of field unit as well as officers working at head office of the Company.

5.5.10 Non- ensuring the statutory obligations

During execution of deposit works the Company could not ensure its statutory obligations towards royalty, workers' welfare cess and EPF as narrated below:

(i) Inadmissible payment of goods and service tax

As per terms and conditions[11] of the agreements relating to works awarded to the contractors between December 2014 and August 2017, the rates were inclusive of all taxes.

Although the rates were inclusive of all the taxes, which were replaced by the Government of India subsequently with the Goods and Service Tax (GST) in July 2017. Company without adjusting the earlier taxes included in the awarded rates made payment of ₹ 1.94 crore in 17 works over and above the awarded rates to contractors towards GST during September 2017 to March 2018.

(ii) Non-deduction and deposit of Service Tax

Notification[12] (June 2012) issued by GoI, provided that under reverse charge mechanism, both the service provider and receiver were liable to deposit 50 *per cent* of the service tax each. As per terms and conditions of the works awarded to the contractors, rates were inclusive of all taxes.

- The Company, while releasing gross payment of ₹ 28.47 crore to the contractors for 22 works during November 2015 to June 2017, failed to deduct the service tax of ₹ 80.11 lakh (being 50 *per cent* of the total service tax) and deposit it with the Excise and Taxation Department.
- The Company failed to deduct and deposit service tax from the bills of a contractor[13] during 2013-14 to 2016-17 and on receipt of notices

[11] Clause 26 of special conditions.
[12] 30/ 2012-ST dated 20-06-2012.
[13] Sh. Dharmender Singh Thakur.

(January 2017 to July 2017) had to deposit ₹ 41.05 lakh (including interest of ₹ 6.58 lakh) during July 2017 from its own resources.

(iii) Irregular payment of service tax

As per the provisions of service tax, services provided to the government, a local authority or a government authority for execution of civil works were exempt[14] (June 2012) from service tax. These services were, however, made taxable[15] from 1 April 2015. The exemption from levy of service tax on these services was restored[16] from 1 March 2016 to 31 March 2020 in respect of the contracts entered prior to 1 March 2015. The exemption continued up to the introduction of GST from 1 July 2017.

Company executed civil works of ₹ 18.22 crore during April 2016 to June 2017 relating to construction of schools, Industrial Training Institutes, veterinary hospitals, residential quarters and labour hostel etc. for various government departments, which were sanctioned prior to 1 March 2015. Though the service tax was exempt, but the Company deposited service tax of ₹ 25.76 lakh on the agency charges of ₹ 1.73 crore recovered on these works and subsequently charged it to the respective client departments, thereby, putting additional financial burden on the public exchequer.

(iv) Short deposit of workers' welfare cess

Building and Other Construction Workers' Welfare Cess Act, 1996 provided for levy[17] and collection of cess at the rate of not less than one *per cent* on the cost of construction incurred by employers. Failure to pay cess would attract[18] interest at the rate of two *per cent* per month.

Company did not deposit the cess of ₹ 24.41 lakh on agency charges of ₹ 24.41 crore, realised during April 2015 to December 2017, which may attract interest at the rate of two *per cent* per month.

(v) Non-ensuring deposit of EPF

The Employees' Provident Fund Scheme, 1952[19] provides that it shall be the responsibility of the principal employer to pay both the contribution payable by himself in respect of the employees directly employed by him and also in respect of the employees employed by or through a contractor.

Terms and conditions of the award of work stipulated that at the time of submission of each running bill, the contractor was required to submit copy of challans of deposit of EPF for the period covered under the bill along with

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14 Notification no. 25/ 2012 Service tax dated 20 June 2012 of Ministry of Finance, Government of India; Entry no. 12 (a) and (c).
15 Notification no. 6/ 2015 Service tax dated 1 March 2015 of Ministry of Finance, Government of India.
16 Notification no. 9/ 2016 Service tax dated 1 March 2016 of Ministry of Finance, Government of India.
17 Section 3.
18 Section 8.
19 Para 30.

attested photocopies of the wage register of workers employed during the period.

- The Company made payment of ₹ 74.76 crore to the contractors in respect of 51 works (out of 92 works test checked) for the period September 2011 to April 2018 without obtaining EPF challan for 489 months (64 *per cent*) out of 770 months involved.
- Further, copy of wage register was not obtained from the contractors for 732 months (95 *per cent*) out of 770 months involved.
- Against ten labour deployed by the contractor on the work of "construction of road side drain and cross drainage in Kandrori" during December 2017 to March 2018, the contractor had deposited EPF for only three employees.
- In respect of the work of construction of common facility building at Peersthan, Nalagarh, in few running bills submitted by the contractor, the months of the EPF deposited were overwritten in two cases and the date of auto-generation of receipt were either blank or was three years' prior to the month of deposit. Regional office of Employees' Provident Fund Organisation, Shimla has also confirmed that the receipts were forged. Thus, the Company failed to ensure the compliance regarding deposit of EPF for the required number of months and the actual number of labour deployed.

5.5.11 Monitoring and Internal Control

Monitoring of deposit works is the regular observation and recording of activities taking place for effective management of the works. Internal Control is a management tool to provide reasonable assurance for efficient and effective operations, reliability of financial reporting and compliance of applicable rules, regulations and conditions of the contract. The Monitoring of progress of deposit works was not effective and internal control was also deficient as discussed below:

- The Company did not fix physical targets for deposit works. It also failed to monitor at Headquarters, the work-wise/ Division-wise progress, expenditure incurred against the estimated cost/ funds received and liability incurred from own resources. The Board of Directors (BoD) reviewed only the total value of works executed along with agency charges against the prescribed financial targets which were fixed without any basis. The timeline for activities involved in execution of work was neither fixed nor monitored. Thus, the monitoring system was inadequate and ineffective.
- Internal control system in the Company in relation to the execution of deposit works was inadequate and in efficient as it lacked a reliable system to ensure:

  a) execution of works only after according technical sanction.

  b) incurring expenditure on the works up to the funds received.

c) promptness in refund of savings to respective clients after completion of the work.

d) adherence of terms and conditions of the contract relating to payment of consultancy fee, escalation and extra item of work.

e) adherence of delegation of powers in relation of acceptance of single tenders.

f) deposit of EPF dues by the contractors.

g) statutory deductions from the bills of the contractors.

h) Internal audit and statutory audit of the Company also failed to point out the above deficiencies in internal control.

Conclusion

The Company started the execution of works without technical sanction. The financial management of the Company was not efficient and effective as it failed to restrict expenditure up to the amount of funds received and timely return savings to the respective clients. The works were not completed in time, the conditions of the contract were not adhered and failed to ensure its statutory obligations. Monitoring and internal control system was also inadequate and ineffective as the Company did not monitor the progress of works.

Recommendations

Company needs to:

- **to frame its Manual / procedures for planning, execution and monitoring;**
- **introduce and strengthen its financial management;**
- **ensure the statutory obligations;**
- **monitor the progress of works; and**
- **put in place Internal Control & Monitoring mechanism.**

Himachal Road Transport Corporation

5.6 Loss due to non-collection of Service Tax

Failure of the Management in initiating timely action for collection of service tax from the passengers through fare resulted in non-collection of service tax amounting to ₹ 1.04 crore for the period of delay. Apart from this, possibility of imposition of interest and penalty on delayed payment of service tax cannot be ruled out.

The Ministry of Finance (Department of Revenue), Government of India notified (February 2016) that transportation of passengers by air conditioned stage carriage busses is liable for service tax at the rate of six *per cent* with effect from 1 June 2016. Accordingly, service tax was to be collected by the Himachal Road Transport Corporation (Company) from the passengers travelling in its air-conditioned buses being plied on various inter / intra state routes. The service tax so collected has to be deposited with the Central Excise & Taxation Authorities (CETA).

