सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Public Sector Undertakings (Social, General and Economic Sectors) for the year ended 31 March 2019

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Government of Haryana

Report No. 2 of the year 2020

Report of the

Comptroller and Auditor General of India

on

Public Sector Undertakings

(Social, General and Economic Sectors)

for the year ended 31 March 2019

GOVERNMENT OF HARYANA
Report No. 2 of the year 2020

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PREFACE

This report deals with the results of audit of Government companies and statutory corporations for the year ended 31 March 2019.

The accounts of Government companies including companies deemed to be Government companies as per the provisions of the Companies Act, 2013 are audited by the Comptroller and Auditor General of India (CAG) under the provisions of the Companies Act as amended from time to time. The accounts certified by the statutory auditors (Chartered Accountants) appointed by the CAG are subject to supplementary audit by officers of the CAG and CAG gives his comments or supplements the reports of the statutory auditors. In addition, these companies are also subject to test audit by the CAG.

Reports in relation to the accounts of a Government company or corporation are submitted to the Government by the CAG for placing before the State Legislature under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those which came to notice in the course of test audit for the period 2018-19 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports. Matters relating to the period subsequent to 2018-19 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

This Report contains 14 paragraphs and one performance audit on the 'Working of Haryana Vidyut Prasaran Nigam Limited' involving a financial effect of ₹ 863.15 crore relating to avoidable expenditure, loss of interest, non-safeguarding of the financial interests *etc*. Some of the major findings are mentioned below:

1. State Public Sector Undertakings

The State of Haryana had 27 working PSUs (25 companies and two statutory corporations) and five inactive companies. Out of these, Government of Haryana (GoH) has investments in 25 PSUs (23 working and two inactive). As on 31 March 2019, the total investment (paid-up capital, long term loans and grant/ subsidy) in 32 PSUs was ₹ 1,29,536.19 crore. The State Government contributed ₹ 21,117.55 crore towards equity, loans and grants/subsidies in 15 PSUs during the year 2018-19.

(Paragraphs 1.1, 1.5, 1.6, 4.1, 4.4 and 4.6)

Performance of Public Sector Undertakings

Out of 23 working PSUs which had investment from GoH, 19 PSUs submitted their accounts up to September 2019. Of these, 16 accounts reflected profits. Out of the profit making PSUs only one PSU declared dividend of ₹ 2.15 crore.

During the year 2018-19, the State Government converted 100 *per cent* grant of ₹ 7,785 crore under Ujwal Discom Assurance Yojana (UDAY) into equity instead of only 25 *per cent* allowed under the Scheme.

(Paragraphs 1.15, 1.21.4, 4.8.1 and 4.19)

2. Power Sector

A Performance audit on the 'Working of Haryana Vidyut Prasaran Nigam Limited' was conducted. The important audit findings are as under:

The transmission losses of the Company decreased from 2.62 *per cent* during 2014-15 to 2.05 *per cent* during 2018-19. The Company achieved the targets fixed by the Haryana Electricity Regulatory Commission (HERC) during the years 2017-19.

(Paragraph 2.6)

30 out of the 32 projects commissioned by the Company during the years 2014-19, were delayed in completion ranging between 3 and 98 months. Consequently, the realisation of Return on Equity and Depreciation amounting to ₹ 228.02 crore on transmission assets valuing ₹ 950.18 crore, completed with delays, was deferred.

(Paragraph 2.7.2.1)

The Company did not achieve the norms of Transmission System Availability (TSA) fixed by the HERC during 2015-18. Due to this, full transmission cost could not be recovered, besides revenues were reduced to the extent of ₹ 15.51 crore.

(Paragraph 2.8.3)

The Company could not fully avail the World Bank loans available at cheaper rates, due to poor pace of project implementation, and resorted to costlier funding arrangement with Rural Electrification Corporation which cost the Company ₹ 24.63 crore. In addition, the Company had to bear ₹ 31.32 lakh on account of front end fee on un-availed portion of World Bank loan.

(Paragraph 2.10.2)

In disregard to Bank Guarantee (BG) terms, the Company released all advance payments to one out of the two guarantee issuing banks, as a result, it could not recover ₹ 9.57 crore from one of the BG issuing Bank.

(Paragraph 2.10.5)

There was late filing of Aggregated Revenue Requirements (ARRs) by the Company leading to delay in finalisation of transmission charges by HERC for 2014-15 to 2017-18. As a result, the Company could not recover transmission charges of ₹ 2.11 crore from short term open access consumers.

(Paragraph 2.11.1)

Electricity consumers of the State were subjected to undue burden of ₹ 168.64 crore during 2014-19 due to inefficiencies of the Company relating to non-synchronous commissioning of sub-stations and transmission lines, under utilisation of transmission capacity and non-passing of benefits of Advance Against Depreciation and interest waiver.

(Paragraph 2.12.1)

Profitability of the Company was adversely affected by ₹ 70.08 crore during 2014-19 due to inefficiencies like non-achievement of Transmission System Availability, availing mid-term loan against Government guarantee without carrying out cost benefit analysis, delayed filing of ARRs, non-claiming of holding cost timely and non-adherence to working capital norms.

(Paragraph 2.12.2)

Chapter III contains Compliance audit observations which highlight deficiencies in the management of State Government companies of Power sector, which had significant financial implications. Important findings are as under:

Haryana Power Generation Corporation Limited

- The Company paid ₹ 27.29 crore as compensation for short lifting of coal during 2016-17, as it did not initiate timely action for reduction of Annual Contracted Quantity of coal with Coal India Limited in line with the revised operational requirement of its Panipat Thermal Power Station.

(Paragraph 3.1)

- The Company made imprudent procurement of Generator Transformer worth ₹ 9.35 crore for its Panipat Thermal Power Station.

(Paragraph 3.2)

Dakshin Haryana Bijli Vitran Nigam Limited

- The Company changed the basis for calculation of Aggregate Technical and Commercial losses as agreed in the contract and extended undue benefit of ₹ 1.97 crore to the contractor.

(Paragraph 3.3)

- The Company accepted 35.268 km cables valuing ₹ 53.15 lakh not conforming to specifications in the Purchase Order.

(Paragraph 3.4)

- The Company had to suffer a loss of ₹ 72.50 lakh due to not maintaining security deposit in line with Haryana Electricity Regulatory Commission Regulations.

(Paragraph 3.5)

Uttar Haryana Bijli Vitran Nigam Limited

- The Company incurred avoidable expenditure of ₹ 11.14 crore on construction of unmanned sub-stations and their subsequent conversion into conventional ones.

(Paragraph 3.6)

- The Company had to bear reactive energy charges of ₹ 59.83 crore due to inadequacy of functional Automatic Power Factor Capacitors.

(Paragraph 3.7)

3. Other than Power Sector

Chapter V contains Compliance audit observations highlighting deficiencies in the management of State Government Companies and Statutory Corporation of other than power sector.

Important findings are as under:

Haryana State Industrial and Infrastructure Development Corporation Limited

- The Company ignored the technically qualified bidder having maximum scores for appointment as Public Relation agency and awarded the work to another bidder in re-tendering which resulted in extra expenditure of ₹ 1.09 crore.

(Paragraph 5.1)

- The Company availed HUDCO loan carrying higher rate of interest despite availability of cheaper cash credit/ term loans for financing of Mass Rapid Transport System which resulted in avoidable expenditure of ₹ 11.24 crore.

(Paragraph 5.2)

- The Company failed to provide encumbrances free site to the allottee within prescribed time frame which resulted in deferment of payment schedule leading to loss of interest of ₹ 45.96 crore.

(Paragraph 5.3)

Haryana State Roads and Bridges Development Corporation Limited

- The Company did not deposit advance Income Tax and delayed filing of Income Tax return resulting in avoidable payment of interest of ₹ 9.09 crore.

(Paragraph 5.4)

- The Company did not invest the surplus funds at the maximum available rates of interest and lost the opportunity to earn interest of ₹ 40.41 lakh.

(Paragraph 5.5)

Haryana Agro Industries Corporation Limited and Haryana State Warehousing Corporation

- Haryana Agro Industries Corporation Limited and Haryana State Warehousing Corporation delayed claiming interest charges on custom milled rice from Food Corporation of India during Kharif Marketing Season 2017-18 and had to bear avoidable interest charges of ₹ 1.06 crore.

(Paragraph 5.6)

Haryana Agro Industries Corporation Limited

- Paddy was allocated to a miller who was not approved by District Milling Committee of Fatehabad for Kharif Marketing Season 2017-18 who misappropriated custom milled rice valuing ₹ 1.28 crore.

(Paragraph 5.7)

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 commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2019, there were 32 PSUs in Haryana, including two Statutory Corporations[1] and 30 Government Companies (including five[2] inactive[3] Government companies) under the audit jurisdiction of the Comptroller and Auditor General of India. One[4] PSU was listed on the stock exchange.

2. The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2019 is covered in this report. The nature of PSUs and the position of accounts are indicated in table below:

Table 1: Nature of PSUs covered in the Report

Nature of PSUs	Total Number	Number of accounts received during the reporting period						Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 30 September 2019
		Accounts for 2018-19	Accounts for 2017-18	Accounts for 2016-17	Accounts for 2015-16	Accounts for 2014-15	Total	
Working Government Companies	25	8	13	3	2	2	28	17 (33)
Statutory Corporations	2	-	2	0	0	0	2	2 (2)
Total working PSUs	**27**	**8**	**15**	**3**	**2**	**2**	**30**	**19 (35)**
Inactive Government Companies	5	0	2	0	0	0	2	2 (2)
Total	**32**	**8**	**17**	**3**	**2**	**2**	**32**	**21 (37)**

The working PSUs registered an annual turnover of ₹ 41,355.12 crore as per their latest finalised accounts as on 30 September 2019. This turnover was equal to 5.85 *per cent* of State Gross Domestic Product (GDP) for the year 2018-19 (₹ 7, 07,126.33 crore). The working PSUs earned profit of ₹ 970.61 crore as per their latest finalised accounts. As on March 2019, the State PSUs had employed around 24,276 employees.

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1 Haryana State Warehousing Corporation and Haryana Financial Corporation.
2 Haryana Concast Limited, Haryana State Housing Finance Corporation Limited, Haryana State Minor Irrigation and Tubewells Corporation Limited, Haryana Minerals Limited and Saur Urja Nigam Haryana Limited.
3 Inactive PSUs are those which have ceased to carry out their operations.
4 Haryana Financial Corporation.

There are five inactive PSUs having an investment of ₹ 21.67 crore towards capital (₹ 17.98 crore) and long term loans (₹ 3.69 crore). The liquidation process of two PSUs[5] had commenced 15 and 20 years ago. This is a critical area as the investments in inactive PSUs do not contribute to the economic growth of the State.

Accountability framework

3. The procedures 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 Company. The Comptroller and 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 one hundred and eighty 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 sixty days from the date of registration of the company and in case the 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.

Statutory audit

4. The financial statements of the Government Companies (as defined in Section 2 (45) of the Act 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139 (5) or (7) of the Act 2013. The Statutory Auditors submit a copy of the Audit Report to the

[5] Haryana Concast Limited and Haryana State Housing Finance Corporation Limited.

CAG including, among other things, financial statements of the Company under Section 143 (5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013. Audit of Statutory Corporations is governed by their respective legislations. In respect of Haryana State Warehousing Corporation and Haryana Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG.

Submission of accounts by PSUs

Need for timely finalisation and submission of accounts

5. 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 House 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.

Role of Government and Legislature

6. 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 State Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, 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 State Legislature under Section 394 of the Act 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

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

7. The Government of Haryana (GoH) has high financial stakes in the PSUs. These are mainly of three types:

- **Share capital and loans –** In addition to the share capital contribution, GoH also provides financial assistance by way of loans to the PSUs from time to time.

- **Special financial support** – GoH provides budgetary support by way of grants and subsidies to the PSUs as and when required.

- **Guarantees** – GoH also guarantees the repayment of loans with interest, availed by the PSUs from Financial Institutions.

8. The sector-wise summary of Government of Haryana investment in the PSUs as on 31 March 2019 is given below:

Table 2: Sector-wise GoH investment in PSUs

Name of sector	Government Companies		Statutory Corporations		Total	Investment[6] (₹ in crore)		
	Working	Inactive	Working	Inactive		Equity	Long term loans	Total
Power	4	1	0	0	5	29,303.48	11.36	29,314.84
Finance	3	1	1	0	5	288.80	0.00	288.80
Service	10	0	0	0	10	70.17	0.00	70.17
Infrastructure	4	1	0	0	5	209.00	1.39	210.39
Others	4	2	1	0	7	20.68	8.15	28.83
Total	**25**	**5**	**2**	**0**	**32**	**29,892.13**	**20.90**	**29,913.03**

Source: Compiled based on information received from PSUs.

The thrust of PSU investment by the Government was mainly on power sector during the last five years. The power sector received Government investments of ₹ 29,314.84 crore (98 *per cent*) out of total investment of ₹ 29,913.03 crore.

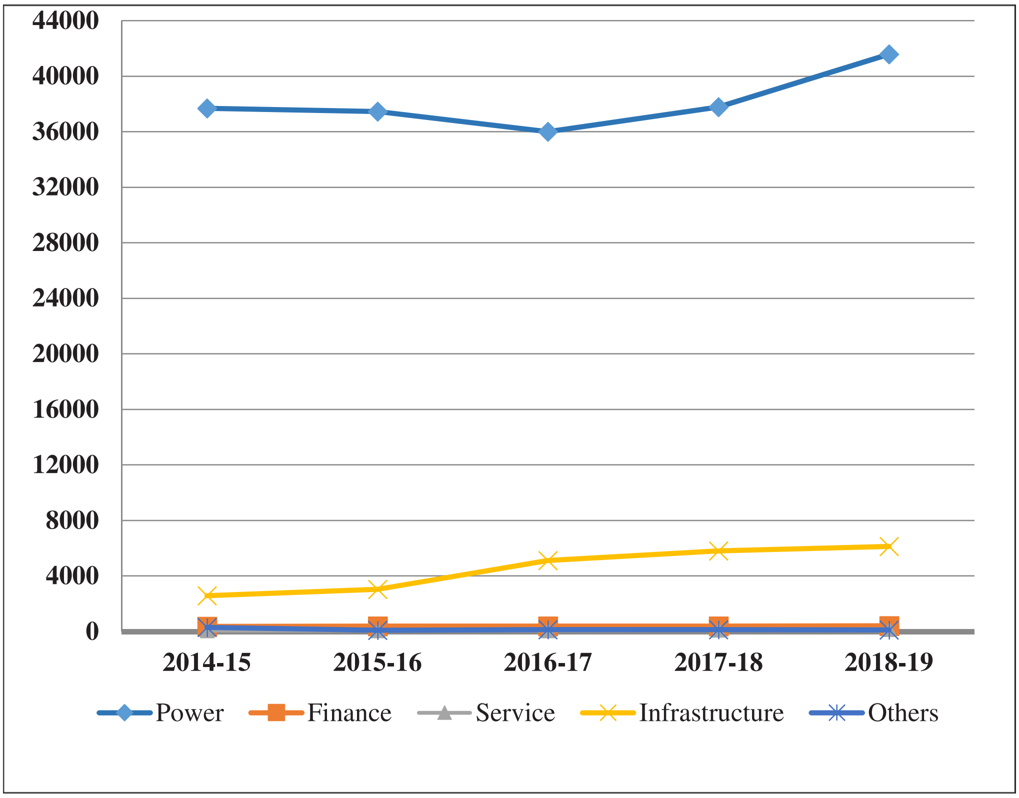
However, the total investment including investment from other than GoH resources in various sectors during the period from 2014-15 to 2018-19

[6] Investments include equity and long term loans.

is shown in the chart below:

Chart 1: Sector-wise investment in PSUs

(Figures in ₹ crore)



Keeping in view the significantly high level of investment in Power Sector, we are presenting the results of audit of five Power Sector PSUs in Part I[7] of this report and of the 27 PSUs (other than power sector) in the Part II[8] of this Report.

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

[8] The Part II includes Chapter-IV (Functioning of Public Sector Undertakings (Other than Power Sector) and Chapter V (Compliance Audit observations relating to Public Sector Undertakings (Other than Power Sector)).

Part-I
Power Sector

Chapter-I

Functioning of Power Sector Undertakings

Part-I

Chapter I

Functioning of Power Sector Undertakings

1. Introduction

1.1 The Power Sector Companies play an important role in the economy of the State. Apart from providing a critical infrastructure required for development of the State's economy, the sector also adds significantly to the Gross Domestic Product (GDP) of the State. There are five power sector undertakings in the State. Of these five PSUs, one[1] PSU is inactive. A ratio of Power Sector Undertakings (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 Haryana for a period of five years ending March 2019:

Table 1.1: Details of turnover of Power Sector Undertakings *vis-à-vis* GSDP of Haryana

(₹ in crore)

Particulars	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Turnover	27,716.88	29,475.63	32,169.09	34,370.70	36,818.34
GSDP of Haryana	4,41,864.26	4,92,656.90	4,34,607.93	6,08,470.73	7,07,126.33
Percentage of Turnover to GSDP of Haryana	6.27	5.98	7.40	5.65	5.21

GSDP of Haryana for 2013-14: ₹ 3,95,747.73 crore , Turnover for 2013-14 : ₹ 22,256.12 crore

Source: Compilation based on Turnover figures of power sector PSUs and GSDP figures as per Information supplied by Department of Economic and Statistical Analysis, Government of Haryana at current prices of respective years (Advanced Estimates) for year to year comparison.

The turnover of power sector undertakings has recorded increasing trend during last five years and it ranged between 6.35 *per cent* and 24.54 *per cent* during the period 2014-19, whereas increase in GSDP of Haryana ranged between -11.78 *per cent* and 40 *per cent* during the same period. The compounded annual growth of GSDP was 12.31 *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 12.31 *per cent* of the GSDP, the turnover of power sector undertakings recorded lower compounded annual growth of 10.59 *per cent* during last five years. This resulted in decrease in share of turnover of the power sector undertakings to the GSDP from 6.27 *per cent* in 2014-15 to 5.21 *per cent* in 2018-19.

The State owned power distribution utilities including that of Haryana State were incurring continuous losses in their operations since their inception. The

[1] Saur Urja Nigam Haryana Limited. The Company's Board of Directors have decided (29 March 2019) to wind up the Company.

power distribution utilities were burdened by accumulated losses of ₹ 29,063.67 crore at the end of the financial year 31 March 2016. They also had debts of ₹ 24,836.31 crore as on that date. The Ministry of Power (MoP), Government of India (GoI) launched (20 November 2015) Ujwal Discom Assurance Yojana (UDAY), a scheme for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). The provisions of UDAY and status of implementation of the scheme by two power DISCOMs are also discussed in this Chapter.

Power demand, availability and supply position in the State

1.2 The peak demand for power, its availability and share through State's own power generating utility, the Haryana Power Generation Corporation Limited (HPGCL), during 2014-15 to 2018-19 is given in the table below:

Table 1.2: Details of Power Generation by HPGCL

Year	Installed Capacity of HPGCL (in MW)	Peak demand (in MW)	Availability of Power (in MW)	Percentage of excess power tied up above peak demand	Total power Supply (in MUs)	Power Supplied by HPGCL (in MUs)	HPGCL's share in total supply (in *per cent*)
2014-15	3,230.20	9,152	11,271.47	23.16	51,107	12,675	24.80
2015-16	2,782.40	9,113	11,294.47	23.94	50,900	9,796	19.25
2016-17	2,792.40	9,262	11,332.42	22.35	51,264	8,885	17.33
2017-18	2,792.40	9,671	11,442.42	18.32	54,735	10,084	18.42
2018-19	2,792.40	10,270	12,181.42	18.61	56,994	9,983	17.52

Source**:** Load Generation Balance Reports of CEA, Annual Accounts of HPGCL and data supplied by the Haryana Power Purchase Centre.

The State has tied up (entered into Power Purchase Agreements) for more power than its peak demand, meaning Haryana is a power surplus State. Also, HPGCL's share in total power supply in the State has been consistently decreasing due to its higher variable cost in comparison to that from other power producers such as National Thermal Power Corporation, National Hydroelectric Power Corporation, Bhakra Beas Management Board and Private power producers.

Formation of Power Sector Undertakings

1.3 The erstwhile Haryana State Electricity Board (Board) was constituted on 3 May 1967 under Section 5(1) of the Electricity (Supply) Act, 1948. The Board was responsible for generation, transmission and distribution of power in the State. The Board was not profitable in its operations and its accumulated losses stood at ₹ 1,358.67 crore as on 31 March 1993.The Board incurred losses mainly on account of a tariff structure which was not remunerative, high transmission and distribution losses, subsidised power supply to agriculture sector, and low plant load factor in its thermal power stations.

These losses had adversely affected the development activities. To overcome the bottlenecks, the State Government restructured (1998) the Board and the business of power generation was transferred to Haryana Power Generation

Corporation Limited (HPGCL), transmission and distribution function were transferred to Haryana Vidyut Prasaran Nigam Limited (HVPNL). The power distribution function was subsequently transferred (1999) to two distribution Companies *i.e.,* Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL).

Besides above, the State had two other PSUs during the current year - Yamuna Coal Company Private Limited (wound up during 2018-19) and Saur Urja Nigam Haryana Limited, decided to be wound up in March 2019 as the Panchayat department did not grant sub-leasing permission to the entity to carry out their business.

Disinvestment, Restructuring and Privatisation of Power Sector Undertakings

1.4 During the year 2018-19, no disinvestment, restructuring or privatisation exercise was undertaken by the State Government in State's Power Sector PSUs.

Investment in Power Sector Undertakings

1.5 The activity-wise summary of investment [2] in the power sector undertakings as on 31 March 2019 is given below:

Table 1.3: Activity-wise investment in power sector undertakings

Activity	Number of PSUs	Investment (₹ in crore)						
		Equity of GoH	Equity of others	Long term loans of GoH	Loans from others	Grants* from GoH	Total	
							GoH	Others
1	**2**	**3**	**4**	**5**	**6**	**7**	**8 = 3+5+7**	**9=4+6**
Generation of Power	1	2,906.33	145.00	0	1,210.04	0.86	2,907.19	1,355.04
Transmission of Power	1	3,520.66	0	0	4,589.85	18,967.65	22,488.31	4,589.85
Distribution of Power	2	22,876.49	984.27	11.36	5,333.28	59,808.52	82,696.37	6,317.55
Total	**4**	**29,303.48**	**1,129.27**	**11.36**	**11,133.17**	**78,777.03**	**1,08,091.87**	**12,262.44**

Source: Compiled based on accounts finalised by PSUs.

*Grants only provided by GoH.

As on 31 March 2019, the total investment (equity, long term loans and grants/subsidy) in four power sector undertakings was ₹ 1,20,354.31 crore. The investment consisted of 25.29 *per cent* of equity, 9.26 *per cent* of long term loans and 65.45 *per cent* of grant/subsidy. Component-wise analysis of grant/subsidy received by Power sector PSUs during last five years (₹ 26,612.17 crore) showed that grants/subsidies were given for operational and administrative expenses, out of which, 99.93 *per cent* (₹ 26,593.61 crore) was released towards Rural Electrification subsidy (for supply of power at concessional rates to farmers).

[2] Investment includes paid-up capital, long term loans and grants extended by Government of Haryana and others.

The Long term loans advanced by the State Government constituted 0.10 *per cent* (₹ 11.36 crore) of the total long term loans whereas 99.90 *per cent* (₹ 11,133.17 crore) of the total long term loans were availed from other financial institutions. However, during 2015-16 and 2016-17, the State Government has taken over ₹ 25,950 crore (75 *per cent*) of the outstanding debts (₹ 34,600 crore including ₹ 1,149 crore on account of liabilities of DISCOMs towards composite pension trust and PF trust) of the DISCOMs as on 30 September 2015 under UDAY[3] scheme.

Budgetary Support to Power Sector Undertakings

1.6 The Government of Haryana (GoH) 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 last three years ending March 2019 are as follows:

Table 1.4: Details of budgetary support to power sector undertakings during last three years

(₹ in crore)

Particulars	2016-17		2017-18		2018-19	
	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
Equity Capital [4] (i)	4	3,225.49	4	10,644.44	4	13,302.48[5]
Loans given (ii)[6]	3	1,974.67	3	550.70	2	52.84
Grants/ Subsidy provided[7] (iii)	3	10,501.35	2	4,864.00	3	7,370.28
Total Outgo (i+ii+iii)		**15,701.51**		**16,059.14**		**20,725.60**
Loan repayment written off	-	-	-	-	4	5,494.92[8]
Loans converted into equity	-	-	-	-	3	5,531.99
Guarantees issued	3	87.39	3	263.18	3	1,120.59
Guarantee Commitment	4	5,563.18	4	4,204.17	3	1,758.09

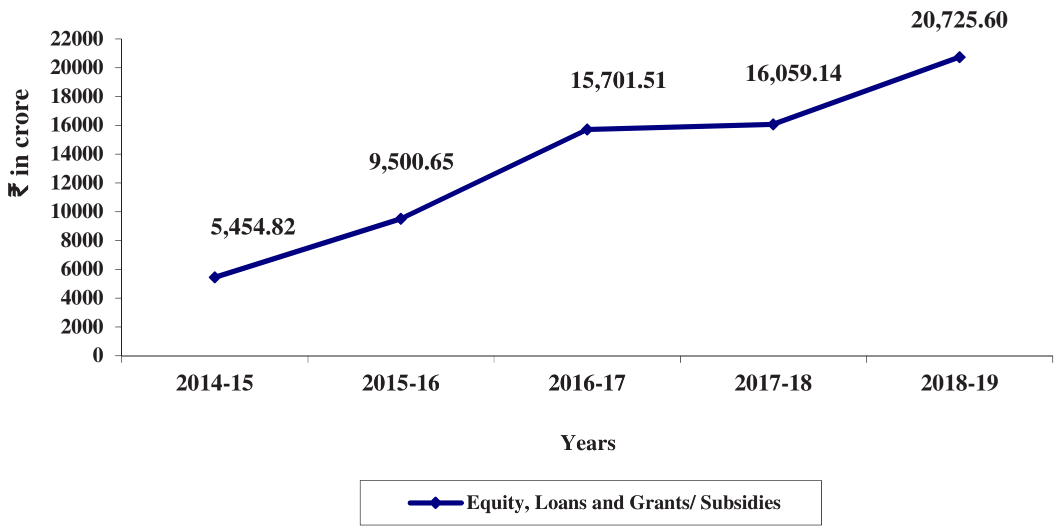
Source: Compiled based on information received from PSUs.

The details of budgetary support towards equity, loans and grants/ subsidies for

3 Scheme launched by MoP, GoI for financial and operational turnaround of DISCOMs.
4 This includes equity received under UDAY scheme *i.e.,* ₹ 1,297.50 crore for 2016-17 and ₹ 5,190.00 crore for the year 2017-18.
5 This also includes grant amounting to ₹ 7,785 crore which was converted into Equity during the year 2018-19
6 This excludes interest bearing loans given under UDAY of ₹ 3,460 crore during 2016-17.
7 This includes grant of ₹ 3,892.50 crore received under UDAY scheme during 2016-17.
8 This is the total repayment of loan and loan written off is nil.

the last five years ending March 2019 are given in a graph below:

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



Out of total outstanding loan of ₹ 15,570 crore, loans amounting to ₹ 5,190 crore were repaid by the Power Sector DISCOMs during 2017-18 under UDAY scheme and fresh subscription (₹ 5,190 crore) in equity of the Power Sector Companies were made by the GoH during 2017-18 in the two State DISCOMs under UDAY Scheme. The additional equity was given for execution of various capital projects. Further, GoH had also released equity amounting ₹ 12,975 crore to both the DISCOMs and HVPNL during the year 2018-19 to set off the loan amounting to ₹ 5,190 crore and conversion of grant amounting to ₹ 7,785 crore into equity.

In order to enable PSUs to obtain financial assistance from banks and financial institutions, State Government gives guarantee subject to limits prescribed by the Constitution of India and charges guarantee fee at the rate of two *per cent*. The guarantee commitment decreased to ₹ 1,758.09 crore during 2018-19 from ₹ 5,563.18 crore in 2016-17. During the year 2018-19 guarantee fee amounting to ₹ seven crore was paid to the State Government.

Reconciliation with Finance Accounts of Government of Haryana

1.7 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 GoH. 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 figures of equity, loan and guarantee as per the Finance Accounts and as per Company accounts as on 31 March 2019 as stated below:

Table 1.5 Equity, Loans and Guarantee outstanding as per Finance Accounts *vis-à-vis* records of Power Sector Undertakings

(₹ in crore)

Sl. No.	Name of Company	As per Finance Accounts	As per Company Accounts	Difference
1	**2**	**3**	**4**	**5=3-4**
Equity				
1	HPGCL	3,301.00	2,906.33	394.67
2	HVPNL	3,169.47	3,520.66	-351.19
3	UHBVNL	8,104.00	12,134.99	-4,030.99
4	DHBVNL	6,866.67	10,741.50	-3,874.83
Loans				
1	HPGCL	57.61	0.00	57.61
2	HVPNL	6,413.61	11.36	6,402.25
3	UHBVNL			
4	DHBVNL			
Guarantee				
1	HPGCL	47.47	47.47	0.00
2	HVPNL	1,549.00	1,549.00	0.00
3	UHBVNL	1,251.36	1,084.67	166.69
4	DHBVNL	373.42	373.42	0.00

Source: Compiled based on accounts of PSUs and Finance Accounts.

The issue of reconciliation of differences was also taken up with the PSUs/ Departments from time to time.

It is recommended that the State Government and the PSUs should reconcile the differences in a time-bound manner.

Submission of accounts by Power Sector Undertakings

Timeliness in preparation of accounts by Power Sector Undertakings

1.8 There were five power sector undertakings under the audit purview of the Comptroller and Auditor General of India as of 31 March 2019. Accounts for the year 2018-19 were submitted by all four working PSUs by 30 September 2019 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 2019 are given below:

Table 1.6: Position relating to submission of accounts of Power Sector Undertakings

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Number of PSUs	5	4	5	5	4
2.	Number of accounts submitted during current year	5	2	6	8	4
3.	Number of PSUs which finalised accounts for the current year	3	0	2	5	4
4.	Number of previous year accounts finalised during current year	2	2	4	3	0
5.	Number of PSUs with arrears in accounts	2	4	3	0	0
6.	Number of accounts in arrears	2	4	3	0	0
7.	Extent of arrears	One year	One year	One year	-	-

Source: Compiled based on accounts of working PSUs received during the period October 2018 to September 2019.

There is now no arrear in finalisation of accounts of power sector companies.

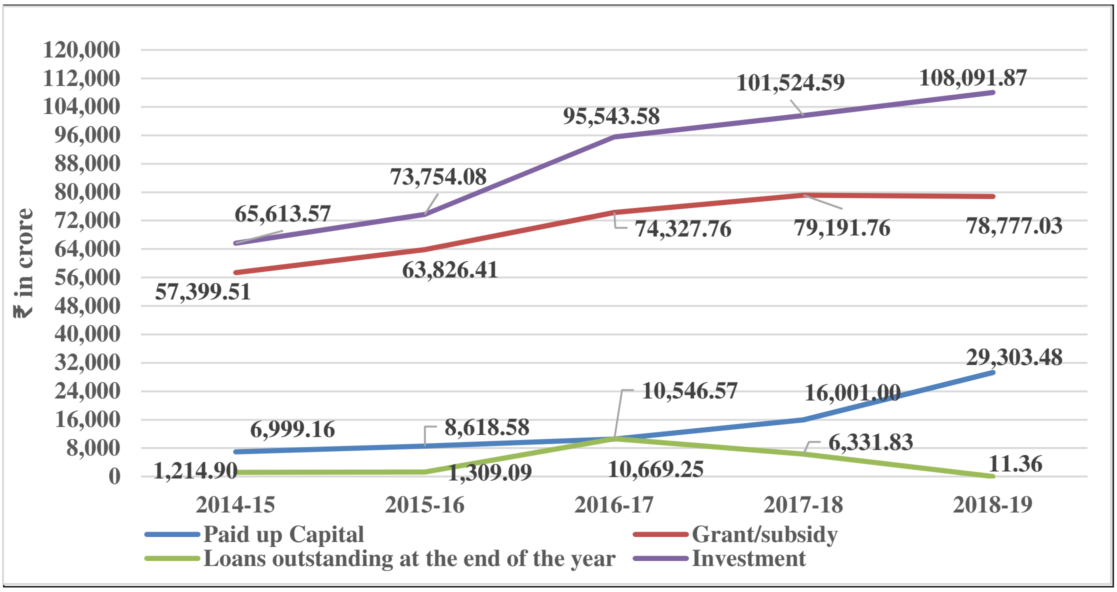
Performance of Power Sector Undertakings

1.9 The financial position and working results of four power sector Companies as per their latest finalised accounts as of 30 September 2019 are detailed in ***Appendix-1***.