Audit noticed (August 2017) that the Corporate office of the Company, was not aware of the notification. On receipt of a letter in this regard from other State Transport Companies (Rajasthan and Haryana), the Corporate office of the Company directed its field units to charge the service tax from the passengers on 9 August 2016 i.e. after a delay of more than two months from the date of its applicability. Further, 17 out of 20 field units involved, delayed the implementation of the directions and continued to collect fare from the passengers without service tax between 11.08.2016 and 14.02.2017. However, Shimla Rural, Una & Hamirpur depots started charging service tax w.e.f 09.08.2016, 06.08.2016 and 07.08.2016 respectively, i.e. immediately or before issue of directions by the Corporate office of the Company. The delay in issue of directions as well as delay in implementation of directives ranged between 66 and 137 days due to which service tax of ₹ 1.04 crore could not be collected from the passengers and the Company had to bear the liability. The Company has already deposited ₹ 91.46 lakh with the CETA and ₹ 12.10 lakh was still to be deposited, which may attract interest and penalty for failure to pay service tax in time.

Thus, failure of the officers in initiating timely action for collection of service tax from the passengers through fare resulted in non-collection of service tax amounting to ₹ 1.04 crore for the period of delay.

The Management should ensure compliance of all statutory obligations and devise a system to issue all instructions in time to the field units to avoid such revenue loss in future.

The matter was reported to the Government/Management (May 2018); their reply was awaited (September 2019).

Himachal Pradesh Road & Other Infrastructure Development Corporation

5.7 Avoidable extra payment to contractor

Due to non-adherence of specifications of MoRTH & IRC without considering local requirements in all reaches / stretches in the Detailed Project Report, led to increase of 15,988.932 M^3 Granular Sub Base, resulting in extra payment of ₹ 93.37 lakh to the contractor. Further, considering 20 *per cent* overhead rate instead of 8 *per cent,* ₹ 8.22 crore was paid extra to the contractor and this would increase further after completion of works.

Himachal Pradesh Road and Other Infrastructure Development Corporation (Company) was the implementing agency for the execution of works for widening and strengthening of Theog-Kotkhai-Kharapathar-Rohru road under Himachal Pradesh State Roads Project (HPSRP) being financed by International Bank for Reconstruction and Development (World Bank). The Company got the project executed through Public Works Department (PWD).

The Chief Engineer-cum-Project Director, State Road Project, Himachal Pradesh, PWD, Shimla, on behalf of State government, awarded (October 2013) the work under two separate packages[20] to a contractor[21].

The Company, as per World Bank requirement, engaged M/s Louis Berger, USA (Consultant) for preparation of Detailed Project Report (DPR) for execution of this project. The Consultant prepared the DPR in March 2007 wherein the provision for Granular Sub Base (GSB) was made for 100 mm thickness in some reaches / stretches of the road, however, specification of the Ministry of Road Transport and Highways (MoRTH) published by the Indian Road Congress (IRC) and the Codes of IRC provides minimum thickness of 150 mm GSB design for traffic less than 10 Million Standard Axles (msa). The terms & conditions of the contract provided that quantities executed in excess of 125 *per cent* of awarded quantities will be paid at current market rates.

(A) The Company in violation of MoRTH & IRC's specification of minimum thickness of 150 mm GSB approved a DPR providing thickness of 100 mm in some reaches / stretches. Based on the DPR, the upgradation work under two separate packages[22] to a contractor[23] was awarded during November 2013. Subsequently, after award of contract, the Company increased the thickness to 150 mm on the argument of reaches / stretches being snow bound and slushy resulting in extra quantity of 15,988.932 M^3 GSB.

Audit observed (November 2017) that the Company, while approving DPR should have adhered to specifications of MoRTH and IRC. In addition, Company should have ensured that DPR was prepared after due consideration to local requirements in all reaches / stretches. The rates, awarded quantities, quantities increased in excess of 125 *per cent* of BoQ and quantities increased due to increase in thickness are as per the detail given below:

Table 5.2: Detail of rates and increase in quantities in excess of 125 per cent of Bill of Quantities

Name of package	Qty. to be executed with 100 mm thickness (M^3)	Qty. executed over and above 125 *per cent* due to increase in thickness from 100 mm to 150 mm (M^3)	Awarded rate per M^3 (₹)	Current market rate per M^3 (₹)	Difference in per M^3 rates (₹)	Amount (₹)
1	**2**	**3**	**4**	**5**	**6 (5-4)**	**7 (3x6)**
ICB 5-I	45,752.659	9,940.932	1,500	2,143	643	63,92,019
NCB 5-II	42,834	6,048	1,528	2,010	482	29,15,136
Total		**15,988.932**				**93,07,155**

20 Theog-Kotkhai-Kharapatthar: 5/ICB-I and Kharapatthar-Hatkoti-Rohru:5/NCB-II.
21 M/s C&C Constructions Limited.
22 Theog- Khara Patthar: ICB 5-I: and Khara Patthar- Rohru: NCB 5-II.
23 M/s Chadha & Chadha Constructions.

Thus, due to non-adherence of specifications of MoRTH & IRC without considering local requirements in all reaches / stretches in the Detailed Project Report, led to increase of 15,988.932 M^3 Granular Sub Base, resulting in extra payment of ₹ 93.07 lakh to the contractor.

The Management while admitting the facts stated (March 2018) that the decision to increase the thickness was taken in view of the public safety and economy.

The reply was not acceptable as the minimum thickness of 150 mm specified in IRC norms for ensuring safety should have been considered while accepting the DPR and this omission, leading to extra payment of ₹ 93.37 lakh to the contractor, cannot be termed as economical.

(B) Further, for analysing the current market rates the overhead rates of eight *per cent* for road works above ₹ 50 crore and 20 *per cent* for minor bridges included in the Road Packages have been provided in the Standard Data Book for Road and Bridge Works (Data Book), published by the Ministry of Road Transport and Highways (MoRTH), Government of India.

Company, while analysing the current market rates for 1.54 lakh M^3 plain cement concrete works of M-15 Grade (concrete) executed beyond 125 *per cent* of the BoQ, was to consider the overhead at the rate of eight *per cent* applicable for road works.

The Agreement quantities vis-à-vis execution made and rate allowed are tabulated below:

Table 5.3: Excess payment due to wrong application of overhead rates.

Name of package	Qty. executed beyond 125 *per cent* of the BoQ (M^3)	Awarded rate per M^3 (₹)	Current market rate with 8 *per cent* overhead per M^3 (₹)	Current market rate with 20 *per cent* overhead per M^3 (₹)	Difference in per M^3 rates (₹)	Amount (₹ in crore)
1	**2**	**3**	**4**	**5**	**6=(5-4)**	**7=(2 x 6)**
ICB 5-I	42,236.309	4,430	4,895	5,438	543	2.29
NCB 5-II	1,11,591.000	4,728	4,777	5,308	531	5.93
Total	**1,53,827.309**					**8.22**

Audit noticed (November 2017) that while analysing the rates for the quantity of concrete executed beyond 125 *per cent* of the awarded quantities, the rate of overheads have been considered at 20 *per cent* (applicable for minor bridges) instead of eight *per cent* applicable for road works. This had resulted in extra payment of ₹ 8.22 crore to the Contractor on execution of total 1.54 lakh M^3 up to October 2017 and this would increase further as the work under the contracts were still under execution.

The Management in its reply stated (August 2018) that there is no provision of structural / concrete works in Road works of the Standard Data Book as such in the analysis of revised rates the overhead charges were taken as 20 *per cent* as per category-2 (Minor bridges included in the Road Packages) of Standard Data Book.

The reply is not tenable as the item (Concrete M-15) was awarded under the Road works hence the overhead rates should have been charged at the applicable rate of eight *per cent* as provided in the Standard Data Book for Road works.

The Management should ensure that DPRs are got prepared after considering applicable standards / guidelines to avoid such lapses in future and should consider fixing of responsibility for the lapse and streamline its rate analysis system to avoid such lapse in future.