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the undertakings. The amount of total investment in the power sector PSUs as on 31 March 2019 was ₹ 1,20,354.31 crore consisting of ₹ 30,432.75 crore as equity, ₹ 11,144.53 crore as long term loans and ₹ 78,777.03 crore as grant/subsidy. Out of this, GoH has investment of ₹ 1,08,091.87 crore in the four Power Sector public sector undertakings consisting of equity ₹ 29,303.48 crore and long term loans of ₹ 11.36 crore and grant/subsidy of ₹ 78,777.03 crore.

The year-wise status of investment of GoH in the form of equity, long term loans and grants/subsidy in the power sector PSUs during the period 2014-15 to 2018-19 is as follows:

Chart 1.2: Total investment of GoH in power sector undertakings



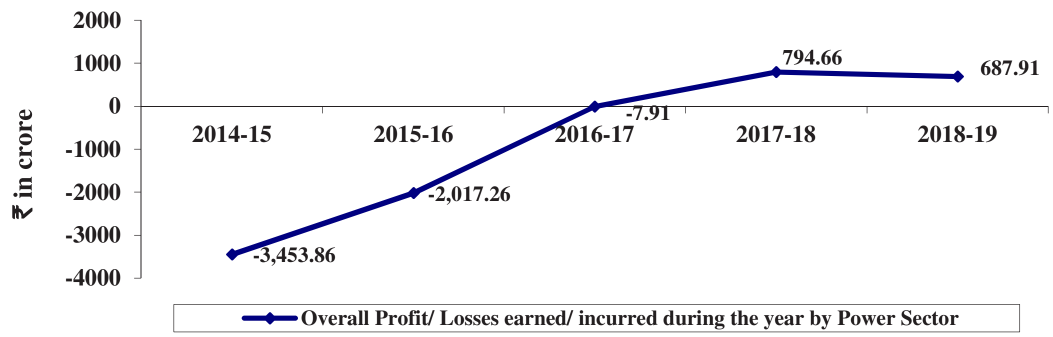
The total investment of GoH in the power sector increased 1.65 times during the period from 2014-15 to 2018-19 as shown in the chart 1.2.

Financial performance and profitability of a company is traditionally assessed through Return on Investment (ROI), Return on Equity (ROE) and Return on Capital Employed (ROCE) as discussed below.

Return on Investment (ROI)

1.10 Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit/losses[9] earned/incurred by all the working power sector undertakings during 2014-15 to 2018-19 is depicted in the following Chart:

Chart 1.3: Profits/Losses earned/incurred by Power Sector Undertakings



9 Figures are as per the latest finalised accounts during the respective years.

All the four power sector PSUs earned profit in the year 2018-19 - cumulatively ₹ 687.91 crore wherein HPGCL contributed ₹ 209.99 crore and HVPNL ₹ 196.98 crore.

Position of Power Sector Undertakings which earned/incurred profit/loss during 2014-15 to 2018-19 is given below:

Table 1.7: Power Sector Undertakings which earned/incurred profit/loss

Financial year	Total PSUs in power sector	Number of PSUs which earned profits	Number of PSUs which incurred loss	Number of PSUs which had marginal profit/ loss
2014-15	4	1	2	1
2015-16	4	1	2	1
2016-17	4	3	1	0
2017-18	4	4	0	0
2018-19	4	4	0	0

Return on the basis of historical cost of investment

1.11 The State Government infused funds in the form of equity, loans and grants/subsidies in all four Power Sector Undertakings.

The ROI from the four PSUs has been calculated on the investment made by the GoH in the PSUs in the form of equity, long term loans and grants/subsidies. In the case of loans, only interest free loans have been considered as investment since the Government does not receive any interest on such loans and are, therefore, of the nature of equity investment by Government except to the extent that the loans are liable to be repaid as per terms and conditions of repayment.

The investment of State Government as on 31 March 2019 in these four power sector PSUs was ₹ 1,07,848.61 crore (₹ 1,08,080.51 crore minus ₹ 231.90 crore and not taking into account loans as all loans were interest bearing loans) at the end of 2018-19 on historical cost basis after adjustment of initial residual accumulated losses of ₹ 231.90 crore.

The ROI on historical cost basis for the period 2014-15 to 2018-19 is as given below:

Table 1.8: Return on State Government investment on historical cost basis

Financial year	Investment made by the GoH in form of Equity and grants/subsidies (₹ in crore)	Total Earnings/ Losses for the year (₹ in crore)	ROI (in *per cent*)
(1)	(2)	(3)	(4)=(3)/(2)*100
2014-15	64,166.76	-3,453.86	-5.38
2015-16	72,213.08	-2,017.26	-2.79
2016-17	84,642.42	-7.91	-0.04
2017-18	94,960.85	794.66	0.84
2018-19	1,07,848.61	687.91	0.64

The ROI in the four power sector PSUs improved from (-) 5.38 *per cent* in 2014-15 to 0.84 *per cent* in 2017-18 but decreased to 0.64 *per cent* in 2018-19 due to infusion of more equity and grant/subsidy coupled with decrease in profit. The ROI has improved over the years due to infusion of funds by the GoH under UDAY and reduction in AT&C losses.

Present Value of Investment

1.12 In view of the significant investment by Government in the four Power Sector companies, Rate of Real Return (RORR) on such investment is essential from the perspective of State Government. Traditional calculation of ROI is based on historical cost of investment, which may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the Present Value (PV) of money. Therefore, in addition, RORR is calculated considering the PV of historical cost of investment.

In order to bring the historical cost of investments to its PV at the end of each year up to 31 March 2019, the past investments/ year-wise funds infused by the GoH in the State PSUs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, PV of the State Government investment in the shape of equity, grants and subsidy for operational and administrative expenditure and interest free loan since inception of these companies till 31 March 2019 was computed. However, the four PSUs had a positive ROI from the year 2017-18 onwards. Therefore, only for the year 2017-18 and 2018-19, the ROI has been calculated and depicted on the basis of PV.

In calculating the PV of the State Government investment in power sector undertakings the following assumptions were made:

- Where interest free loans was given to the PSUs and later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year.

- The average rate of interest on Government borrowings for the concerned financial year[10] was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of ROI made by the government.

- The grants and subsidies given by the State Government less disinvestment had traditionally been considered for arriving at rate of real return.

For the period 2014-15 (three companies), 2015-16 (three companies), 2016-17 (only one company) when these Companies had incurred losses, a more

[10] The average rate of interest on Government borrowings was adopted form the Reports of the CAG of India on State Finances (Government of Haryana) for the concerned year wherein the average rate for interest paid = Interest payment/[(amount of previous year's fiscal liabilities + current year's fiscal liabilities)/2]*100.

appropriate measure of performance is the erosion of net worth due to the losses which has been commented upon in Para 1.14.

Rate of Real Return (RORR) on the basis of Present Value of Investment

1.13.1 The consolidated position of the PV (real return) of the State Government investment relating to the four power sector companies since inception of these companies till 31 March 2019 is indicated in table below:

Table 1.9: Present value (Real Return) of Government Investment from 1999-2000 to 2018-19

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Grants/Subsidies given by State Government for operational and administrative Expenditure	Total investment during the year	Total investment at the end of the year	Average rate of interest on Government borrowings (in *per cent*)	Present value of total investment at the end of the year	Minimum expected return	Total earnings for the year
1	**2**	**3**	**4**	**5=(3+4)**	**6=2+5**	**7**	**8=(6x7/100)+6**	**9=6x7/100**	**10**
1999-2000	-	448.11*	412.00	860.11	860.11	12.05	963.75	103.64	-445.55
2000-01	963.75	265	769.30	1,034.30	1,998.05	11.40	2,225.83	227.78	-221.63
2001-02	2,225.83	38.71	850.05	888.76	3,114.59	10.50	3,441.63	327.03	-182.55
2002-03	3,441.63	97.36	839.72	937.08	4,378.71	10.74	4,848.98	470.27	26.48
2003-04	4,848.98	112.27	988.12	1,100.39	5,949.38	10.20	6,556.21	606.84	239.68
2004-05	6,556.21	162.93	1,164.79	1,327.72	7,883.94	8.49	8,553.28	669.35	-371.08
2005-06	8,553.28	359.29	1,284.51	1,643.80	10,197.08	8.95	11,109.72	912.64	-377.65
2006-07	11,109.72	777.80	3,755.42	4,533.22	15,642.94	9.20	17,082.09	1,439.15	-416.21
2007-08	17,082.09	930.16	2,560.17	3,490.33	20,572.42	7.43	22,100.95	1,528.53	-649.1
2008-09	22,100.95	855.72	2,908.30	3,764.02	25,864.97	7.82	27,887.61	2,022.64	-1,246.5
2009-10	27,887.61	898.82	2,771.09	3,669.91	31,557.52	9.29	34,489.22	2,931.69	-1,460.84
2010-11	34,489.22	882.18	5,905.77	6,787.95	41,277.17	9.22	45,082.92	3,805.75	-592.08
2011-12	45,082.92	573.35	7,153.15	7,726.50	52,809.42	9.73	57,947.78	5,138.36	-10,194.3
2012-13	57,947.78	198.62	10,258.26	10,456.88	68,404.66	9.86	75,149.36	6,744.70	-3,833.76
2013-14	75,149.36	100	10,544.22	10,644.22	85,793.58	9.83	94,227.09	8,433.51	-3,849.89
2014-15	94,227.09	66.94	5,234.63	5,301.57	99,528.66	9.33	1,08,814.68	9,286.02	-3,453.86
2015-16	1,08,814.68	1,619.42	6,426.90	8,046.32	1,16,861.00	8.64	1,26,957.79	10,096.79	-2,017.26
2016-17	1,26,957.79	1,927.99	10,501.35	12,429.34	1,39,387.13	8.00	1,50,538.10	11,150.97	-7.91
2017-18	1,50,538.10	5,454.43	4,864.00	10,318.43	1,60,856.53	8.10	1,73,885.91	13,029.38	794.66
2018-19	1,66,100.91[11]	13,302.48	7,370.28	20,672.76	1,86,773.67	8.81	2,03,228.43	16,454.76	687.91
Total		**29,071.58**	**78,777.03#**	**1,07,848.61#**					

*Equity infused amounting to ₹ 680.01 crore less initial accumulated residual losses of ₹ 231.90 crore transferred to PSUs. Information in respect of column no. 3, 4 and 10 is compiled from printed Audit Reports of respective years.

Total grants excludes ₹ 7785 crore converted into equity as mentioned in footnote 11.

[11] The difference of ₹ 7,785 crore in opening balance was due to Grant received under UDAY scheme (₹ 3,892.50 crore during 2015-16 and 2016-17 in each year) which was converted into Equity during the year 2018-19 as its impact had already been taken in the grant of respective years.

The balance of investment of the State Government in these four companies at the end of 2018-19 increased to ₹ 1,07,848.61 crore from ₹ 860.11 crore (equity infused ₹ 680.01 crore and grant/subsidy ₹ 412 crore by State Government and minus initial residual accumulated losses of ₹ 231.90 crore) in 1999-2000 as the State Government made further investments in the shape of equity and grant and subsidy ₹ 1,06,988.50 crore. The PV of investments of the State Government up to 31 March 2019 worked out to ₹ 2,03,228.43 crore.

The total earnings for the years 1999-2000 to 2001-02 and 2004-05 to 2016-17 for these companies were negative which indicates that Government could not recover its cost of funds. There were positive total earning during 2017-18 and 2018-19 but they were substantially below the minimum expected returns.

Rate of Return on historical cost and present value

1.13.2 A comparison of returns on investment on historical cost basis and PV basis during 2017-18 and 2018-19, when there were positive earnings, is given in following table:

Table 1.10: Return on State Government Investment

(₹ in crore)

Year	Total Earnings	At historical cost		At Present Value (PV)	
		Investment by GoH in form of Equity and grant at the year end	Return on Investment (in *per cent*)	Investment by GoH in form of Equity and grant at the year end	Rate of Real Return on Investment (*in per* cent)
1	2	3	4=(2/3)×100	5	6=(2/5)×100
2017-18	794.66	94,960.85	0.84	1,73,885.91	0.46
2018-19	687.91	1,07,848.61	0.64	2,03,228.43	0.34

The returns based on PV were less than the returns based on historic cost as indicated by the comparison of returns during last two years. During 2017-18 and 2018-19, returns based on historic cost were 0.84 and 0.64 *per cent* whereas Rate of Real Return based on PV were 0.46 and 0.34 *per cent* respectively.

Erosion of Net worth

1.14 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. As on 31 March 2019, the overall accumulated losses of the four Power Sector Undertakings were ₹ 28,657.21 crore as against the capital investment of ₹ 30,432.75 crore resulting in net worth of ₹ 1,775.54 crore (***Appendix 1***). Of the four Power Sector Undertakings, the net worth of UHBVNL was (-) ₹ 2,932.14 crore and DHBVNL (-) ₹ 2,516.38 crore.

The following table indicates paid-up capital, accumulated profit/loss and net worth of the four Power Sector Undertakings during the period 2014-15 to 2018-19:

Table 1.11: Net worth of four Power Sector Undertakings during 2014-15 to 2018-19

(₹ in crore)

Year	Paid-up capital at the end of the year	Free Reserves and Surplus	Accumulated profit/ loss	Deferred revenue expenditure	Net worth
1	2	3	4	5	6 = 2+3-4-5
2014-15	8,370.48	-	-29,173.23	0.02	-20,802.77
2015-16	11,322.28	-	-29,122.79	0.01	-17,800.52
2016-17	11,675.82	-	-30,082.91	0.01	-18,407.10
2017-18	17,147.50	-	-29,302.90	0.02	-12,155.42
2018-19	30,432.75	-	-28,657.21	0.00	1,775.54

The State Government continued to provide financial support to the four power sector companies through infusion of equity capital during the period 2014-19. However, despite infusion of capital, the accumulated losses of these power companies marginally decreased from ₹ 29,173.23 crore in 2014-15 to ₹ 28,657.21 crore in 2018-19. The entire capital infused in these companies had been eroded up to 2017-18. During 2017-18, despite the Power sector companies reporting profit of ₹ 794.66 crore, the net worth remained negative (₹ 12,155.42 crore), due to accumulated losses. During 2018-19, net worth turned positive (₹ 1,775.54 crore) due to conversion of grant of ₹ 7,785 crore and loan of ₹ 5,190 crore extended under UDAY scheme into equity capital of ₹ 12,975 crore.

Out of four PSUs, during 2014-15 to 2018-19, the net worth of two[12] PSUs was in negative and two[13] PSUs showed positive net worth. The net worth of two[14] PSUs increased during 2014-15 to 2018-19 whereas it had been improving in respect of two[15] PSUs during the same period.

Dividend Payout

1.15 The State Government had formulated (October 2003) guidelines under which all PSUs are required to pay a minimum return of four *per cent* on the paid-up share capital of the State Government. Further, dividend should be declared in the Annual General Meeting (AGM) based on the recommendations of the Board of Directors. Dividend payout relating to four Power Sector Undertakings where equity was infused by GoH during the period is shown in

[12] Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited.
[13] Haryana Power Generation Corporation Limited and Haryana Vidyut Prasaran Nigam Limited.
[14] Haryana Power Generation Corporation Limited and Haryana Vidyut Prasaran Nigam Limited.
[15] Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited.

table below:

Table 1.12: Dividend Payout of Power Sector Undertakings during 2014-15 to 2018-19

(₹ in crore)

Year	Total PSUs where equity infused by GoH (without adjustment of initial accumulated losses)		PSUs which earned profit		PSUs which declared/paid dividend		Dividend Payout Ratio (in *per cent*)
	Number of PSUs	Equity by GoH	Number of PSUs	Equity by GoH	Number of PSUs	Dividend declared/paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2014-15	4	6,999.16	1	2,900.24	-	-	-
2015-16	4	8,618.58	1	2,949.04	-	-	-
2016-17	4	10,546.57	2	5,617.59	-	-	-
2017-18	4	16,001.00	4	16,001.00	-	-	-
2018-19	4	29,303.48	4	29,303.48	-	-	-

During the period 2014-15 to 2018-19, the number of PSUs which earned profits ranged between one and four and the profit earned was between ₹ 11.96 crore and ₹ 278.24 crore. However, no PSU declared/paid dividend to GoH.