The matter was reported to the Government/Management (May 2018); their reply for part-A was awaited (September 2019), however, reply for part-B was awaited only from Government.

Shimla
The 20 November 2019

(I.D.S. DHARIWAL)
Principal Accountant General (Audit)
Himachal Pradesh

Countersigned

New Delhi
The 05 December 2019

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

APPENDICES

Appendix 1

(Referred to in paragraph 1 of Introduction)

Summarised financial position and working results of Government companies and Statutory corporations as per their latest finalised financial statements / accounts

(Figures in column 5 to 12 are ₹ in crore)

	Sector/ Name of the company	Period of accounts	Year in which accounts finalised	Paid-up capital	Long term loans outstanding	Accumulated profit (+)/ Loss (-)	Turnover	Net Profit(+)/ Loss(-) before dividend, tax and interest	Net impact of audit comments[1]	Investment	Return on Investment	Manpower	Interest
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
A	**WORKING GOVERNMENT COMPANIES**												
AGRICULTURE AND ALLIED													
1	Himachal Pradesh Agro Industries Corporation Limited	2015-16	2017-18	18.85	6.35	(-)18.88	60.57	1.21	0.49	25.20	0.05	69	-
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2016-17	2017-18	38.77	23.55	(-) 83.20	60.94	(-) 3.03	-0.18	62.32	(-) 0.05	209	1.86
3	Himachal Pradesh State Forest Development Corporation Limited	2014-15	2017-18	11.71	35.72	(-) 52.75	182.90	(-) 2.58	0.53	47.43	(-) 0.05	1,664	1.51
	Sector-wise Total:			**69.33**	**65.62**	**(-)154.83**	**304.41**	**(-) 4.40**	**0.84**	**134.95**	**(-) 0.05**	**1,942**	**3.37**
FINANCE													
4	Himachal Backward Classes Finance and Development Corporation	2013-14	2017-18	11.00	15.00	7.36	2.73	1.07	-3.46	33.36	0.03	18	0.35
5	Himachal Pradesh MahilaVikas Nigam	2014-15	2017-18	7.19	0	1.50	0.67	0.28	-0.08	8.69	0.03	5	-
6	Himachal Pradesh Minorities Finance and Development Corporation	2013-14	2016-17	9.39	11.19	-4.77	0.68	0.42	0.09	20.58	0.02	9	0.39
	Sector-wise Total:			**27.58**	**26.19**	**4.09**	**4.08**	**1.77**	**-3.45**	**62.63**	**0.08**	**32**	**0.74**
INFRASTRUCTURE													
7	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	2016-17	2017-18	25.00	-	-	-	-	-	25.00	-	2	0.35
8	Himachal Pradesh State Industrial Development Corporation Limited	2016-17	2017-18	30.82	-	41.47	49.83	17.05	0.28	72.29	0.23	143	-
9	Dharamshala Smart City Ltd.	-	-	0.0003	-	-	-	-	-	0.0003	-	8	-
	Sector-wise Total:			**55.8203**	**0**	**41.47**	**49.83**	**17.05**	**0.28**	**97.2903**	**0.23**	**153**	**0.35**

(Figures in column 5 to 12 are ₹ in crore)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
MANUFACTURE													
10	Himachal Pradesh General Industries Corporation Limited	2016-17	2017-18	7.16	5.04	20.89	67.68	10.27	-0.64	33.09	0.31	107	0.21
Sector-wise Total:				**7.16**	**5.04**	**20.89**	**67.68**	**10.27**	**-0.64**	**33.09**	**0.31**	**107**	**0.21**
POWER													
11	Beas Valley Power Corporation Limited	2016-17	2017-18	300.00	1,038.22	0	-	-	-	1,338.22	-	158	-
12	Himachal Pradesh Power Corporation Limited	2015-16	2016-17	1,585.16	1,748.24	-58.98	1.65	-17.92	12.20	3,333.40	-0.01	654	-
13	Himachal Pradesh Power Transmission Corporation Limited	2016-17	2017-18	2,58.75	458.02	-5.41	12.12	-11.30	-3.49	716.77	-0.02	157	0
14	Himachal Pradesh State Electricity Board Limited	2015-16	2017-18	603.30	3,246.83	-1,999.64	5,980.02	-10.51	-21.49	3,850.13	-0.006	2,0952	518.55
Sector-wise Total:				**2,747.21**	**6,491.31**	**-2,064.03**	**5,993.79**	**-39.73**	**-12.78**	**9,238.52**	**-0.036**	**21,921**	**518.55**
SERVICE													
15	Himachal Pradesh State Civil Supplies Corporation Limited	2016-17	2017-18	3.52	0	33.09	1,245.95	2.77	-0.46	36.61	0.08	813	0.14
16	Himachal Pradesh State Electronics Development Corporation Limited	2015-16	2016-17	3.72	0.95	5.38	82.2	2.14	0.18	10.05	0.21	51	0.06
17	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	2016-17	2017-18	9.25	0	-15.33	29.38	0.12	-0.48	9.25	0.01	41	0.01
18	Himachal Pradesh Tourism Development Corporation Limited	2016-17	2017-18	12.30	0	-22.08	90.89	2.05	0.09	12.30	0.17	1747	0.31
19	Himachal Pradesh Kaushal Vikas Nigam	2015-16	2016-17	0.007	0	0.12	-	0.09	-0.01	0.127	12.86	30	-
20	Himachal Pradesh Beverages Limited	2016-17	2017-18	0.01	-	2.37	6.12	-0.81	-	2.52	-	6	-
21	Himachal Consultancy Organisation Ltd	2016-17	-	0.18	-	-	-	-	-	-	-	-	-
Sector-wise Total:				**28.987**	**0.95**	**3.55**	**1,454.54**	**6.36**	**-0.68**	**70.857**	**13.33**	**2,688**	**0.52**
Total A (All sector-wise Working Government companies)				**2,936.0873**	**6,589.11**	**-2,148.86**	**7,874.33**	**-8.68**	**-16.43**	**9,637.3373**	**13.864**	**26,843**	**523.74**
B	**STATUTORY CORPORATIONS**												
FINANCING													
1	Himachal Pradesh Financial Corporation	2017-18	2017-18	99.57	123.00	-166.56	2.55	-5.50	0.36	222.57	-0.01	38	7.62
Sector-wise Total:				**99.57**	**123.00**	**-166.56**	**2.55**	**-5.50**	**0.36**	**222.57**	**-0.01**	**38**	**7.62**
SERVICE													
2	Himachal Road Transport Corporation	2016-17	2017-18	670.49	211.35	-1,113.91	937.93	-95.27	-34.90	881.84	0.11	10,026	22.24
Sector-wise Total:				**670.49**	**211.35**	**-1,113.91**	**937.93**	**-95.27**	**-34.90**	**881.84**	**0.11**	**10,026**	**22.24**
Total B (All sector-wise Working Statutory corporations)				**770.06**	**334.35**	**-1,280.47**	**940.48**	**-100.77**	**-34.54**	**1,104.41**	**0.1**	**10,064**	**29.86**
Grand Total (A + B)				**3,706.1473**	**6923.46**	**-3,429.33**	**8,814.81**	**-109.45**	**-50.97**	**10,741.7473**	**13.964**	**36,907**	**553.60**

(Figures in column 5 to 12 are ₹ in crore)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
C	**INACTIVE GOVERNMENT COMPANIES**												
AGRICULTURE AND ALLIED													
1	Agro Industrial Packaging India Limited	2013-14	2014-15	17.72	60.15	-78.23	-	-0.04	-5.58	77.87	-0.04	1	-
Sector-wise Total:				**17.72**	**60.15**	**-78.23**	**0**	**-0.04**	**-5.58**	**77.87**	**-0.04**	**1**	**0**
MANUFACTURE													
2	Himachal Worsted Mills Limited	2000-01	2001-02	0.92	0	-5.44	-	-0.01	-	0.92	-0.01	-	-
Sector-wise Total:				**0.92**	**0**	**-5.44**	**0**	**-0.01**	**0**	**0.92**	**-0.01**	**0**	**0**
Total C (All sector-wise Inactive Government companies)				**18.64**	**60.15**	**-83.67**	**0**	**-0.05**	**-5.58**	**78.79**	**-0.05**	**1**	
Grand Total (A+B+C)				**3,724.7873**	**6983.61**	**-3513.00**	**8,814.81**	**-109.50**	**-56.55**	**10,820.5373**	**13.914**	**36,908**	**553.60**

1. Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses.
2. Investment represents paid up capital, free reserves and long term borrowings.
3. Return on Investment has been worked out by dividing net profit / loss before dividend, tax and interest by Investment.
4. Excess of expenditure over income is reimbursable by the State Government.
5. Beas Valley Power Corporation Limited at serial No.A-11 has not prepared its profit and loss account.