As per their latest finalised accounts, the four power sector PSUs earned aggregate profit of ₹ 687.91 crore (after interest and taxes) during 2018-19 but none of them considered declaring dividend. During the year 2018-19, HVPNL and HPGCL despite having accumulated profit of ₹ 490.61 crore and ₹ 161.46 crore respectively and net profit of ₹ 196.98 crore and ₹ 209.99 crore respectively, did not declare dividend to Government.

It is recommended that State Government may take up the matter through its nominees on the Board of Directors.

Return on Equity

1.16 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.

Shareholders' fund or the Net worth 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.

ROE 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 2014-15 to 2018-19 are given in table below:

Table 1.13: Return on Equity relating to four Power Sector Undertakings where funds were infused by the GoH

Year	Net Income/ total Earnings for the year[16] (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (in *per cent*)
2014-15	-3,453.86	-20,802.73	-
2015-16	-2,017.26	-17,800.50	-
2016-17	-7.91	-18,407.08	-
2017-18	794.66	-12,155.38	-
2018-19	687.91	1,775.54	38.74

As can be seen from the above table, during the last five years period ended March 2019, the Net Income was positive only during 2017-18 and 2018-19, however, shareholders' fund was negative during 2014-15 to 2017-18. Since the net income of these PSUs during 2014-15 to 2017-18 and the shareholders' fund during 2014-15 to 2017-18 were negative, ROE in respect of these PSUs could not be worked out. Negative shareholders' fund indicates that the liabilities of these PSUs in the years 2014-15 to 2017-18 exceeded the assets instead of paying returns to the shareholders.

During 2018-19, Shareholder's funds were recorded in positive at ₹ 1,775.54 crore and the ROE worked out to 38.74 *per cent*. The main reason for positive Shareholder's fund was conversion of grant of ₹ 7,785 crore and loan of ₹ 5,190 crore into equity amounting to ₹ 12,975 crore under UDAY scheme.

Return on Capital Employed

1.17 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 the Earnings Before Interest and Taxes (EBIT) by the capital employed[17]. The details of ROCE of four power sector undertakings during the period from 2014-15 to 2018-19 are given in table below:

Table 1.14: Return on Capital Employed

Year	Return on capital employed (in *per cent*)		
	Profit making PSUs	Loss making PSUs	Aggregate
2014-15	13.16	5.21	7.56
2015-16	13.09	34.01	26.35
2016-17	11.38	113.23	33.82
2017-18	12.62	-	75.15
2018-19	18.58*	-	27.48

* Except Uttar Haryana Bijli Vitran Nigam Limited whose capital employed was negative for the year

16 As per annual accounts of the respective years.

17 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.

The ROCE substantially increased during the year 2017-18 in comparison to that for the year 2016-17, primarily because of decrease in finance cost due to taking over of loans and providing grant by GoH under UDAY Scheme. It decreased in 2018-19 due to conversion by GoH of grant/loan of ₹ 12,975 crore into equity.

Analysis of Long term loans of the Companies

1.18 The analysis of the long term loans of the companies during 2014-15 to 2018-19 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.

Interest Coverage Ratio

1.19 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 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 four power sector companies which had interest burden during the period from 2014-15 to 2018-19 are given in following table:

Table 1.15: 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
2014-15	3,471.80	1,500.43	4	1	3
2015-16	4,531.25	4,125.81	4	2	2
2016-17	3,134.92	1,723.04	4	3	1
2017-18	2,673.69	3,943.18	4	4	-
2018-19	2,061.99	3,550.93	4	4	-

There was only one power sector company (HPGCL) with interest coverage ratio of more than one in the year 2014-15, in 2017-18 and 2018-19 all four companies had interest coverage ratio of more than one.

Debt Turnover Ratio

1.20 During the last five years, the turnover of power sector undertakings recorded compounded annual growth of 10.59 *per cent* and long term loans decreased to ₹ 11,144.53 crore in 2018-19 due to which the Debt Turnover Ratio improved from 0.88 in 2014-15 to 0.30 in 2018-19 as given in table below:

Table 1.16: Debt Turnover ratio relating to the Power Sector undertakings

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debts from Government and others (Banks and Financial Institution)	24,339.52	33,459.49	28,956.75	17,402.60	11,144.53
Turnover	27,716.88	29,475.63	32,169.09	34,370.70	36,818.34
Debt-Turnover Ratio	0.88:1	1.14:1	0.90:1	0.51:1	0.30:1

Source: Compiled based on ***Appendix-1***

Assistance under Ujwal Discom Assurance Yojana (UDAY)

1.21 The Ministry of Power (MoP), GoI launched (20 November 2015) 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

1.21.1 The participating States were required to undertake various targeted activities like compulsory feeder and Distribution Transformer (DT) metering, consumer indexing and Geographic Information System mapping of losses, upgrading or changing transformers and meters, smart metering of all consumers consuming above 200 units per month, Demand Side Management through energy efficient equipments, quarterly revision of tariff, comprehensive consumer information, Education and Communication campaign to check theft of power, assure increased power supply in areas where the Aggregate Technical and Commercial (AT&C) losses have been reduced for improving the operational efficiencies. The timeline prescribed for these targeted activities were also required to be followed so 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 15 *per cent* by 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 2019-20.

Scheme for financial turnaround

1.21.2 The participating States were required to take over 75 *per cent* of DISCOMs outstanding debt as on 30 September 2015 *i.e.,* 50 *per cent* in 2015-16 and 25 *per cent* in 2016-17. The scheme for financial turnaround, *inter alia,* provided that:

- State will issue '*Non Statutory Liquidity Ratio'* non-SLR bonds and the proceeds realised from issue of such bonds shall be transferred to the

DISCOMs which in turn shall discharge the corresponding amount of Banks/ Financial Institutions debt. The bonds so issued will have a maturity period of 10-15 years with a moratorium on repayment of principal up to 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 2015-16 and 2016-17 will be as a grant which can be spread over three years with the remaining transfer through State loan to DISCOM.
- In exceptional cases, 25 *per cent* of grant can be given as equity.

Implementation of the UDAY Scheme

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

A. Achievement of operational parameters

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

Table 1.17: Parameter wise achievements *vis-à-vis* targets of operational performance up to 31 March 2019

Parameter of UDAY Scheme	Target under UDAY Scheme	Progress under UDAY Scheme	Achievement (in *per cent*)
Feeder metering (in Nos.)			
Urban	1,365	1,643	120.37
Rural	1,621	1,451	89.51
Metering at Distribution Transformers (in Nos.)			
Urban	2,79,420	34,300	12.28
Rural	4,78,120	32,195	6.73
Feeder Segregation (in Nos.)	3,536	3,536	100.00
Rural Feeder Audit (in Nos.)	1,621	1,687	104.07
Electricity to unconnected household (in Nos.)	49,18,000	22,13,640	45.01
Smart metering above 500 kWh (in Nos.)	4,31,797	9,081	2.10
Smart metering above 200 and up to 500kWH (in Nos.)	8,22,747	3,857	0.47
Distribution of LED UJALA (in Nos.)	2,14,00,000	1,56,60,654	73.18
AT&C Losses (in *per cent*)	15	14.86 to 21.12	-
ACS-ARR Gap (₹ per unit)	-0.12	-0.03	-
Net Income or Profit/Loss including subsidy (₹ in crore)	-456	280.94	100

Source: Information supplied by both the DISCOMs.

The State's performance in parameter of metering at Distribution Transformers (DTs) in urban and rural areas was not encouraging. The work of smart metering was also poor whereas the State performance had been excellent in areas of Feeder segregation and Feeder metering. The target of restricting Aggregate

Technical and Commercial (AT&C) losses to 15 *per cent* by the year 2018-19 was still to be achieved by UHBVNL. The MoP, GoI, had ranked the State, fifth, amongst all the states on the basis of overall achievements made by the two State DISCOMs under UDAY Scheme up to 31 March 2019.

B. Implementation of Financial Turnaround

1.21.4 A tripartite Memorandum of Understanding (MoU) was signed (11 March 2016) between the MoP, the GoH and State DISCOMs (*i.e.*, UHBVNL and DHBVNL). As per provisions of the UDAY Scheme and tripartite MoU, out of total outstanding debt (₹ 34,600 crore) of the two State DISCOMs as on 30 September 2015, GoH took over total debt of ₹ 25,950 crore during the period 2015-16 and 2016-17.

In terms of the MoU, the loan of ₹ 25,950 crore taken over by the GoH was to be ultimately converted into grant of ₹ 3,892.50 crore and equity of ₹ 1,297.50 crore annually for a period of five years, starting from 2015-16. It was envisaged that at the end of the 2019-20, GoH would have an equity of ₹ 6,487.50 crore, and ₹ 19,462.50 crore would have been given to the DISCOMs by way of grants. In this proportion, as on 31 March 2019, equity of ₹ 5,190 crore and grant of ₹ 15,570 crore should have been converted from the loan overtaken. Further, as per the UDAY scheme guidelines *"In exceptional cases, 25 per cent of grant can be given as equity*".

Actual implementation of the scheme is as detailed below:

Table 1.18: Implementation of UDAY Scheme

(₹ in crore)

Year	Equity Investment	Loan	Grant	Total
2015-16	1,297.50	12,110.00	3,892.50	**17,300.00**
2016-17	1,297.50	3,460.00	3,892.50	**8,650.00**
Total	**2,595.00**	**15,570.00**	**7,785.00**	**25,950.00**
2017-18	5,190.00	-5,190.00	0.00	**0.00**
2018-19	12,975.00	-5,190.00	-7,785.00	**0.00**
As on 31 March 2019	**20,760.00**	**5,190.00**	**0.00**	**25,950.00**

It was observed that the GoH did not follow the provisions of the MoU and the scheme notification. During 2017-18, ₹ 5,190 crore of loan was entirely converted as equity instead of bifurcating between grant and equity. Further, during 2018-19, the GoH converted Loan of ₹ 5,190 crore and ₹ 7,785 crore, provided during 2015-16 and 2016-17 respectively as grant under UDAY Scheme, into equity.

Consequently, GoH has invested ₹ 20,760 crore in equity in excess of the limit of ₹ 6,487.50 crore envisaged under the MoU, and reduced the grant portion to nil by converting 100 *per cent* grant of ₹ 7,785 crore into equity, which was not in line with the UDAY Scheme notification.

The DISCOMs paid interest of ₹ 2,787.24 crore, for the period October 2015 to March 2019, on the loans given by GoH under UDAY Scheme to discharge the loan liability due to other financial institutions and banks. The loans were extended by GoH at rates of interest ranging between 8.06 and 8.21 *per cent per annum.*

Comments on Accounts of Power Sector Undertakings

1.22 Four Power sector Companies forwarded their four audited accounts to the Principal Accountant General (Audit) during the period from 1 October 2018 to 30 September 2019. All of 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 for the accounts of 2016-19 are as follows:

Table 1.19: Impact of audit comments on Power Sector Companies

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	1	13.06	-	-	3	144.29
2	Increase in profit	1	79.68	3	714.78	1	219.62
3	Increase in loss	2	127.10	1	3,428.35	-	-
4	Decrease in loss	1	380.23	2	304.46	-	-
5	Non-disclosure of material facts	-	-	-	-	3	93.35
6	Errors of classification	2	652.09	-	-	3	912.43

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

During the year 2018-19, the Statutory Auditors had issued qualified certificates on two[18] accounts and unqualified certificate on two accounts.

Performance Audit and Compliance Audit Paragraphs

1.23 For Part-I of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2019**,** a Performance Audit (PA) on 'Working of Haryana Vidyut Prasaran Nigam Limited' and seven compliance audit paragraphs were issued to the Additional Chief Secretary of Power Department, GoH with request to furnish replies within two weeks. Replies in respect of the PA and five compliance audit paragraphs were awaited from the State Government (August 2020). The total financial impact of the PA and the compliance audit paragraphs is ₹ 793.03 crore.

Follow up action on Audit Reports

Replies outstanding

1.24 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate

[18] Haryana Power Generation Corporation Limited and Uttar Haryana Bijli Vitran Nigam Limited.

and timely response from the executive. The Finance Department, Government of Haryana issued (July 2002) 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 1.20: Position of explanatory notes on Audit Reports related to Power Sector Undertakings (as on 30 April 2020)

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs related to Power Sector in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2016-17	14.03.2018	-	13	-	05
2017-18	26.11.2019	01	04	01	04

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

The explanatory notes for five paragraphs of 2016-17, one PA and four paragraphs of 2017-18 are yet to be received.

Discussion of Audit Reports by COPU

1.25 The status of discussion of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) by the COPU as on 30 April 2020 was as under:

Table 1.21: Performance Audits/Paragraphs appeared in Audit Reports *vis-à-vis* discussed as on 30 April 2020

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2015-16	01	09	-	09
2016-17	-	13	-	-
2017-18	01	04	-	-

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

The discussion on Power Sector of Audit Reports (PSUs) up to 2014-15 has been completed.

Compliance to Reports of COPU

1.26 Action Taken Notes (ATNs) on four reports of the COPU presented to the State Legislature between March 2016 and March 2019 had not been received (30 April 2020) relating to the State PSUs (Power Sector) as indicated in the following table:

Table 1.22: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	Number of recommendations where ATNs not received
2015-16	1	4	1 (14)
2016-17	1	7	5 (1 to 5)
2017-18	1	8	7 (3, 4, 5, 6, 12, 13 and 14)
2018-19	1	5	2 (4, 5)
2019-20	1	4	4 (5,6,7 and 8)
Total	**5**	**28**	**19**

Source: Compiled based on ATNs received on recommendations of COPU from the respective Department of GoH. Figures in bracket represent the recommendation number of the COPU Report.

The above mentioned Reports of COPU contained recommendations in respect of paragraphs which appeared in the Reports of the CAG of India for the period 2011-12 to 2015-16.

Chapter-II

Power Sector- Performance Audit

Chapter II

2 Power Sector

Performance Audit

Working of Haryana Vidyut Prasaran Nigam Limited

Haryana Vidyut Prasaran Nigam Limited (Company) was incorporated in August 1997 to plan, establish, operate and maintain an integrated and efficient power transmission network in State of Haryana. While the total financial implication of this Performance Audit is ₹ 682.19 crore, some of the significant audit findings are as under:

Highlights

The transmission losses of the Company decreased from 2.62 *per cent* during 2014-15 to 2.05 *per cent* during 2018-19. The Company achieved the targets fixed by the Haryana Electricity Regulatory Commission (HERC) during the years 2017-19.

(Paragraph 2.6)

30 out of the 32 projects, commissioned by the Company during the years 2014-19, were delayed in completion ranging between 3 and 98 months. Consequently, the realisation of Return on Equity and Depreciation amounting to ₹ 228.02 crore on transmission assets valuing ₹ 950.18 crore, completed with delays, was deferred.

(Paragraph 2.7.2.1)

The Company did not achieve the norms of Transmission System Availability (TSA) fixed by the HERC during 2015-18. Due to this, full transmission cost could not be recovered, besides revenues were reduced to the extent of ₹ 15.51 crore.

(Paragraph 2.8.3)

The Company could not fully avail the World Bank loans available at cheaper rates, due to poor pace of project implementation, and resorted to costlier funding arrangement with Rural Electrification Corporation which cost the Company ₹ 24.63 crore. In addition, the Company had to bear ₹ 31.32 lakh on account of front end fee on un-availed portion of World Bank loan.

(Paragraph 2.10.2)

In disregard to Bank Guarantee (BG) terms, the Company released all advance payments to one out of the two guarantee issuing banks, as a result, it could not recover ₹ 9.57 crore from one of the BG issuing Bank.

(Paragraph 2.10.5)

There was late filing of Aggregated Revenue Requirements (ARRs) by the Company leading to delay in finalisation of transmission charges by HERC for 2014-15 to 2017-18. As a result the Company could not recover transmission charges of ₹ 2.11 crore from short term open access consumers.

(Paragraph 2.11.1)

Electricity consumers of the State were subjected to undue burden of ₹ 168.64 crore during 2014-19 due to inefficiencies of the Company relating to non-synchronous commissioning of sub-stations and transmission lines, under utilisation of transmission capacity and non-passing of benefits of Advance Against Depreciation and interest waiver.