Appendix 2

(Referred to in paragraph 6 of Introduction)

Statement showing investments made by State government in PSUs whose accounts are in arrears

(Figures in column 4 & 6 to 8 are ₹ in crore)

Sl.No.	Name of the PSU	Year up to which accounts finalised	Paid up capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1.	2.	3.	4.	5.	6.	7.	8.
A	**Working Government Companies**						
1	Himachal Backward Classes Finance and Development Corporation	2013-14	11.00	2014-15	0.80	-	-
				2015-16	0.67	-	-
				2016-17	0.75	-	-
				2017-18		-	-
2	Himachal Pradesh MahilaVikas Nigam	2014-15	7.19	2015-16	0.75	-	-
				2016-17	0.75	-	0.61
				2017-18	0.80	-	-
3	Himachal Pradesh Minorities Finance and Development Corporation	2013-14	9.39	2014-15	1.30	-	0.11
				2015-16	0.66	-	0.12
				2016-17	0.75	-	0.13
				2017-18			0.15
4	Himachal Pradesh Power Corporation Limited	2015-16	1,585.16	2016-17	191.25	-	-
				2017-18	137.13	-	-
5	Himachal Pradesh Power Transmission Corporation Limited	2016-17	258.75	2017-18	27.70	262.68	
6	Himachal Pradesh State Electricity Board Limited	2015-16	603.30	2016-17	50.00	-	0.70
				2017-18	17.27	-	-
7	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	2016-17	9.25	2017-18	-	-	3.08
8	Himachal Pradesh KaushalVikas Nigam	2016-17	0.01	2017-18	-	-	7.40
9	Himachal Pradesh Tourism Development Corporation Limited	2015-16	12.30	2016-17	-	-	0.60
				2017-18	-	-	1.72
10	Himachal Pradesh State Forest Development Corporation Limited	2014-15	11.71	2015-16	-	-	-
				2016-17	-	-	-
				2017-18	-	-	-
11	Himachal Pradesh Agro Industries Corporation Limited	2015-16	18.85	2016-17	-	-	-
				2017-18	-	-	-
12	Himachal Pradesh State Civil Supplies Corporation Limited	2016-17	3.51	2017-18	-	-	-
13	Himachal Pradesh State Industrial Development Corporation Limited	2016-17	30.82	2017-18	-	-	-
14	Himachal Pradesh General Industries Corporation Limited	2016-17	7.16	2017-18	-	-	-
15	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2016-17	38.76	2017-18	-	8.00	
16	Himachal Pradesh Road and Other Infrastructure	2016-17	25.00	2017-18	-	-	100.00
17	Himachal Pradesh State Electronics Development	2016-17	3.72	2017-18	-	-	-
18	Dharamshala Smart City Limited		0.0003	2017-18	-	-	-
19	Himachal Pradesh Beverage Limited		0.01	2017-18	-	-	-
20	Himachal Consultancy Organisation limited		0.15	2017-18	-	-	-
21	Beas Valley Power Corporation Ltd.		300.00	2017-18	-	-	-
	Total A : (Working Government Companies)		**2,936.0403**		**430.58**	**270.68**	**114.62**
B	**Working Statutory Corporations**						
1	Himachal Road Transport Corporation	2016-17	670.49	2017-18	50.00	-	305.00
	Total B : (Working Statutory Corporations)		**670.49**		**50.00**	**-**	**305.00**
	Grand Total A and B		**3,606.5303**		**480.58**	**270.68**	**419.62**

Appendix 1.1

(Referred to in paragraphs1.7, 1.8 and 1.12)

Summarised financial results of Power Sector Undertakings for the latest year for which accounts were finalised

Sl. No.	Activity & Name of the Power Sector Undertaking	Period of accounts	Net profit/ loss before interest & tax	Net profit/ loss after interest & tax	Turn over	Paid up capital	Capital Employed	Net Worth[1]	Accumulated Profit/ loss
A.	**Generation**								
1	Himachal Pradesh Power Corporation Limited	2015-16	-17.92	-17.92	1.65	1585.16	3274.42	1526.18	-58.98
		Sub-Total	**-17.92**	**-17.92**	**1.65**	**1585.16**	**3274.42**	**1526.18**	**-58.98**
B.	**Transmission**								
2	Himachal Pradesh Power Transmission Corporation Limited	2016-17	-11.30	-11.30	12.12	258.75	711.36	253.34	-5.41
		Sub-Total	**-11.30**	**-11.30**	**12.12**	**258.75**	**711.36**	**253.34**	**-5.41**
C.	**Distribution**								
3	Himachal Pradesh State Electricity Board Limited	2015-16	-10.51	-10.51	5980.02	603.30	1850.49	-1396.34	-1999.64
		Sub-Total	**-10.51**	**-10.51**	**5980.02**	**603.3**	**1850.49**	**-1396.34**	**-1999.64**
D.	**Others**								
4	Beas Valley Power Corporation Limited	2016-17	0	0	0	300.00	1,338.22	300.00	0
		Sub-Total	**0**	**0**	**0**	**300.00**	**1,338.22**	**300.00**	**0**
		Grand Total	**-39.73**	**-39.73**	**5,993.79**	**2,747.21**	**7,174.49**	**683.18**	**-2,064.03**

[1] Net worth is the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure.

Appendix 1.2

(Referred to in paragraph 1.11)

Statement showing State Government funds infused in the seven power sector undertakings since inception till 31 March 2018

(₹in crore)

Year	HPPCL			HPPTCL			HPSEBL			Total		
	Equity	Interest Free Loan (IFL)	IFL converted into equity	Equity	Interest Free Loan (IFL)	IFL converted into equity	Equity	Interest Free Loan (IFL)	IFL converted into equity	Equity	Interest Free Loan (IFL)	IFL converted into equity
2000-01	0	0	0		0	0	0	0	0	0	0	0
2001-02	0	0	0		0	0	0	0	0	0	0	0
2002-03	0	0	0		0	0	0	0	0	0	0	0
2003-04	0	0	0		0	0	0	0	0	0	0	0
2004-05	0	0	0		0	0	0	0	0	0	0	0
2005-06	0	0	0		0	0	0	0	0	0	0	0
2006-07	0	0	0		0	0	0	0	0	0	0	0
2007-08	79.71	0	0		0	0	0	0	0	79.71	0	0
2008-09	241.32	0	0	11	0	0	0	0	0	252.32	0	0
2009-10	140.61	0	0	45.7	0	0	0	0	0	186.31	0	0
2010-11	75.76	0	0	60	0	0	396.53	0	0	532.29	0	0
2011-12	-386.65	0	0	-58.7	0	0	0	0	0	-445.35	0	0
2012-13	129.26	0	0	5.78	0	0	50	0	0	185.04	0	0
2013-14	252.67	0	0	8	0	0	31.75	0	0	292.42	0	0
2014-15	-400.00	0	0	25.96	0	0	75	0	0	-299.04	0	0
2015-16	60.00	0	0	32.79	0	0	50	0	0	142.79	0	0
2016-17	160.30	0	0	19.51	0	0	50	0	0	229.81	0	0
2017-18	174.66	0	0	27.71	0	0	17.27	0	0	219.64	0	0
Total	**527.64**	**0**	**0**	**177.75**	**0**	**0**	**670.55**	**0**	**0**	**1,375.94**	**0**	**0**