(Paragraph 2.12.1)

Profitability of the Company was adversely affected by ₹ 70.08 crore during 2014-19 due to inefficiencies like non-achievement of Transmission System Availability, availing mid-term loan against Government guarantee without carrying out cost benefit analysis, delayed filing of ARR, non-claiming of holding cost timely and non-adherence to working capital norms .

(Paragraph 2.12.2)

2.1 Introduction

Haryana Vidyut Prasaran Nigam Limited (Company) was incorporated in August 1997 to plan, establish, operate and maintain an integrated and efficient power transmission network in State of Haryana. Planning of intra-state transmission system is done by the Company in co-ordination with Central Electricity Authority (CEA), Central Transmission Utility and generating/Distribution Companies (DISCOMs). The Company is required to file Aggregated Revenue Requirement (ARR) to Haryana Electricity Regulatory Commission (HERC) every year for determination of components of expenditure including Capital expenditure, Operation and Maintenance expenditure, Return on Equity (ROE) and Depreciation on assets *etc.* to determine the tariff for transmission of power.

2.2 Organisational Set up

The management of the Company is vested in Board of Directors (BoDs) comprising a Chairman, a Managing Director, three whole time directors and four part time directors, appointed by Government of Haryana (GoH). Managing Director is the chief executive of the Company. Organisation chart of the Company is given in ***Appendix 2.***

2.3 Audit Objectives

Objective of the performance audit was to assess whether:

- Transmission projects were planned as per requirement and executed without time and cost overrun;

- Operation and maintenance of transmission system was carried out economically, efficiently and effectively to ensure supply of smooth and disturbance free power with optimum utilisation of system;
- Grid management and disaster management was efficient and effective;
- Effective coordination mechanism existed between Company and DISCOMs;
- Effective financial management existed to ensure optimum utilisation of funds; and
- Tariff proposals are made accurately and in a timely manner.

2.4 Audit Criteria

The audit findings are evaluated against audit criteria sourced from the following:

- Electricity Act, 2003, National Electricity Policy and Plan; Manual of transmission planning of CEA, Indian Electricity and State Grid Codes;
- Directions from GoH / Ministry of Power (MoP) and norms/guidelines issued by HERC/CEA;
- Company's annual plans and project reports, agenda and minutes of BoDs meetings and Company's circulars, manuals and Management Information System reports; and
- Standard procedures for award of contracts and Tariff proposals filed with HERC and its orders.

2.5 Scope of Audit and Methodology

The last performance audit on "Transmission Activities" of the Company was included in the Report of the Comptroller and Auditor General of India on Public Sector Undertakings (Social, General and Economic Sectors) for the year ended 31 March 2012, Government of Haryana. The Report was discussed by the Committee on Public Undertakings (COPU) which made three [1] recommendations contained in its 62nd Report. The recommendation on delayed construction of power evacuation line has been dropped by COPU on its compliance. The recommendation on non-utilisation of 220 kV sub-station Batta was still pending (April 2020), though the sub-station has now been put to use. The recommendation of COPU to expedite recovery of HUDA claims was also pending (April 2020).

[1] i) Delayed construction of power evacuation lines for third unit of Indra Gandhi Super thermal Power Project Jhajjar, ii) Construction of 220 kV sub-station Batta without load and iii) non-recovery of HUDA claims.

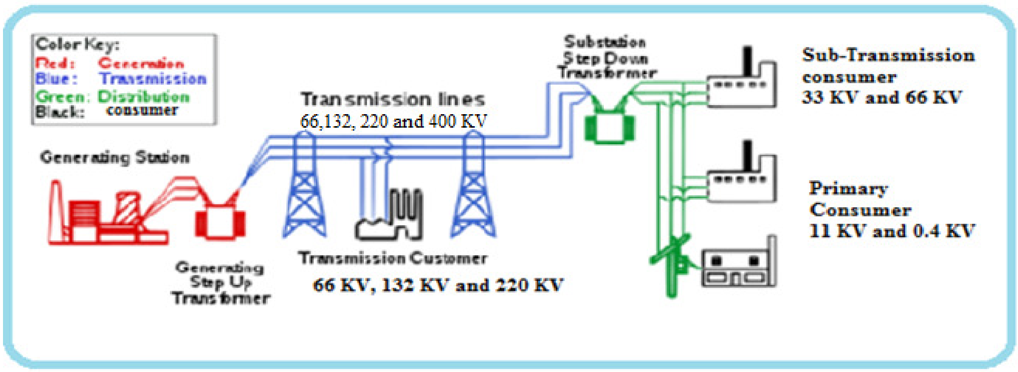
The present performance audit, conducted during November 2018 to July 2019, assessed performance of the Company during the period 2014-15 to 2018-19. Audit examination involved scrutiny of records of different wings at the head office of the Company, State Load Dispatch Center (SLDC), three out of six Transmission System (TS) circles[2], one out of two Civil Maintenance-cum-Construction (CMC) circles[3] and one out of two metering and protection circles[4], selected through stratified random sampling without replacement by using Interactive Data Extraction and Analysis (IDEA) tool.

The audit objectives were discussed (April 2019) with the Management during entry conference. Audit findings were reported (February 2020) to the Management and Government of Haryana and discussed (10 June 2020) in the exit conference which was attended by the Additional Chief Secretary (Power) to Government of Haryana and Managing Director of the Company. Views expressed by the Company and Government have been considered and incorporated in this Performance Audit Report.

2.6 Transmission process and transmission assets

Major elements of transmission systems are transmission lines and sub-stations[5], which cater to power demand of downstream network of distribution licensees. To reduce loss and increase efficiency during transmission, power generated at relatively low voltage (11 kV) is stepped up (voltage is increased) before transmission and then stepped down to low voltage for distribution to consumers. A pictorial representation of transmission process is given below:

GENERATION ⇨ TRANSMISSION ⇨ DISTRIBUTION



Increased demand for power as per projected load growth necessitates construction of new sub-stations, capacity augmentation of existing sub-stations and laying of new transmission lines. Transmission network of the Company at

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2 TS circles Gurugram, Hisar and Rohtak were selected from six TS circles at Faridabad, Gurugram, Hisar, Karnal, Panchkula and Rohtak.

3 CMC circle Hisar was selected from two CMC circles at Hisar and Panchkula.

4 Metering and Protection circle Delhi was selected from two CMC circles at Delhi and Dhulkot (Ambala).

5 Sub-stations are interface between distribution grid and transmission systems. They step down voltage in the transmission lines to the level suitable for distribution.

beginning and at the end of 2014-19 is depicted below:

Chart 2.1: Transmission lines added during 2014-19

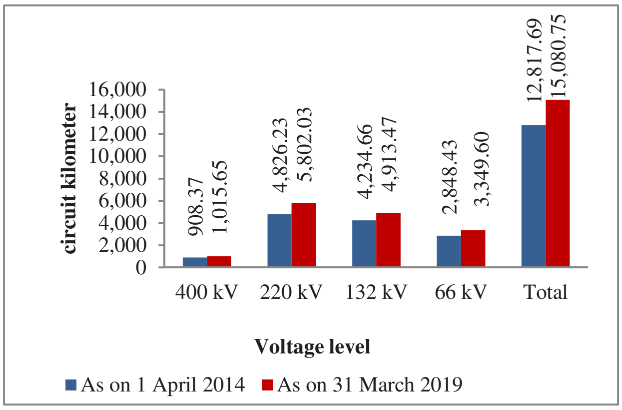
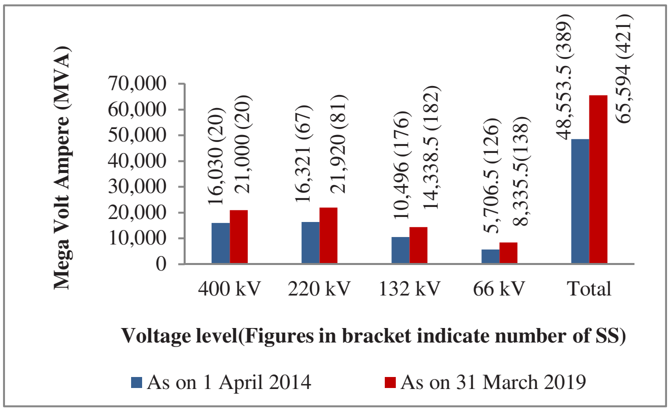


Chart 2.2:Transformation capacity added during 2014-19



Source: Information provided by the Company

Thus, during the years 2014-19, the Company constructed 2,263.054 circuit kilometers[6] (15,080.747 circuit kilometers – 12,817.693 circuit kilometers) transmission lines and added 17,040.5 MVA (65,594.0 MVA – 48,553.5 MVA) transformation[7] capacity through construction of 32 new sub-stations and augmentation of existing sub-stations.

The transmission loss targets fixed by HERC *vis-à-vis* achievement made by the Company during the period 2014-19 are mentioned below:

Table 2.1: Transmission loss targets *vis-à-vis* achievement

Year	2014-15	2015-16	2016-17	2017-18	2018-19
Transmission loss target (in *per cent*) fixed by HERC	2.50	2.48	2.46	2.44	2.42
Actual Transmission Loss (in *per cent*)	2.62	2.70	2.31	2.26	2.05

The transmission losses of the Company decreased from 2.62 *per cent* during 2014-15 to 2.05 *per cent* during 2018-19. The Company achieved the targets fixed by HERC during the years 2016-19.

The Company collects transmission charges (tariff) from DISCOMs at the yearly rates approved by HERC. These transmission charges are worked out by dividing total transmission cost by number of units (kWh) transmitted. For determination of transmission cost, the Company files petition with HERC

6 Circuit kilometer means one kilometer of electrical transmission or distribution circuitry including all necessary conductors, insulators and supporting structures required to provide a complete circuit or double circuit;

7 Transformation capacity is the aggregate capacity of all transformers at sub-stations of the Company.

under seven cost components[8]. Therefore, any unjustified claim on these account and/or cost increase due to inefficiency on the part of Company results in higher transmission cost and consequent unjustified burden on the consumer by way of higher tariff.

Audit Findings

2.7 Project planning and implementation

2.7.1 Project Planning

The system expansion is planned gradually as per the load growth scenario projected by DISCOMs on the basis of historical load data. On the basis of proposal of DISCOMs, planning wing of the Company approves the construction of new Sub-Stations (SSs), transmission lines and augmentation of existing infrastructure.

2.7.1.1 Transmission network planning

The transmission capacity in terms of new SSs planned and achievement/ completed by the Company during 2014-15 to 2018-19 is as under:

Table 2.2: Year-wise details of number of sub-stations planned and completed

Year	No. of SSs under construction at beginning of the year	No. of additional SSs planned for construction during the year	No. of SSs scheduled for completion during the year including time overrun	Number of SSs completed during the year	Number of SSs not completed at the end of the year as per schedule
1	**2**	**3**	**4**	**5**	**6=4-5**
2014-15	34	4	27	5	22
2015-16	33	4	28	9	19
2016-17	28	15	19	5	14
2017-18	38	3	15	8	7
2018-19	33	4	16	5	11
Total		**30**		**32**	

Source: Information provided by the Company.

It was observed that

- All the 32 SSs commissioned during 2014-19 were from those 34 SSs which were under construction at the beginning of 2014-15. Of these 34, two[9] SSs were yet to be completed.

- Out of the 30 SSs planned during 2014-19, work in respect of only 20 SSs had been awarded. Of the 20 works awarded, the scheduled

[8] (i) Return on Equity (ROE), (ii) Interest and financing charges on debt, (iii) Interest on working capital, (iv) Depreciation, (v) Operation and Maintenance expenses, (vi) Foreign exchange rate variation, (vii) All statutory levies and taxes, if any, excluding taxes on income.

[9] Roj-ka-Meo and HSIIDC Rai.

completion date of nine SSs was up to 31 March 2019.

Audit analysis of shortfall in planned achievements showed delay in award and execution of works as the main causes.

The table below shows the delay in completion of sub-stations during 2014-19:

Table 2.3: Delay in completion of sub-stations

Delay in months	No. of sub-stations
No delay	2
6-11	4
12-23	5
24 and above	21
Total	**32**

Source: Information provided by the Company

Capital expenditure (CAPEX) approved by HERC and incurred by the Company during five years ended 31 March 2019 is detailed below:

Table 2.4: Year-wise CAPEX proposed and incurred by HVPNL and allowed by HERC

Year	CAPEX proposed (₹ in crore)	CAPEX allowed by HERC (₹ in crore)	CAPEX incurred (₹ in crore)	Percentage of CAPEX incurred to CAPEX allowed
2014-15	1,296.30	833.70	629.68	75.52
2015-16	1,501.70	774.40	468.78	60.53
2016-17	1,036.20	718.20	462.20	64.36
2017-18	929.90	733.20	364.00	49.65
2018-19	1,131.58	792.10	788.50	99.55
Total	**5,895.68**	**3,851.60**	**2,713.16**	**70.44**

Source: Compiled from tariff orders of HERC.

The Company could not incur capital expenditure allowed by HERC in any of the five years due to poor project implementation, as discussed in succeeding paragraphs.

The management while admitting the facts attributed (May 2020) various reasons such as non-finalisation of land, right of way issues, clearances from different departments like Forest, National Highway Authority of India and Railways and poor performance of contractors that led to delayed execution of projects resulting in less utilisation of allowed CAPEX. The fact, however, remains that huge time overruns would lead to consequential financial implications.

2.7.2 Project Implementation

2.7.2.1 Delay in award and execution of works

The Company has to plan and execute works of new/augmented sub-stations along with its associated transmission lines concurrently. The construction of a sub-station is approved by the Company on the basis of joint proposal submitted by DISCOMs and concerned field unit of HVPNL. The construction of a sub-station and lines usually takes 12 to 15 months. In the event of time gap in completion of sub-station and its associated lines, the completed assets remain unutilised till completion of the associated asset. In terms of HERC Regulations, on commissioning of a SS/transmission lines without commissioning of both SS and associated lines, benefits of depreciation and Return on Equity (ROE) in respect of completed portion start accruing to the Company through tariff, though consumers are not benefited through improved power supply.

The charts below show the extent of delay and mismatch in construction of SSs and lines undertaken by the Company during 2014-19:

Chart 2.3: Delay in construction of sub-stations

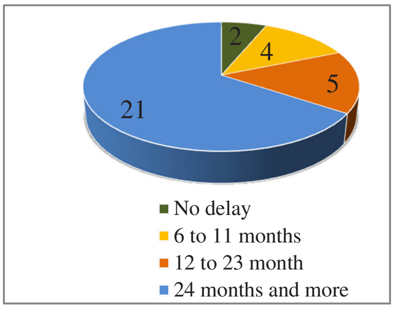


Chart 2.4: Delay in erection of transmission lines

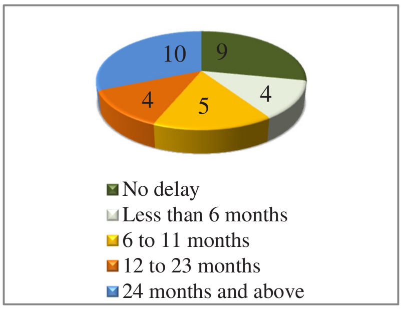
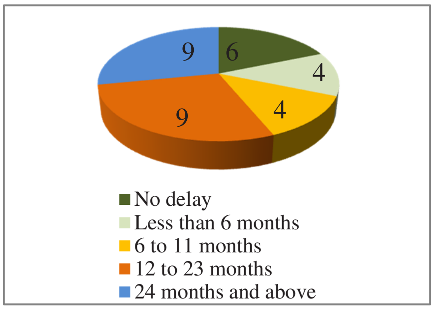


Chart 2.5: Time gap in commissioning of SSs and lines



In this regard, it was observed that:

- Company commissioned 32 projects (consisting of SSs and their associated transmission lines) during 2014-19, of which 30 were completed with overall delays ranging between 3 and 98 months. Audit analysed the delays at pre-award and post-award stages and noticed that while delays of three to 65 months[10] were at pre-award stage, delays of one to 62 months were during execution, as detailed in ***Appendix 3.***

- Main reasons for delayed and non-simultaneous completion of SSs and transmission lines were (i) commencement of works without completion of pre-bid activities such as conducting detailed survey, awarding works without ensuring availability of hindrance free work site, finalisation of layout drawings and delay in submission of proposal for forest clearance and (ii) not ensuring compliance of contract provisions by contractors.