Appendix 2.1

(Referred to in paragraph 2.18)

Taxes not due, paid to the contractor

Sl. No.	Nature of tax	Action by the Company	Amount (₹ inlakh)	Detail of the case	Response of the Govt.	Remarks
1.	Royalty for mining	Non-recovery from the civil contractor	83.76	The Company deducted royalty from the bills of Contractor-I on 4,20,713 MT instead of 5,60,319 MT. Hence, royalty amounting on 1,39,606 MT stone was short recovered from the Contractor.	The Government stated (December 2018) that the Contractor has been asked to provide the detail of royalties deducted.	
2.	Service tax	Extra payment on transportation charges	27.39	The Company paid service tax at the prevailing rates from time to time, on the full value of transportation charges instead of on 25 *per cent* of freight as provided in amendment issued by GoI in March 2008.	In reply, Government stated (December 2018) that concerned notification is applicable to Goods Transport Agencies (GTA).	Reply is not tenable as notification clearly stipulates that "benefit shall be available irrespective of who pays service tax" and Contractor has used the services of GTAs for transporting goods.
3	Central Sales Tax	Short-deposit	23.00	The Contractor had claimed reimbursement of ₹ 1.36 crore CST, based on purchase of material of ₹ 62.98 crore from sub-contractors against the actual sale price of ₹ 73.64 crore. Balance CST on the difference amount of ₹ 10.66 crore was neither deposited by the Contractor nor claimed from the Company, resulting in short deposit of CST.	The Government stated (December 2018) that the reimbursement was made on actual basis against documentary proof.	The reply did not address the issue of short deposit of CST.
Total			**134.15**			

Appendix 3.1

(Referred to in paragraph 3.2)

Statement showing the loss of revenue due to non-revision of Contract Demand after issue of tariff order in April 2013 by HPERC

Sr. No.	Name of consumer	Consumer ID/K.No.	Sanctioned CD	50 *per cent* of sanctioned CD	90 *per cent* of CD for billing as per SERC orders	Reduced CD considered for billing	Difference in CD considered less	Period	No. of months	Rate per KVA	Amount in ₹
			(in KVA)								
1(a)	The Medical Supdt. Indira Gandhi Medical College Shimla	100008001567	3,222.22	1,611.11	1450.00	360	1,090.00	4/13 to 3/17	48	120	62,78,400/-
								4/17 to 12/18	21	140	32,04,600/-
1(b)	The Medical Supdt. Indira Gandhi Medical College Shimla	100008001565	1,866.66	933.33	840.00	90	750.00	4/13 to 3/17	48	120	43,20,000/-
								4/17 to 12/18	21	140	22,05,000/-
2	Mashobra Resorts	100009003433	2,348.00	1174.00	1,056.60	720	336.60	7/13 to 3/16	33	140	15,55,092/-
								4/16 to 12/18	33	170	18,88,326/-
3	Hotel Peterhoff	100009003262	900.00	450.00	405.00	171	234.00	9/16 to 03/17	7	170	2,78,460/-
										Grand Total	**1,97,29,878/-**

Appendix 4.1

(Referred to in paragraph 4.3)

Statement showing position of equity and outstanding loans relating to State PSUs (other than Power Sector) as on 31 March 2018

(₹in Crore)

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity[1] at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				Go HP[2]	GoI[3]	Others	Total	Go HP	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
A	**Working Government Companies**										
AGRICULTURE AND ALLIED											
1	Himachal Pradesh Agro Industries Corporation Limited	Horticulture	September, 1970	16.89	1.96	0	18.85	5.04	1.43		6.47
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Horticulture	June, 1974	31.20	1.50	6.07	38.77	51.66			51.66
3	Himachal Pradesh State Forest Development Corporation Limited	Forest	March, 1974	11.71	0		11.71				0
			Sector-wise Total:	**59.80**	**3.46**	**6.07**	**69.33**	**56.70**	**1.43**	**0**	**58.13**
FINANCE											
4	Himachal Backward Classes Finance and Development Corporation	Social Justice & Empowerment	January, 1994	13.00	0		13.00				0
5	Himachal Pradesh MahilaVikas Nigam	Social Justice & Empowerment	April, 1989	10.64	0.096		10.736				0
6	Himachal Pradesh Minorities Finance and Development Corporation	Social Justice & Empowerment	September, 1996	11.34	0		11.34				0
			Sector-wise Total:	**34.98**	**0.096**	**0**	**35.076**	**0**	**0**	**0**	**0**
INFRASTRUCTURE											
7	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	Public works	June, 1999	25.00	0		25.00				0
8	Himachal Pradesh State IndustrialDevelopment Corporation Limited	Industries	November, 1966	30.82	0		30.82				0
9	Dharamshala Smart City Ltd.	Public Work	August, 2016		0.0003		0.0003				0
			Sector-wise Total:	**55.82**	**0.0003**	**0**	**55.82**	**0**	**0**	**0**	**0**
MANUFACTURE											
10	Himachal Pradesh GeneralIndustries Corporation Limited	Industries	November, 1972	7.04	0	0.12	7.16	2.97			2.97
			Sector-wise Total:	**7.04**	**0**	**0.12**	**7.16**	**2.97**			**2.97**

1 Equity includes share application money.
2 Government of Himachal Pradesh.
3 Government of India.

1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
SERVICE											
11	Himachal Pradesh State CivilSupplies Corporation Limited	Food &Supplies	November, 1966	3.52	0	0	3.52				0
12	HPState Electronics Development corporation Limited	Industries	October, 1984	3.72	0	0	3.72	0.95			0.95
13	HPState Handicrafts and Handloom Corporation Limited	Industries	March, 1974	9.22	0.03	0	9.25				0
14	Himachal Pradesh Tourism Development Corporation Limited	Tourism &Civil Aviation	September, 1972	12.3	0	0	12.3				0
15	Himachal Pradesh Kaushal Vikas Nigam		September, 2015	0.007	0	0	0.007				0
16	Himachal Pradesh Beverages Limited	Industries	April, 2016	0.01	0	0	0.01				0
17	Himachal Consultancy Organisation Ltd	Consultancy Services	February, 1977		0	0.18	0.18				0
			Sector-wise Total:	**28.777**	**0.03**	**0.18**	**28.987**	**0.95**	**0**	**0**	**0.95**
			Total A (All Sector-wise Government Companies)	**186.42**	**3.59**	**6.37**	**196.37**	**60.62**	**1.43**	**0**	**62.05**
B	**Statutory Corporations**										
FINANCING											
1	Himachal Pradesh Financial Corporation	Industries	April, 1967	92.98	0	6.59	99.57	94.62	28.37	9.46	132.45
			Sector-wise Total:	**92.98**	**0**	**6.59**	**99.57**	**94.62**	**28.37**	**9.46**	**132.45**
SERVICE											
2	Himachal Road Transport Corporation	Transport	September, 1974	705.05	15.44	0	720.49			202.26	202.26
			Sector-wise Total:	**705.05**	**15.44**	**0**	**720.49**			**202.26**	**202.26**
			Total B (All Sector-wise Statutory Corporations)	**798.03**	**15.44**	**6.59**	**820.06**	**94.62**	**28.37**	**211.72**	**334.71**
C	**Inactive Government Companies**										
AGRICULTURE & ALLIED											
1	Agro Industrial Packaging India Limited	Horticulture	February, 1987	16.75		0.97	17.72	60.15			60.15
			Sector-wise Total:	**16.75**		**0.97**	**17.72**	**60.15**			**60.15**
MANUFACTURE											
2	Himachal Worsted Mills Limited	Industries	October, 1974			0.92	0.92	0			
			Sector-wise Total:			**0.92**	**0.92**	**0**			
			Total C (All Sector-wise Inactive Government Companies)	**16.75**	**0**	**1.89**	**18.64**	**60.15**	**0**	**0**	**60.15**
			Grand Total (A + B+ C)	**1,001.20**	**19.02**	**14.85**	**1,035.07**	**215.39**	**29.80**	**211.72**	**456.91**