  As a result of such delays, the realisation of ROE and depreciation amounting to ₹ 228.02[11] crore on transmission assets valuing ₹ 950.18 crore, completed with delays, was deferred ***(Appendix 3).***

[10] After allowing six months for pre-award processing.

[11] Calculated at 10.28 *per cent* (ROE is allowed by HERC at 10 *per cent* return on 50 *per cent* cost of the asset *i.e.,* at 5 *per cent* and Depreciation at 5.28 *per cent*) for the period of delay *i.e.,* scheduled completion to actual completion date.

- Further, the Company could not ensure synchronised completion of sub-stations and associated transmission lines in 26 out of 32 transmission projects. The time gap between completion of SSs and their associated lines ranged between one and 75 months[12] (***Appendix 3***) resulting in non-utilisation of completed assets till the completion of associated work. Though, these assets could not be utilised due to non-completion of associated assets, the HERC allowed tariff on account of depreciation and ROE thereon which resulted in unnecessary burden[13]of ₹ 43.83 crore on the state consumers without any benefit accruing to them (refer ***Appendix 3***). But in similar case as discussed in paragraph 2.7.2.4, the Central Electricity Regulatory Commission (CERC) had not allowed tariff due to non-completion of associated asset.

- Delay and mismatch in construction of SSs/ lines were also pointed out during previous Performance audit[14] of the Company. Instances of similar nature were observed and SSs/ lines remained unutilised.

  For assessing the impact of delayed commissioning of sub-stations on power evacuation, Audit test checked records in respect of 12[15] out of 32 SSs commissioned during 2014-19. It was observed that in nine of these sub-stations areas, the already existing transmission system remained over loaded during periods of delayed commissioning, due to which the Company imposed power cuts on the DISCOMs to prevent outage/ damage of its system. These power cuts resulted in non-evacuation[16] of 140.86 MUs of power valuing ₹ 38.25[17] crore, though it was available**.** Besides, the objective of supplying quality power (*i.e.*, smooth and disturbance free power) could not be achieved in terms of Transmission Planning and Security Standards. In case of remaining three sub-stations[18] there was no impact on the power supply as envisaged load growth did not materialise due to lack of demand for power in those areas.

The Management stated (May 2020) that the timeline for pre-award activities has now been approved in August 2019 by the BoDs. Regarding delayed and non-synchronised commissioning of SSs and lines, Management stated that it occurred mainly due to poor performance of contractors and right of way problems. The Company did not take appropriate action against the defaulter contractors.

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12 After allowing three months for commissioning of the associated sub-station or line.

13 As per accounting system, followed by the Company and allowed by the HERC, a sub-station or line is capitalised on completion irrespective of completion of its associated SSs/ lines and the benefit of depreciation and Return on Equity start accruing to the Company through tariffs.

14 Report of the C&AG of India on the PSUs of Government of Haryana for the year ended 31 March 2012.

15 220 kV SSs RGEC, HSIIDC Rai, Barhi, Bhattu Sottar, Hukmavali, Sector-20 Gurugram, Pinjore, A4 Faridabad, Sector-6 Sonepat, Sector-33 Gurugram, Sector-57 Gurugram and 132 kV SS Barsi.

16 Non-evacuation means non-supply of power to the consumers, though it was available in the grid for supply.

17 Calculated at the lowest per unit retail supply rates (ranging between ₹ 2.70 and ₹ 2.98) approved by HERC for respective years in which instance of non-evacuation of power were noticed.

18 (i) Sector 6 Sonepat, (ii) Sector 57 Gurugram and (iii) Sector 33 Gurugram,

Specific observations on construction of sub-stations and associated lines along with cases where significant delays and mismatch were observed are discussed in subsequent paragraphs.

2.7.2.2 Non-utilisation of 220 kV sub-stations / lines at Sonepat and Rai

The 220 kV lines created to feed the 220 kV sub-station Rai remained idle since beginning due to non-construction of the sub-station. The 220 kV sub-station sector 6, Sonepat along with associated lines remained idle due to non-availability of downstream system. The company had approved (July 2009) construction of two 220 kV sub-stations at Sector 6 Sonepat and Rai. The bids for the work were invited (July 2012) and awarded (January 2014) for ₹ 48.38 crore.

- Despite the land for the site of Rai sub-station not being finalised, two separate contracts for construction of two associated lines (*viz.* Deepalpur-Rai and Jhajji-Rai) were awarded (March 2012 and January 2014). The lines were commissioned (March 2016 and October 2017) at a cost of ₹ 42.42 crore and ₹ 17.90 crore respectively. Out of the two, only Deepalpur-Rai line is being partially utilised from March 2019. Thus, investment of ₹ 60.32 crore on construction of these lines remained unutilised till March 2019/December 2019 which put burden of ₹ 17.07 crore[19] on the consumers as the Company was allowed to recover Depreciation and ROE through tariff on these idle lines. The Management stated (May 2020) that availability of land was not in its control. Thus, when the land was not available, the work should not have been awarded.

- Interest free mobilisation advance of ₹ 52.31 lakh was also released (November 2014), though the site for Rai SS was not available. The advance was later adjusted after 22 months (September 2016) from the bills of the contractor for other part of the work when the work of Rai sub-station was excluded from the scope of the contractor's work which cost the Company ₹ 10.41 lakh[20]. Since the Company had exhausted its working capital limit permitted by HERC, any further claim of interest on working capital would not have been allowed in tariff.

- The 220 kV sub-station Sector 6, Sonepat, scheduled for completion in May 2015, could be commissioned only in June 2017 (payment up to June 2017: ₹ 19.23 crore) while the associated lines were commissioned in December 2016 at a cost of ₹ 4.82 crore. The sub-station and associated lines have not been put to use for 27 months and 36 months (up to December 2019), respectively due to non-availability of downstream load which had to be diverted to other sub-station owing

[19] (₹ 42.42 crore x 10.28 *per cent* x 3 years up to March 2019) + (₹ 17.90 crore x10.28 *per cent* x 26 months up to December 2019)

[20] Calculated on ₹ 52.31 lakh for 22 months at 10.85 *per cent per annum* rate of interest on working capital allowed by HERC for the year 2014-15.

to the delay in completion of this sub-station by the power distribution utility. As the HERC allows Company to recover ROE on the basis of capacity commissioned irrespective of actual utilisation, state consumers have been burdened by ₹ 6.43 crore[21] for these idle lines and sub-station. Had the Company worked in coordination with the distribution utility, the sub-station and lines could have been utilised.

2.7.2.3 Construction of 66 kV lines in Faridabad and Ballabgarh area

For construction of eight Nos. 66 kV transmission lines in Faridabad and Ballabgarh area, the Company awarded (March 2011) the work to M/s GET Power Limited Chennai at a cost of ₹ 28.57 crore. The work was to be completed by 4 February 2012. However, the work was completed after a delay of 5 years 10 months in December 2017. It was observed that:

- M/s GET Power Limited, Chennai did not even take up the work till scheduled completion date for which no reasons were found on record. The Company after lapse of more than two years from the scheduled completion date considering the dismal progress of the work (total value of work done ₹ 18.34 crore), terminated the contract in March 2014 and decided to complete the balance work at the risk and cost of the firm.

- The Company took eight months in award (January 2015) of the balance work (estimated cost ₹ 9.12 crore) to M/s Shyam Indus Power Solution Limited at ₹ 16.70 crore. The awarded cost was 84 *per cent* higher as compared to the estimated rates (₹ 9.12 crore) and 64 *per cent* to the old purchase order rate (₹ 10.23 crore) of M/s GET Power Limited without any justification for the higher rates. It was noticed that the Company has not adopted any policy for considering the reasonability of rates in such cases as adopted by its sister concerns (UHBVNL and DHBVNL) which require that in case the quoted rates are in excess of 10 *per cent* of the estimated cost, the rates are not considered reasonable and the bids are re-invited. Thus, due to non-adoption of any policy for considering the reasonability of rates, the award of work at higher rates, the Company did not have any financial coverage for recovery of risk and cost overrun of ₹ 5.44 crore[22] from M/s GET Power Limited as the performance bank guarantee (₹ 2.86 crore) and retention money (₹ 1.52 crore) available with the Company has already been adjusted.

- The balance work, which was to be completed by January 2016, could only be commissioned by December 2017, with a delay of more than 22 months. The reasons for this delay were inordinate delay in approval

[21] Calculated at 10.28 *per cent* on ₹ 4.82 crore for 36 months and on ₹ 19.23 crore for 30 months.

[22] Additional cost recoverable from the defaulting contractor due to execution of balance work at higher rates (Actual completion cost of balance work including actual payment to contractor, material supplied by the Company and work carried out through others contractors. (₹ 20.05 crore)- cost of balance work (₹ 10.23 crore)- Amount recovered by encashment of Performance Bank Guarantee (₹ 2.86 crore) and already recovered retention money (₹ 1.52 crore).

of route plan, obtaining the forest clearance and supply of material by HVPNL.

The Management elucidated (May 2020) the detailed process followed for various approvals but did not offer any specific reasons for delay and re-award of work at higher rates.

2.7.2.4 *Creation of power evacuation lines from 800 kV high voltage direct current sub-station, Bhadson, Kurukshetra of PGCIL*

The Company, approved (October 2013) construction of downstream lines consisting of Loop In Loop Out (LILO[23]) of one circuit each of existing 220 kV Pehowa-Kaul and Bastara-Kaul D/C (Double Circuit) lines from 800 kV HVDC[24] sub-station, Bhadson, Kurukshetra to be constructed by PGCIL[25] having dedicated power evacuation system for HVPNL comprising of eight dedicated bays and two step down transformers[26]. Though PGCIL completed their work in March 2017, the Company could complete evacuation lines in September 2019 after delay of 30 months.

It was observed that:

- The Company awarded (July 2016) the work of construction of lines after lapse of 33 months from date of approval to M/s Isolux Ingenieria S.A., Spain for ₹ 40.32 crore to be completed in 18 months *i.e.,* by January 2018.

- The Company did not take timely action against the firm despite performance of the firm being behind schedule since beginning. The contract was terminated six months after complete stoppage (April 2017) of work in October 2017 *i.e.,* after a lapse of 14 months from the contract date.

- The Company took five months to assess the balance work and awarded (March 2018) the contract at the risk and cost of defaulting firm, for ₹ 46.60 crore with contractual completion date of September 2019. The delay in termination resulted in cost overrun of ₹ 6.61[27] crore. Though the lines have been completed (September 2019) and energised, the risk and cost amount of ₹ 6.96[28] crore (based on re-awarded value) as per contract could not be recovered till date (February 2020).

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23 Loop in loop out – if a new SS is inserted between two existing SSs, the transmission line for new inserted SS is called LILO or when a transmission line passing nearby to a sub-station or generating station is used to tap it, the system used is called LILO.

24 High Voltage Direct Current

25 Power Grid Corporation of India Limited (a Government of India PSU).

26 Step down transformers are used for stepping down the higher voltage level to lower voltage level for further transmission/ distribution

27 Re-awarded cost ₹ 46.60 crore - ₹ 39.99 crore cost of balance work.

28 Additional cost recoverable from the defaulting contractor due to execution of balance work at higher rates as claimed by the Company.

- Interest bearing advance of ₹ 4.03 crore given to the firm in October and December 2016 was recovered by encashment of Bank Guarantee (BG), however, interest of ₹ 41.76 lakh could not be recovered as the Company did not ensure coverage of interest in BG amount.

- The CERC while discussing (tariff order dated 22 February 2018) PGCIL claim for tariff in respect of PGCIL's portion of assets, refused tariff to safeguard consumers' interest (as referred in para 2.7.2.1). However, it directed that the interest and incidental expenditure[29] during construction period incurred by PGCIL should be borne by the Company till completion (September 2019) of the evacuation lines.

The Management intimated (May 2020) that efforts are being made to recover the risk and cost amount.

2.7.2.5 Delay in construction of 220 kV sub-station at Roj-ka-Meo and associated lines

The Company approved (April 2013) creation of 220 kV Gas Insulated Sub-station at Roj-ka-Meo with associated LILO line from 220 kV sub-station Sector 72, Gurugram to Rangla Rajpur. The Company awarded separate works for sub-station (February 2014) and lines (January 2014) with scheduled completion by June 2015. However, the sub-station and lines could not be completed till date (December 2019).

It was observed that:

- The Company awarded (February 2014) work for construction of sub-station to M/s Isolux Ingenieria S.A., Spain at a cost of ₹ 57.35 crore with scheduled completion in June 2015. The hindrance free site could not be provided to contractor till November 2015. The performance of the firm was poor and it stopped the work in February 2017. The contract was terminated (August 2017) after a lapse of more than three years, from award.

- Company took 19 months in award (March 2019) of balance work at a cost of ₹ 42.50 crore at the risk and cost of M/s. Isolux Ingenieria S.A., Spain. The work is yet to be completed (December 2019).

- For construction of associated lines, the Company awarded (January 2014) a contract to M/s Instalaciones Inabensa, Spain for construction of six transmission lines including the one under subject, at a cost of ₹ 106.65 crore. The contract was terminated (June 2015) after lapse of 16 months due to a dispute in opening of letter of credit and poor progress.

- The balance work was awarded (August 2016) after delay 13 months to M/s Isolux Ingenieria S.A., Spain (the same firm to which the work of construction of sub-station had been awarded) at a cost of ₹ 84.50 crore.

[29] Amount has not been claimed by PGCIL from the HVPNL (April 2020).

This contract was also terminated (August 2017) as M/s Isolux did not even start the work due to their financial constraints. It was observed that the Company awarded the work to M/s Isolux without considering their liquid assets with reference to pending commitments in other countries.

- The Company again took 22 months and awarded (July 2019) the balance work (including subject transmission line) at a cost of ₹ 107.90 crore which was under progress (December 2019).

- Due to delay in completion of sub-station, recovery of envisaged benefits of ₹ 27.02 crore[30] were deferred.

Thus, after six years of planning approval, the said sub-station and transmission line has not been completed so far (December 2019).

2.7.2.6 Non- clearance of dangerous lines.

Central Electricity Authority (Measures Relating to Safety and Electricity Supply) Regulations, 2010, specify minimum vertical/horizontal clearances/distance to be kept in respect of different types of transmission lines. It was observed that while no transmission line in Company's transmission zone[31], Panchkula was identified as dangerous, 27 lines in Hisar, Transmission System (TS) zone had been declared dangerous in view of violations of statutory clearances as per Rules *ibid*. Audit noticed that though the Company issued notices to persons responsible for violations, it failed to co-ordinate with local authorities to ensure removal of such unauthorised constructions. During the last five years as many as 10 fatal and 42 non-fatal accidents[32] were reported and the Company paid compensation of ₹ 43.07 lakh, which could have been minimised in addition to lives saved had compliance to relevant clearance rules been ensured**.** As the compensation paid formed part of transmission cost, the consumers were unjustly burdened due to non-compliance of statutory provisions by the Company.

During exit conference, the Management stated that new buildings/ structures came up subsequent to construction of transmission lines. The Company did not have any legal power and had to depend on local authorities for removal of illegal constructions. It was observed that Management could not coordinate with local authorities effectively.

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[30] Worked out on ₹ 57.35 crore at the rate of 10.28 *per cent* for 55 months from June 2015 to December 2019.

[31] The Company had two Transmission Zones namely Panchkula comprising Karnal, Panchkula and Rohtak circle and Hisar comprising Gurugram, Faridabad and Hisar circles.

[32] Four fatal and 17 non-fatal accidents in Panchkula TS zone and six fatal and 25 non-fatal accidents in Hisar TS zone.

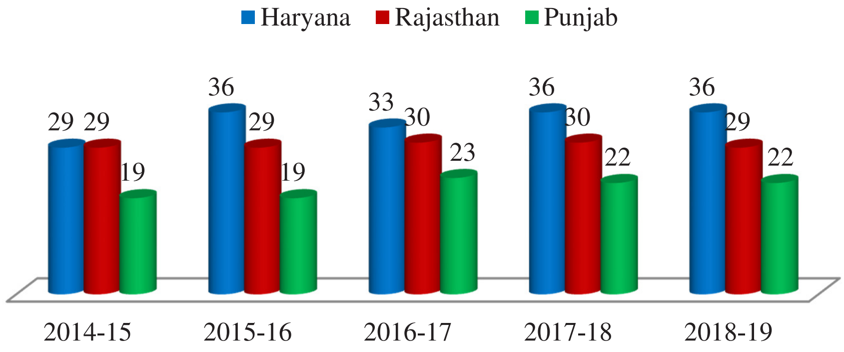
2.8 Performance of transmission system and grid management

2.8.1 High transmission cost

Before taking up construction of a sub-station, load growth and anticipated increase of demand in future along with permissible limits of voltage regulations are considered, so that anticipated physical and financial benefits to be derived from the sub-station could be worked out and unnecessary expenditure avoided to have minimum transmission cost.