Appendix 4.2

(Referred to in paragraph 4.7)

Statement showing difference between Finance Accounts of government of Himachal Pradesh and Accounts of the State PSUs (other than Power Sector) in respect of balances of Equity, Loans and Guarantee as on 31 March 2018

(₹ in Crore)

Sl. No.	Name of PSU	As per records of the State PSUs			As per Finance Accounts of Government of Himachal Pradesh			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
1	Himachal Pradesh Agro Industries Corporation Limited	16.89	12.92		9.84		1.43	7.05	12.92	-1.43
2	Himachal Backward Classes Finance and Development Corporation	13.00			13.12			-0.12	0	0
3	Himachal Pradesh Minorities Finance and Development Corporation	11.34			11.27		10.17		0	-10.17
4	Himachal Pradesh General Industries Corporation Limited	7.04	2.97		9.89			-2.85	2.97	0
5	Himachal Pradesh Financial Corporation	92.98	94.62		21.98	5.44		71	89.18	0
6	Himachal Pradesh Kaushal Vikas Nigam	0.007			0			0.007	0	0
7	Himachal Pradesh Beverages Ltd.	0.01			0			0.01	0	0
8	Himachal Road Transport Corporation			229.75			224.82	0	0	4.93
9	MahilaVikas Nigam	10.64			11.19			-0.55	0	0
10	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited		51.66	6.65		50.09	19.69		1.57	-13.04
11	Himachal Pradesh State Handicrafts and Handloom Corporation Limited			0.6			0.17		0	0.43
12	Himachal Pradesh State Forest Development Corporation Limited			14.15					0	14.15
13	Himachal Pradesh State Electronics Development Corporation Limited		0.95						0.95	0
	Total	**151.91**	**163.12**	**251.15**	**77.29**	**55.53**	**256.28**	**74.62**	**107.59**	**5.13**

Appendix 4.3

(Referred to in paragraph 4.8.1)

Statement showing position of State government investment in working State PSUs (other than Power Sector) accounts of which are in arrears during the period of arrears

(₹ in crore)

Sl. No.	Name of PSU	Period upto which accounts finalised	Period for which accounts are in arrears	Paid up capital as per latest accounts finalised	Investment made by State Government during the period for which accounts are in arrears		
					Loans	Subsidy	Total
A	**Working Government Companies**						
1	Himachal Backward Classes Finance and Development Corporation	2013-14	2014-15	11.00			
			2015-16				
			2016-17				
			2017-18				
2	Himachal Pradesh MahilaVikas Nigam	2014-15	2015-16	7.19		0.61	0.61
			2016-17				
			2017-18				
3	Himachal Pradesh Minorities Finance and Development Corporation	2013-14	2014-15	9.39		0.11	0.11
			2015-16			0.12	0.12
			2016-17			0.13	0.13
			2017-18			0.15	0.15
4	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	2016-17	2017-18	9.25		3.08	3.08
5	Himachal Pradesh KaushalVikas Nigam	2016-17	2017-18	0.01		7.40	7.40
6	Himachal Pradesh Tourism Development Corporation Limited	2015-16	2016-17	12.30		0.60	0.60
			2017-18			1.72	1.72
7	Himachal Pradesh State Civil Supplies Corporation Ltd	2016-17	2017-18	3.51			
8	Himachal Pradesh State Industrial Development Corporation Ltd.	2016-17	2017-18	30.82			
9	Himachal Pradesh General Industries Corporation Ltd.	2016-17	2017-18	7.16			
10	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Ltd.	2016-17	2017-18	38.76	8.00		8.00
11	Himachal Pradesh Road and Other Infrastructure Development Corporation	2016-17	2017-18	25.00		100.00	100.00
12	Himachal Pradesh State Electronics Development Corporation Limited	2016-17	2017-18	3.72			
13	Dharamshala Smart City Limited		2017-18				
14	Himachal Pradesh Beverage Ltd		2017-18				
15	Himachal Pradesh Agro Industries Corporation Limited	2015-16	2016-17				
			2017-18				
16	Himachal Pradesh State Forest Development Corporation Ltd.	2014-15	2015-16				
			2016-17				
			2017-18				
17	Himachal Consultancy Organisation Ltd.		2017-18				
			Total A (Working Government Companies)	**188.83**	**8.00**	**113.92**	**121.92**
B	**Working Statutory Corporations**						
1	Himachal Road Transport Corporation	2016-17	2017-18	670.49		305.00	305.00
			Total A (Working Statutory Corporations)	**670.49**		**305.00**	**305.00**
			Grand Total (A + B)	**859.32**	**8.00**	**418.92**	**426.92**

Appendix 4.4

(Referred to in paragraphs 4.11. 4.12 and 4.17)

Summarised financial results of State PSUs (other than Power Sector) for the latest year for which accounts were finalised

(₹ in crore)

Sl. No.	Sector & Name of the PSU	Year of account	Year in which finalised	Net profit/ loss before dividend, interest & tax	Net profit/ loss after dividend, interest & tax	Turn over	Paid up capital	Capital employed	Net Worth	Accumulated Profit/ loss
1	2	3	4	5	6	7	8	9	10	11
A	**Working Government Companies**									
AGRICULTURE AND ALLIED										
1	Himachal Pradesh Agro Industries Corporation Limited	2015-16	2017-18	1.21	1.21	60.57	18.85	6.32	-0.03	-18.88
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2016-17	2017-18	-3.03	-3.03	60.94	38.77	-20.88	-44.43	-83.20
3	Himachal Pradesh State Forest Development Corporation Limited	2014-15	2017-18	-2.58	-4.09	182.90	11.71	-5.32	-41.04	-52.75
	Sector-wise Total:			**-4.40**	**-5.91**	**304.41**	**69.33**	**-19.88**	**-85.50**	**-154.83**
FINANCE										
4	Himachal Backward Classes Finance and Development Corporation	2013-14	2017-18	1.07	1.07	2.73	11.00	33.36	18.36	7.36
5	Himachal Pradesh MahilaVikas Nigam	2014-15	2017-18	0.28	0.28	0.67	7.19	8.69	8.69	1.50
6	Himachal Pradesh Minorities Finance and Development Corporation	2013-14	2016-17	0.42	0.03	0.68	9.39	15.81	4.62	-4.77
	Sector-wise Total:			**1.77**	**1.38**	**4.08**	**27.58**	**57.86**	**31.67**	**4.09**
INFRASTRUCTURE										
7	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	2016-17	2017-18				25.00	25.00	25.00	
8	Himachal Pradesh State Industrial Development Corporation Limited	2016-17	2017-18	17.05	10.07	49.83	30.82	72.29	72.29	41.47
9	Dharamshala Smart City Ltd.						0 .0003			
	Sector-wise Total:			**17.05**	**10.07**	**49.83**	**55.82**	**97.29**	**97.29**	**41.47**
MANUFACTURE										
10	Himachal Pradesh General Industries Corporation Limited	2016-17	2017-18	10.27	6.72	67.68	7.16	33.09	28.05	20.89
	Sector-wise Total:			**10.27**	**6.72**	**67.68**	**7.16**	**33.09**	**28.05**	**20.89**