Audit compared[33] per unit transmission cost of the Company with those of transmission utilities in neighbouring states[34] of Punjab and Rajasthan for last five years as below:

Chart 2.6: Comparision of Transmission Cost (paisa per kWh)



Source: Compiled from tariff orders of respective years of concerned State Electricity Regulatory Commissions.

It would be seen from the above chart that transmission cost of the Company was the highest among all three state transmission utilities. As compared to transmission costs of Punjab State Transmission Corporation Limited and Rajasthan Vidyut Prasaran Nigam Limited, the Company's transmission cost was higher by 43 to 89 *per cent* and zero to 24 *per cent,* respectively during 2014-19.

Audit observed that the company could have reduced the transmission cost by:

- Ensuring timely commissioning of sub-stations and transmission lines to minimise project cost, as delay in completion of projects result in higher cost due to cost overrun, more interest burden and administrative expenditure (Para 2.7.2.1).

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[33] Comparison has been made among states located in similar geographical area and having similar demand pattern.

[34] Transmission system of Punjab comprises 132 kV and above; Transmission system of Haryana comprises of 66 kV and above; in Rajasthan there is no 66 kV Transmission system.

- Controlling extra costs incurred on payment of incentive to Jhajjar KT Transco Private Limited (JKTPL), laying of Optical Ground Wire (OPGW), integration of Sub-station Automation Station (SAS) and reducing repair and maintenance cost through optimum utilisation of transformers and controlling their damage rate{Para 2.8.2, 2.8.4, 2.8.5 (b) and (c)}.

- Ensuring full utilisation of cheaper World Bank loan so as to reduce interest on CAPEX forming part of transmission cost (Para 2.10.2).

- Installation/replacement of defective capacitor banks to avoid payment of reactive energy compensation (Para 2.8.6.2).

- Passing on to consumer the benefits of Advance against Depreciation and interest already claimed through tariff in earlier years and upon their subsequent non-requirement/waiver {Para 2.11.5 (a) and (b)}.

During exit conference, the Management stated that in Rajasthan, the power consumption in Agriculture activity was lesser in comparison to that in Haryana. However, Management agreed to analyse the reasons for higher transmission cost and control the same. Reply is not acceptable as share of electricity consumption in agriculture was rather more in Rajasthan than Haryana. It was 39.65 *per cent* and 41.86 *per cent* in Rajasthan during 2015-16 and 2016-17 respectively whereas it was 27.09 *per cent* and 28.14 *per cent* in Haryana during the same period.

2.8.2 Transmission capacity utilisation

As per manual on transmission planning criteria of CEA (January 2013), the maximum load on any transformer in a sub-station should not exceed 80 *per cent* of its rated capacity. The margin of 20 *per cent* is to take care of future load growth.

The table below indicates extent of utilisation of transformers during 2014-19 in the selected circles:

Table 2.5: Year-wise utilisation of Power Transformers (PTs) during 2014-19 in selected circles

Year	Name of Circles	No. of PTs and their utilisation (in *per cent*)						Total
		0-20	20-40	40-60	60-80	80-100	Above 100	
2014-15	Hisar	12	14	23	49	139	2	239
	Gurugram	18	1	16	22	86	7	150
	Rohtak	5	11	19	27	43	1	106
	Total	**35**	**26**	**58**	**98**	**268**	**10**	**495**
	Percentage to total PTs	**7.07**	**5.25**	**11.72**	**19.80**	**54.14**	**2.02**	**100**
2015-16	Hisar	8	19	22	56	138	1	244
	Gurugram	13	6	19	24	86	2	150
	Rohtak	2	9	19	32	46	1	109
	Total	**23**	**34**	**60**	**112**	**270**	**4**	**503**
	Percentage to total PTs	**4.57**	**6.76**	**11.93**	**22.27**	**53.68**	**0.80**	**100**
2016-17	Hisar	8	19	29	58	138	1	253
	Gurugram	8	6	16	29	94	6	159
	Rohtak	4	8	21	33	48	1	115
	Total	**20**	**33**	**66**	**120**	**280**	**8**	**527**
	Percentage to total PTs	**3.80**	**6.26**	**12.52**	**22.77**	**53.13**	**1.52**	**100**
2017-18	Hisar	6	20	28	77	127	0	258
	Gurugram	10	9	17	33	114	14	197
	Rohtak	4	6	19	30	55	0	114
	Total	**20**	**35**	**64**	**140**	**296**	**14**	**569**
	Percentage to total PTs	**3.51**	**6.15**	**11.25**	**24.60**	**52.02**	**2.46**	**100**
2018-19	Hisar	10	16	22	63	149	4	264
	Gurugram	13	13	27	39	110	4	206
	Rohtak	6	8	15	28	63	0	120
	Total	**29**	**37**	**64**	**130**	**322**	**8**	**590**
	Percentage to total PTs	**4.92**	**6.27**	**10.85**	**22.03**	**54.58**	**1.36**	**100**

Source: Information provided by the Company.

From above it could be seen that while most of the transformer capacity was overloaded, yet there were cases of underutilisation also.

Overloading of sub-stations

- 54 to 56 *per cent* transformers were overloaded (having utilisation 80 *per cent* and above). Slow construction pace of new sub-stations (as already discussed under paragraphs 2.7.1.1 and 2.7.2.1) was the main reason for such overloading, which is further corroborated by the fact that during 2014-19, the damage rate of transformers exceeded the norm of one *per cent* fixed by HERC. The damage rate of transformers ranged between

1.29 *per cent* and 2.97 *per cent* as tabulated below:

Table 2.6 – Year-wise details of total and failed Power Transformers

Year	Average no. of PTs	No. of PTs failed	PT damage rate	No. of PTs damaged above HERC norm of one *per cent*	R&M expenditure (₹ in crore)
(1)	(2)	(3)	(4)	(5)	(6)
2014-15	968	27	2.79	17	8.64
2015-16	1,011	30	2.97	20	9.48
2016-17	1,049	18	1.72	8	9.80
2017-18	1,083	14	1.29	3	8.48
2018-19	1,118	23	2.06	12	13.18

Source : Information provided by the Company

Overloading and higher damage rate of transformers results in higher repair and maintenance expenditure and consequently higher transmission cost. Non-adherence to the norms for damage rate of PTs was also pointed out in previous Performance audit wherein the Company had assured that they have issued fresh preventive maintenance schedules and guidelines for strict adherence and implementation. However, the Company still could not achieve the targets.

- One 315 MVA, 400/220 kV PT (valuing ₹ 9.68 crore) damaged on 30 June 2017 at Company's 400 kV sub-station Kirori was replaced (October 2017) by diverting spare transformer from Nawada sub-station. But the Company did not act promptly for repair of damaged PT which was still lying unrepaired (September 2019). As the transformer diverted from Nawada sub-station was meant for relieving 250 MVA PT installed there since May 2016 on rent basis from PGCIL, the rent liability has also been accruing. Moreover, the state consumers have been unnecessarily burdened by ₹ 2.15[35] crore as the company continued to recover depreciation and ROE for the damaged transformer through tariff.

During exit conference, the Management stated that steps are being taken for improvement of performance in this area. The transformer damage rate was 1.3 *per cent* during 2019-20 and for the current year, the Company has set a target of one *per cent*. However, it did not offer any comments on delay in repair of damaged transformers.

Under loading of sub-stations

Company created additional capacity of 47.5 MVA (16 MVA in May 2015 at a cost of ₹ 0.58 crore and 31.5 MVA in September 2018 at cost of ₹ 1.46 crore) at 66 kV SS in Sector 15-II, Gurugram at a cost of ₹ 2.04 crore which remained unutilised. Further, due to delayed commissioning of 132 kV Gangaicha Jat SS in January 2014 (scheduled commissioning May 2011) at a cost of ₹ 12.32 crore, DHBVNL connected its five out of ten 33 kV SSs from other SSs. Resultantly, the sub-station could not be utlised fully so far (December 2019) and the maximum load ranged between 24 and 44 *per cent*. Further, one

[35] Calculated at the rate of 10.28 *per cent* on ₹ 9.68 crore for 26 months after allowing 120 days for repair (*i.e.,* from October 2017 to December 2019)

transformer valuing ₹ 3.77 crore was running on no load since its commissioning up to August 2018. The Company also procured (December 2009) a 66 kV mobile SS at Nuh at a cost of ₹ 9.63 crore which remained out of service intermittently since commissioning and consistently since 2015, when it got damaged and has not been repaired till date (March 2019). As the transformer was already capitalised and the company was earning ROE and Depreciation through tariff, its non-utilisation burdened the consumers by ₹ 4.56[36] crore. Similar audit observation regarding construction of SS (220 kV SS Batta) without load requirement and planning of underlying transmission system was also included in the previous Performance audit of the Company wherein the Company had admitted the facts and assured that proper study would be undertaken while planning transmission system. However, the Company could not effectively plan its transmission system requirement.

The Management stated (May 2020) that augmentation at sector 15-II, Gurugram was approved keeping in view the redundancy and reliability, under-utilisation of Gangaicha Jat sub-station was due to DHBVNL which did not shift/connect the approved load timely and mobile SS was got repaired in September 2019.

The reply may be viewed against the facts that one of the augmented transformers of 12.5/16 MVA at sector 15-II, Gurugram could never be put on load. Gangaicha Jat SS could not be fully utilised as the DHBVNL shifted its load to other SSs due to delay on the part of the Company and comments on mobile SS remaining out of service during 2015-19 were awaited.

2.8.3 Non-achievement of targets for transmission system availability

The Company recovers transmission charges based on normative annual Transmission System Availability[37] (TSA) factor specified by the HERC from year to year. During 2014-19, though TSA of the Company improved from 98.13 *per cent* in 2014-15 to 99.54 *per cent* in 2018-19, it remained lower than the target set by HERC in three out of five years. It was also observed that TSA of the Company during entire period was the lowest amongst the comparable

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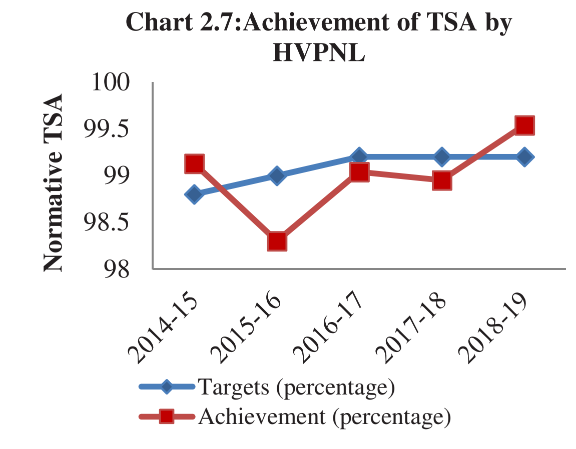
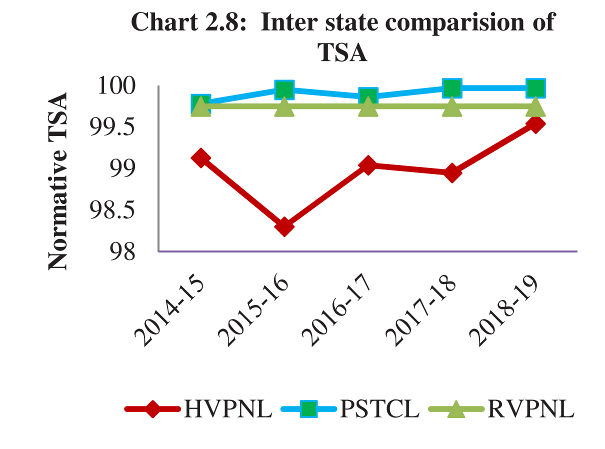
36 Sector 15 Gurugram: ₹ 30.36 lakh (Calculated at the rate of 10.28 *per cent* for 46 months on ₹ 0.58 crore and for six months on ₹ 1.46 crore up to March 2019), 132 kV Gangaicha Jat SS: ₹ 1.29 crore (Calculated at the rate of 10.28 *per cent* for 3 years four months from April 2015 (date from which company claimed depreciation and ROE) to July 2018 on ₹ 3.77 crore, 66 KV mobile SS at Nuh: ₹ 2.97 crore (Calculated at the rate of 10.28 *per cent* for 3 years on ₹ 9.63 crore).

37 TSA is calculated each transmission element-wise (PTs, transmission lines. static VAR compensators and bus reactors) based on total available hours and non-available hours.

transmission utilities of neighbouring states of Punjab and Rajasthan as shown below:





Source: Compiled from tariff orders of respective State Electricity Regulatory Commissions.

As per HERC Regulations, transmission cost is fully recovered on achievement of 100 *per cent* normative TSA target. In case of lower achievement, the transmission cost to be recovered is proportionately reduced. Due to non-achievement of TSA targets during 2015-16, 2016-17 and 2017-18, the Company could not recover full transmission cost and its revenues were reduced to the extent of ₹ 15.51 crore. Audit observed that the reason for non-achievement of TSA targets were high damage rate of transformers and their prolonged outages as discussed in paragraph 2.8.2.

During exit conference, the Management and Government ensured of efforts to improve the TSA during 2020-21.

2.8.4 Unjustified payment of incentive

JKTPL in the capacity of transmission licensee, constructed 400 kV Jhajjar transmission system. As per Transmission Service Agreement (TSA) approved by HERC, the Company was to pay applicable monthly unitary charges to JKTPL along with incentive for availability of system and transmission losses. It was also stipulated that the Company might conduct tests at least once in six months to ascertain that transmission losses of each transformer were within normative loss. In case transmission losses were less than normative loss, the Company was required to pay to JKTPL an incentive equal to ₹ 600 per kW per month to be increased by five *per cent* for every accounting year.

The Company was paying incentive for 219.903 kW every month since April 2012, on the basis of transformer losses of 2,780.097 kW certified by independent engineer in May 2012 against normative losses of 3,000 kW without getting any test conducted thereafter. The practice of paying incentive without periodic checking was not justified and was a favour to JKTPL. For the period January 2013 to March 2019, Company paid incentive of ₹ 1.18 crore which was unjustified and increased the transmission cost.

Management stated (May 2020) that facility for on-site testing of PTs losses was not available. The reply is not acceptable as payment of incentive without assessing the actual transmission losses was not justified.

2.8.5 Grid Management and Role of SLDC

Efficient grid management is essential for smooth evacuation of power from generating stations and supply to DISCOMs/consumers which ensures power balance on real time basis, take care of reliability, security, economy and efficiency of a power system. In India, grid management is carried out in accordance with standards/directions given in the Indian Electricity Grid Code notified by CERC. National Grid consists of five regions *viz.*, Northern, Eastern, Western, North Eastern and Southern, each having a Regional Load Dispatch Centre, an apex body to ensure integrated operation of the power system in the concerned region. Haryana State Load Dispatch Centre (SLDC), under operational control[38] of the Company, ensures integrated operation of power system in the State as a constituent of Northern Regional Load Dispatch Centre (NRLDC). The Company is liable to maintain grid discipline as per the Grid and in case of failure, liable for penalty. Observations on working of SLDC are discussed in subsequent paragraphs.

a) Non-installation of Supervisory Control and Data Acquisition (SCADA) System and Energy Management System (EMS).

ULDC[39] scheme of Government of India was implemented (2002) in Northern Region for providing SCADA/EMS and Communication System for management of regional power grid through PGCIL. The implementation of SCADA will help in better power management with the help of real time data. As regard expansion of scheme to constituents, Northern Regional Power Committee agreed in principle (April 2008) that the constituents would take up the scheme independently. Accordingly, the Company decided (2011) to expand SCADA/EMS independently. However, the Company has implemented SCADA in 182 sub-stations (September 2019) and it was yet to provide SCADA in 239 sub-stations. Thus, the benefit of SCADA system has not been obtained. The observation regarding lack of infrastructure for load monitoring was also pointed out in the previous Performance audit of the Company wherein the Company had assured that the System would be provided on SSs over the next three to five years. However, the Company had not implemented the facility of real time load/ data monitoring in all its SSs.