1	2	3	4	5	6	7	8	9	10	11
SERVICE										
11	Himachal Pradesh State Civil Supplies Corporation Limited	2016-17	2017-18	2.77	1.78	1245.95	3.51	36.60	36.60	33.09
12	HP State Electronics Development Corporation Limited	2016-17	2017-18	2.14	1.38	82.20	3.72	9.10	9.10	5.38
13	HP State Handicrafts and Handloom Corporation Limited	2016-17	2017-18	0.12	-0.18	29.38	9.25	-5.13	-6.08	-15.33
14	Himachal Pradesh Tourism Development Corporation Limited	2015-16	2016-17	2.05	1.40	90.89	12.30	-9.78	-9.78	-22.08
15	Himachal Pradesh Kaushal Vikas Nigam	2016-17	2017-18	0.09	0.09	0	0.007	0.13	0.127	0.12
16	Himachal Pradesh Beverages Limited				0	5.43	0.01	0.01	0.01	
17	Himachal Consultancy Organisation Ltd	2016-17	2017-18	-0.81	-0.81	6.12	0.15	2.52	2.52	2.37
			Sector-wise Total:	**6.36**	**3.66**	**1459.97**	**28.947**	**33.447**	**32.497**	**3.55**
			Total A (All Sector-wise Government Companies)	**31.05**	**15.92**	**1885.97**	**188.837**	**201.807**	**103.997**	**-84.83**
B	**Statutory Corporations**									
FINANCING										
1	Himachal Pradesh Financial Corporation	2017-18	2017-18	-5.50	-5.50	2.55	99.57	56.01	-66.99	-166.56
			Sector-wise Total:	**-5.50**	**-5.50**	**2.55**	**99.57**	**56.01**	**-66.99**	**-166.56**
SERVICE										
2	Himachal Road Transport Corporation	2016-17	2017-18	-95.27	-95.27	937.93	670.49	-232.07	-443.42	-1113.91
			Sector-wise Total:	**-95.27**	**-95.27**	**937.93**	**670.49**	**-232.07**	**-443.42**	**-1113.91**
			Total B (All Sector-wise Statutory Corporations)	**-100.77**	**-100.77**	**940.48**	**770.06**	**-176.06**	**-510.41**	**-1280.47**
			Total (A+B) (All Sector Wise Working Government Corporation)	**-69.72**	**-84.85**	**2826.45**	**958.90**	**25.75**	**-406.41**	**-1365.30**
C	**Inactive Government Companies**									
AGRICULTURE & ALLIED										
1	Agro Industrial Packaging India Limited	2013-14	2014-15	-0.04	-0.04	0.00	17.72	-0.36	-60.51	-78.23
			Sector-wise Total:	**-0.04**	**-0.04**	**0.00**	**17.72**	**-0.36**	**-60.51**	**-78.23**
MANUFACTURE										
2	Himachal Worsted Mills Limited	2000-01	2001-02	-0.01	0.01	0	0.92	-4.52	-4.52	-5.44
			Sector-wise Total:	**-0.01**	**0.01**	**0**	**0.92**	**-4.52**	**-4.52**	**-5.44**
			Total C (All Sector-wise Inactive Government Companies)	**-0.05**	**-0.03**	**0.00**	**18.64**	**-4.88**	**-65.03**	**-83.67**
			Grand Total (A + B+ C)	**-69.77**	**-84.88**	**2,826.45**	**977.54**	**20.87**	**-471.43**	**-1,448.97**

Appendix 4.5

(Referred to in paragraph 4.15)

Statement showing State Government funds infused in State PSUs (other than Power Sector) during the period from 2000-01 to 2017-18

(₹in crore)

	Upto 1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
AGRICULTURE AND ALLIED																				
Himachal Pradesh Agro Industries Corporation Limited																				
Equity	9.841	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.05	0.00	0.00	0.00	0.00	**16.89**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.54	0.00	0.00	0.00	0.00	6.52	0.00	**11.56**
Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited																				
Equity	10.235	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**31.20**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.25	0.00	0.00	0.00	0.00	0.00	0.00	14.54	3.55	0.00	8.00	**40.34**
Himachal Pradesh State Forest Development Corporation Limited																				
Equity	11.711	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**11.71**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
FINANCING																				
Himachal Backward Classes Finance and Development Corporation																				
Equity	1.566	0.40	0.65	0.80	1.20	1.00	0.50	1.20	0.90	1.10	0.86	0.00	0.00	0.28	0.54	0.80	0.67	0.54	0.00	**13.006**
IFL	0.01	0.01	0.00	0.00	0.00	0.00	0.15	0.00	0.00	-0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.07**
Himachal Pradesh MahilaVikas Nigam																				
Equity	1.252	0.00	0.10	0.2214	0.30	0.30	0.30	0.40	0.85	0.85	1.08	0.30	1.14	0.00	0.60	0.65	0.75	0.75	0.80	**10.64**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Himachal Pradesh Minorities Finance and Development Corporation																				
Equity	0.75	0.17	0.25	0.40	0.40	0.40	0.49	0.40	0.46	1.02	1.08	1.16	0.50	0.64	1.30	0.53	0.64	0.75	0.00	**11.34**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
INFRASTRUCTURE																				
Himachal Pradesh Road and Other Infrastructure Development Corporation Limited																				
Equity	5.00	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**25.00**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Himachal Pradesh State Industrial Development Corporation Limited																				
Equity	29.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**30.82**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Dharamshala Smart City Ltd.																				
Equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
MANUFACTURE																				
Himachal Pradesh General Industries Corporation Limited																				
Equity	4.98	0.00	0.00	0.00	0.00	2.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**7.04**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
SERVICES																				
Himachal Pradesh State Civil Supplies Corporation Limited																				
Equity	3.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**3.52**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Himachal Pradesh State Electronics Development Corporation Limited																				
Equity	3.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**3.72**
IFL	0.48	1.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**1.98**
Himachal Pradesh State Handicrafts and Handloom Corporation Limited																				
Equity	4.09	0.01	0.01	0.00	0.00	0.00	0.00	0.00	4.61	0.00	0.00	0.00	0.00	0.50	0.00	0.00	0.00	0.00	0.00	**9.22**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Himachal Pradesh Tourism Development Corporation Limited																				
Equity	12.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**12.30**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Himachal Pradesh Kaushal Vikas Nigam																				
Equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.007	0.00	0.00	**0.007**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Himachal Pradesh Beverages Limited																				
Equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	**0.01**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Himachal Consultancy Organisation Ltd																				
Equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15	0.03	**0.18**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
STATUTORY CORPORATION FINANCING																				
Himachal Pradesh Financial Corporation																				
Equity	21.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.00	51.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**92.58**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
STATUTORY CORPORATION SERVICE																				
Himachal Road Transport Corporation																				
Equity	163.16	11.90	12.00	11.01	26.70	12.30	12.30	12.30	31.49	31.00	42.18	31.92	25.30	44.34	58.00	42.95	41.20	45.00	50.00	**705.05**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
INACTIVE: AGRICULTURE AND ALLIED																				
Agro Industrial Packaging India Limited																				
Equity	16.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**16.75**
IFL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**

Appendix 5.1

(Referred to in paragraph 5.5.7(ii))

Details of delayed 24 works

Sl. No.	Name of the work	Scheduled date of completion	Actual date of completion/ Under progress	Delay in days	Liquidated damages			
					To be levied on unjustified delay		Actually levied	Non/ Short levy
					No. of days	Amount (₹ in lakh)		
A: Kandrori State of Art Industrial Area								
1	P/F barbed wire fencing	10/20/2015	1/20/2016	92	20	0.81		0.81
2	Construction of road side drain and cross drainage	8/22/2017	3/13/2018	203	50	31.48		31.48
3	Channelization of open drain.	3/2/2017	4/8/2017	37	17	0.90		0.90
4	Providing protection to the road in embankment	10/9/2016	10/27/2016	18	18	5.58		5.58
5	Construction of 2 nos. OH water storage tanks of 3 lakh litre net capacity each	7/30/2017	10/30/2017	92	92	17.58	4.40	13.18
6	Construction of Pump house no. 1	4/18/2017	6/28/2017	71	71	1.61		1.61
7	Construction of Pump house no. 2	4/18/2017	6/28/2017	71	71	1.61		1.61
8	Drilling and development of tube-well no. 1	5/28/2016	11/4/2016	160	160	3.01		3.01
9	Drilling and development of tube-well no. 2	5/28/2016	12/30/2016	216	216	3.01		3.01
10	Providing and laying sewerage and ETP line.	6/24/2017	Under progress EOT upto 30-11-2017	159	88	46.38		46.38
11	Construction of common facility centre: Civil Work	8/21/2017	Under progress 31-12-2017	132	18	27.92		27.92
12	Construction of Women workers' hostel: Civil Work	9/7/2017	Under progress 15-03-2018	189	89	43.97		43.97
B: Other works								
13	Construction of Multipurpose Hostel, Khad, Una	3/5/2017	11/11/2017	252	113	17.96		17.96
14	Special Repair and maintenance of road, roadside drains at Phase I, II and IV, Gwalthai	11/6/2016	7/30/2017	267	105	1.31		1.31
15	construction of ware house facilities at BBNDA area, Malpur , Baddi	1/12/2016	7/15/2017	549	103	87.55		87.55
16	Electrical Installation in Ware House Building, Baddi	7/30/2017	12/7/2017	130	130	7.32		7.32
17	Improvement, Strengthening & re-carpeting of road, road side berms and culverts at Industrial Area Gagret, Ph-I, II & III, District Una	5/25/2015	8/25/2015	92	62	0.85		0.85
18	construction of School Building at Government High School, Chururu and Government Senior School Dhussara, District Una	12/23/2015	7/31/2016	221	122	5.14		5.14
19	Construction of Labour Hostel, Nalagarh	4/8/2016	7/10/2017	458	363	70.18		70.18
20	Construction of Common Facility Building, Peersthan, Nalagarh	6/15/2013	10/31/2015	868	868	28.52	5.13	23.39
21	construction of School Building at Government High School Kiar (Deha), Bajrolipul (Deha) & G.S.S.S. Tyali, Theog, Shimla	3/17/2016	9/9/2016	175	175	18.95		18.95
22	Construction of school building at GHS Barrian and Malog Kalan (Block Ramshahar), District Solan, HP	5/18/2016	10/7/2016	142	142	13.27		13.27
23	Construction of 5 No. type - III and type - II residential quarters at S.W.C.A, Peersthan, Nalagarh, District Solan, HP+	10/6/2014	4/18/2016	560	437	14.40		14.40
24	Construction of 1 No. type - IV residential quarters at S.W.C.A, Peersthan, Nalagarh, District Solan, HP	7/22/2014	4/16/2016	644	644	3.85		3.85
					Total:	**453.16**	**9.53**	**443.63**

GLOSSARY OF ABBREVIATIONS

Glossary of abbreviations	
ACD	Advance Consumption Deposit
ADB	Asian Development Bank
AEs	Assistant Executive Engineers
AIPIL	Agro Industrial Packaging India Limited
ATN	Action Taken Notes
BGs	Bank Guarantees
BoD	Board of Directors
BOQ	Bill of Quantities
CAG	Comptroller and Auditor General of India
CD	Contract Demand / Custom Duty
CE	Chief Engineer
CEA	Central Electricity Authority
CERs	Certified Emission Reductions
CERC	Central Electricity Regulatory Commission
CETA	Central Excise & Taxation Authority
CLBP	Country Liquor Bottling Plant
COPU	Committee on Public Undertakings
CPWD	Central Public Works Department
CST	Central Sales Tax
CWC	Central Water Commission
CVC	Central Vigilance Commission
DG	Diesel Generating
DG sets	Distributed Generation
DPR	Detailed Project Report
ED	Excise Duty / Electricity Duty
EIA	Environment Impact Assessment
EHT	Extra High Tension
EPC	Engineering Procurement and Construction
ESD	Electrical Sub Division
EMP	Environment Management Plan
EPF	Employee Provident Fund
E&M	Electro-mechanical
GCB	Generator Circuit Breaker
GCC	General Conditions of Contract
GDP	Gross Domestic Product
GIS	Gas Insulated Switchgear
GM	General Manager
GoI	Government of India
GoHP	Government of Himachal Pradesh
GPF	General Provident Fund
GSB	Granuals Sub Base
HEP	Hydro Electric Projects
HPERC	Himachal Pradesh Electricity Regulatory Commission
HPFC	Himachal Pradesh Financial Corporation

HPGIC	Himachal Pradesh General Industries Corporation Limited
HPKVN	Himachal Pradesh KaushalVikas Nigam
HPMC	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited
HPMVN	Himachal Pradesh MahilaVikas Nigam
HPSR	Himachal Pradesh Schedule of rates
HPPCL	Himachal Pradesh Power Corporation Limited
HPPTCL	Himachal Pradesh Power Transmission Corporation Limited
HPSCSCL	Himachal Pradesh State Civil Supplies Corporation Limited
HPSEBL	Himachal Pradesh State Electricity Board Limited
HPSFDC	Himachal Pradesh State Forest Development Corporation Limited
HIMFED	Himachal Pradesh State Co-operative Marketing and Consumers Federation Limited
HPRIDC	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited
HPTDCL	Himachal Pradesh Tourism Development Corporation Limited
HRTC	Himachal Road Transport Corporation
HRT	Head Race tunnel
HT/EHT	High Tension / Extra High Tension
HSD	High Speed Diesel
HPPWD	Himachal Pradesh Public Works Department
HVSR	Higher Voltage Supply Rebate
HPVAT	Himachal Pradesh Value Added Tax
IDC	Interest during construction
IEX	Indian Energy Exchange
IRC	Indian Road Congress
IT	Information Technology
JEs	Junior Engineers
Kgs	Kilograms
KM	Kilometre
KKPCL	Kinner Kailash Power Corporation Limited.
KV	Kilovolt
KVA	Kilovolt Ampere
KW	Kilo watt
LADA	Local Area Development Activities
LADF	Local Area Development Fund
LC	Letter of Credit
LD	Liquidated Damages
LOA	Letter of Award
LTA	Long Term Access
LVSS	Low Voltage Supply Surcharge
MD	Managing Director / Maximum Demand
MoE&F	Ministry of Environment and Forest
MoRTH	Ministry of Road Transport and Highway

MoU	Memorandum of Understanding
MT	Metric Tonne
MTS	Master Time Schedule
MUs	Million Units
MW	Mega Watt
NGT	National Green Tribunal
NIT	Notice Inviting Tender
NOC	No Objection Certificate
NPV	Net Present Value
O & M	Operation and Maintenance
OTS	One Time Settlement
PAC	Project Authority Certificate
PAG	Principal Accountant General
PCC	Particular conditions of contract
PDCO	Permanent Disconnection Order
PGCIL	Power Grid Corporation of India Limited
PLDVC	Peak Load Demand Violation Charges
PMT	Per Metric Tonne
PO	Purchase Order
PPA	Power Purchase Agreement
PRS	Passenger Reservation System
PSUs	Public Sector Undertakings
SA	Supplementary Agreement
SAR	Separate Audit Report
SCADA	Supervisory Control and Data Acquisition
SFC	State Finance Corporation
SJVNL	Satluj Jal Vidyut Nigam limited
SLC	State Level Committee
SPV	Special Purpose Vehicle
SSV	Standard Supply Voltage
STF	Shape the future
TCS	Tax Collected at source
TEC	Techno- Economic Clearance
TPTCL	Tata Power Trading Company
TRT	Tail Race Tunnel
USD	United States Dollar
VAT	Value Added Tax
WPI	Wholesale Price Index