During exit conference, the Management stated that they had no previous experience in implementation of SCADA. Efforts are being made to implement the SCADA in remaining sub-stations.

b) Avoidable expenditure due to not changing design of 220 kV lines

After Northern Regional Power Committee's decision (April 2008) that constituents would expand SCADA/EMS independently and that OPGW had

[38] The State Government notified in December 2003 that the SLDC shall be operated by the Company.

[39] Unified Load Dispatch and Communication.

been installed in first phase of ULDC scheme 2002, the Company was required to carry out change in design of lines to include OPGW in place of earth wire after April 2008.

However, the Company continued to construct lines with earth wire between April 2008 and October 2013 when it awarded contract for change of 1,874 km earth wire to OPGW on 76 lines of 220/400 kV voltage level at a total cost of ₹ 44.66 crore. The work which was scheduled for completion by November 2015 was actually completed in April 2017, after a delay of 24 months.

It was observed that out of these 76 lines, 21 lines with 500 kms earth wire were approved for construction after 2008. Had the Company gone for OPGW wire on these lines constructed after 2008, it could have saved an expenditure of ₹ 4.84 crore [40] on replacement of these earth wire and thus reduced the transmission cost.

Management stated (May 2020) that there had been no such guidelines/ policy to carry out transmission projects by laying OPGW in early era of 2008 and BoDs had approved the standardisation of laying OPGW in lieu of earth wire in March 2018 only. The reply of the Company lacks justification as the laying of OPGW was started in first phase of ULDC scheme and the Company had also decided to implement the expansion of ULDC scheme in 2011.

c) Non-integration of Sub-station Automation System with SLDC/NRLDC

Under SAS, all devices in sub-station are monitored and controlled remotely from SLDC as well as from sub-station without manual intervention. The SAS gateway is also capable of communicating with Load Dispatch Centre, back up Load Dispatch Centre and Central Control Centre through more than one SCADA system.

Audit noticed that out of 56 SAS commissioned by the company, 27 were integrated with SLDC/NRLDC and work in respect of remaining 29 SAS was in progress. Audit further observed in a test check that the Company commissioned 12 nos. 132/220 kV sub-stations between July 2010 and December 2013 with provision of SAS. However, even after more than six years, the SAS installed at any of the above sub-stations could not be integrated with SLDC/NRLDC till December 2019 due to non-finalisation of contractor for their integration. Consequently, the investment of ₹ 12.53 crore on installation of SAS in these sub-stations remained idle which unreasonably increased the transmission cost.

During exit conference, the Management agreed and stated that SAS could not be integrated with SLDC due to software issues which are being resolved now and efforts are being made to integrate SAS with SLDC.

40 ₹ 4.61 crore for procurement of 500 km of earth wire at the rate of ₹ 92,176 per km and ₹ 0.23 crore at the rate of ₹ 4,608.80 per km for dismantlement.

2.8.6 System stability

System stability is the ability of power transmission system to withstand sudden, unexpected disturbances in the flow of power. The power system should be operated in secure and reliable manner so that system stability is not endangered for which protection and control equipments are installed at the sub-stations. Shortcomings noticed in this regard, are discussed in subsequent paragraphs.

2.8.6.1 Non-provision of Bus-Bar Protection Panels

Bus-bar is used as an application for inter-connection of incoming/outgoing transmission lines and transformers at sub-station. Bus-Bar Protection Panel (BBPP) limits the impact of bus bar faults on power network, prevents unnecessary tripping and selectively trips only those breakers which are necessary to clear the bus bar fault. CEA (technical standards for connectivity to the grid) Regulations, 2007, required that bus bar protection be provided on all new 220 KV and above voltage level sub-stations and the same might also be implemented at existing sub-stations in a reasonable time frame. Haryana Grid Code Regulations, 2009 also required bus bar protection scheme at all 400 kV and 220 kV sub-stations.

It was observed that:

- BBPPs were available in 22 out of 35 sub-stations of 400/220 kV voltage levels under three[41] transmission circles test checked.

- At one sub-station, BBPP was lying defective (July 2019).

Therefore, in violation of state grid code and CEA grid connectivity standards, working BBPPs were not available in 40 *per cent* of its 220/400 kV sub-stations which put the grid security at risk.

During exit conference, and in reply (May 2020) Management stated that the efforts are being made to provide the BBPP on the remaining SSs.

2.8.6.2 Non-provision of capacitors

As per Indian Electricity grid code and state grid code, the capacitors should be provided in low voltage systems to avoid the drawal/injection of Reactive Power beyond specified range. The transmission utility has to pay for reactive power when voltage at the metering point is below 97 *per cent* and gets paid when voltage is above 103 *per cent*. Audit noticed that there was consistent shortfall in number of capacitors installed *vis-à-vis* their requirement during 2014-19 as

[41] TS Circles Rohtak, Gurugram and Hisar.

depicted below:

Table 2.7: Details of defective capacitors and reactive energy compensation paid/received

Year	Capacitors required to be installed (Mvar[42])	Capacitors installed (Mvar)	Shortfall (Mvar)	Defective Capacitors at year end (Mvar)	Reactive energy compensation received (₹ in crore)	Reactive energy compensation paid (₹ in crore)
(1)	**(2)**	**(3)**	**(4)=2-3**	**(5)**	**(6)**	**(7)**
2014-15	728.594	132.856	595.738	286.95	14.88	17.16
2015-16	887.246	243.83	643.416	361.46	19.63	13.92
2016-17	806.446	56.6	749.846	350.229	19.70	16.86
2017-18	856.246	139.06	717.186	393.395	22.50	17.59
2018-19	1,009.530	87.647	921.883	383.943	21.63	29.90
Total					**98.34**	**95.43**

Source: Information provided by the Company.

It was noticed:

- The deficiency of capacitors increased from 595.738 Mvar in 2014-15 to 921.883 Mvar in 2018-19. In addition, the defective capacitors increased almost consistently during above period and capacitors with 383.943 Mvar capacities (7.68 *per cent* of installed capacitors (4,999.485 Mvar) were lying defective as on 31 March 2019.

- Despite HERC directives (March 2015, May 2017 and October 2018) to the Company to expedite replacement of defective capacitor banks, large number of capacitors were yet to be replaced.

- The cost of shortfall of capacitors as well as replacement of defective capacitors was only ₹ 31.57[43] crore. Had the Company invested ₹ 31.57 crore, it could have avoided the payment of reactive energy compensation of ₹ 95.43 crore during 2014-19 and thus could have reduced the transmission cost.

During exit conference, the Management agreed and stated that the efforts are being made to provide adequate numbers of capacitors and replace the defective capacitors on priority.

2.8.7 Crisis/Disaster Management Plan

Disaster management in relation to power system aims at mitigating the impact of a major breakdown on the system and restoring it in the shortest possible time. The committee of MoP, GoI, updating the best practices of transmission prescribed (January 2002) setting up of disaster management system by all power utilities for immediate restoration of transmission system in the event of a major failure through deployment of emergency restoration system. Moreover, MoP also issued (March 2017) Crisis and Disaster Management plan to respond

42 Mvar-Mega Volt Ampere (Reactive).

43 Calculated on the basis of per Mvar rate as per contract awarded by the Company in December 2019.

to disaster situation in the power sector in a coordinated manner in accordance with provisions of Disaster Management Act, 2005.

It was observed that the Company has not framed Crisis/Disaster Management Plan. Besides, the Company had not carried out mock drills during 2014-19 in respect of potential threats. Issue regarding not carrying out of mock drills was also pointed out during previous Performance audit of the Company.

It was also noticed that as per Crisis and Disaster Management plan of MoP, Haryana state is geographically located in earthquake prone area. However, the data recovery center for SLDC has been located in Shimla since 2014-15 (as per bilateral arrangement with Himachal Pradesh) which is in the same geographical area, with still higher seismic risk (while Shimla is in seismic zone V, SLDC area (Panipat) is situated in seismic zone IV). It would have been desirable to locate the data recovery center in different geographical area with least seismic risk.

The Management stated (May 2020) that the Company has recently (December 2019) carried out the Mock Black start exercise. However, Grid System restoration document on the basis of black start exercise for the Haryana was yet to be approved by Whole Time Directors of the Company. Management also stated that the data recovery center for SLDC was located in Shimla as decided by Northern Regional Power Committee on reciprocal basis and concurred by the Company. The reply is not acceptable as the Company should have proposed any other location with lower seismic risk.

2.9 Coordination mechanism among power utilities of State

The State Government constituted (May 2009) a coordination committee of the Managing Directors of four power utilities under the chairmanship of Managing Director, Haryana Power Generation Corporation Limited for taking a view on such issues as may affect the organisational matters pertaining to more than one utility. Though the Committee held 16 meetings during 2014-19, the mechanism was not found effective as instances of lack of coordination were noticed during performance audit.

The managements of the Company and DHBVNL decided (May 2008) to set up a new 66 kV sub-station at Baliyar Kalan (Rewari) having two transformers with 33 kV connectivity and one having 11 kV connectivity. The Company, however, approved (July 2008) creation of the sub-station with two transformers having only 11 kV connectivity and commissioned the sub-station in July 2013 at a cost of ₹ 7.91 crore and requested DHBVNL to shift the load on it.

Due to non-availability of 33 kV connectivity, only 6 MVA (18.75 *per cent*) load could be connected (against the capacity of 32 MVA) till date (December 2019). DHBVN stated (December 2018) that its 33 kV sub-station Garhi Bolini could also not be commissioned due to non-availability of 33 kV connectivity at the sub-station. Had it provided 33 kV connectivity from Baliyar Kalan, the obligation to shift 33 kV Rewari-Jonawas line with estimated cost of ₹ 2.33 crore could have been avoided. Thus, lack of coordination between power utilities resulted in non-achievement of full utilisation of the sub-station and consumers of Haryana have been burdened by ₹ 3.74 crore[44].

While admitting the audit observation, the Management during exit conference, stated that the sub-station of 66/33 kV transformer was sanctioned erroneously instead of 66/11 kV transformer as the HVPNL does not provide 66/33 kV sub-stations. However, efforts are being made to utilise the sub-station.

2.10 Financial management

2.10.1 Financial position and working results

The financial position and working results of the Company for last five years up to 2018-19 are indicated in ***Appendix-4*** which show that:

- The Company incurred loss during 2014-15. However, it earned profits of ₹ 1,327.12 crore during the four years (2015-16 to 2018-19) on account of increase in revenue and decrease in financial cost due to reduced borrowings.

- Return on Capital Employed increased from 5.49 *per cent* in 2014-15 to 12.42 *per cent* in 2017-18 due to improved financials. However, it decreased to 9.97 *per cent* in 2018-19 due to investment by State Government resulting in increase in equity capital;

- The debt equity ratio decreased from 2.69 in 2014-15 to 1.26 in 2018-19 due to decrease in borrowings and increase in equity capital.

Audit examined financial management in the Company with reference to efficiency in timely procurement of funds and their optimum utilisation. Observations noticed in this regard are discussed in subsequent paragraphs.

2.10.2 Loss due to short utilisation of World Bank loan.

For undertaking Haryana power system improvement, Haryana power utilities signed a loan agreement (August 2009) with World Bank for a loan of USD 250 Million (₹ 1,250 crore) at London Interbank Offered Rate plus 0.4 *per cent* interest rate under three components[45]. The disbursement period of the loan was from 2009-10 to 2013-14 and repayment tenure was 30 years. As per terms and conditions of loan agreement, front end fees equal to 0.25 *per cent* of loan amount was payable to the World Bank.

- Despite revision of procurement plan three times (August 2012, September 2012 and June 2013) and loan disbursement period extension by World Bank in August 2013, April 2017 up to 31 December 2017 and grace period for disbursement up to 30 April 2018, the Company

44 Calculated at the rate of 10.28 *per cent* for 68 months on proportionate idle investment.

45 (i) Transmission component: USD 250 million (₹ 1,250 crore) for HVPNL, (ii) distribution component of USD 70 million (₹ 350 crore) for DHBVNL and (iii) technical assistance component of USD 10 Million (₹ 50 crore) for both DHBVNL and HVPNL in equal share.

could avail loan of USD 222.83 million out of USD 250 million during October 2009 and December 2017 leaving un-availed loan of USD 27.17 million[46] (₹ 173.84 crore[47]) as all 130 works under 24 packages were completed with delays. Audit further noticed that the Company could not avail the World Bank loans fully due to not being prompt in revising procurement plan and delay in re-awarding the contracts where contractors failed to complete the work within the timelines approved by the World Bank.

- It was observed that in three cases[48] (out of 24 cases) initially awarded at ₹ 167.07 crore out of world bank funding, the Company did not take timely action against the defaulting contractors and re-award the works timely with world bank funding. Later on these works were awarded with costlier funding arrangement with Rural Electrification Corporation (REC). Had the Company re-awarded the works timely, it could have saved ₹ 24.63 crore [49] and could have reduced the transmission cost.

- Due to non-availing of World Bank loan, the Company had to bear avoidable expenditure of ₹ 31.32[50] lakh on account of front end fee also on un-availed portion of loan.

The Management stated (May 2020) that it could not avail the loan due to non-extension of loan disbursement period by World Bank. The reply is not acceptable as the World Bank had already extended the loan disbursement period thrice, but due to poor project implementation, the Company could not make full use of the facility.

2.10.3 Avoidable expenditure on Government guarantee.

To meet its working capital requirement, the Company got sanctioned (August 2015) a Medium Term Loan (MTL) of ₹ 100 crore from REC for a period for 36 months, bearing interest rate of 12.25 *per cent*. The loan was to be repaid in 18 equal installments commencing from the date of first disbursement (October 2015). As per the terms and conditions of the loan agreement, it was optional to provide State Government guarantee for entire loan. In case Government guarantee is provided, rebate in interest at 0.25 *per cent* was available. If the Company did not provide Government guarantee, the REC could charge additional 0.25 *per cent* interest on loan. Thus, the loan was available at 12 *per cent* with Government guarantee and at 12.50 *per cent* without Government guarantee. The State Government, however, charges two *per cent* of the guaranteed amount upfront as guarantee fee. However, the Company without

46 Against sanction loan amount of 250 million USD, Company could utilise only USD 222.83 million.

47 Worked out at ₹ 64 per USD

48 Construction of 220 kV sub-station HSIIDC Rai, Sonepat, Construction of SS at Raj-Ka-Meo and Construction of 220 kV and 66 kV transmission lines in Jind, Bhiwani.

49 Calculated at 8.59 *per cent,* 7.45 *per cent* and 7.45 *per cent* respectively for three works being the difference of cost of World Bank loan and minimum interest rate of 10 *per cent* charged by REC.

50 Worked out at USD rate of ₹ 46.11 per USD at the time of payment of upfront fee.

working out the cost benefit analysis, arranged Government guarantee (February 2016) of ₹ 100 crore on payment of ₹ two crore as guarantee fee.

We observed that had the Company not arranged the Government guarantee and paid higher interest at the rate of 12.50 *per cent*, it could have still saved ₹ 1.47[51]crore. Since actual interest on working capital during loan period had exceeded the normative one, the Company had to bear ₹ 1.47 crore adversely affecting its profitability.

During exit conference, the Management stated that REC has confirmed that subject loan was to be availed against Government guarantee only. Audit however, observed that REC released the loan in installments without ensuring Government guarantee from the company and charged additional interest till submission of Government guarantee. Thus the decision of the management was not financially prudent as the Company did not carry out cost benefit analysis before availing the loan.

2.10.4 Non-maintenance of State reactive energy pool account

HERC, while deciding the issue of reactive energy payments receivable and payable to DISCOMs directed (August 2015) the Company to maintain a state reactive energy pool account on behalf of Haryana power utilities and invest surplus funds in fixed deposit with nationalised banks. It was noticed that:

- The Company did not comply with above directives for two years. In August 2017, the Company opened energy pool account in a private scheduled bank, Yes Bank.

- Due to delay in opening of pool account, receipt of ₹ 30.78 crore on account of reactive energy compensation from the DISCOMs for 2015-16 and 2016-17 was not kept in this account but utilised for its operations.

- The DISCOMs also adjusted their share of ₹ 13.95 crore from transmission charges payable to the Company.

Thus, the mechanism envisaged by HERC for management of reactive energy compensation payable/ receivable by State power utilities has not been put into force effectively even after four years.

During exit conference, the Management stated that Government of Haryana was maintaining a panel of banks with which deposits could be made; and Yes Bank was one of that panel. By keeping funds with Yes bank, Company earned more interest and on maturity of present Fixed Deposits, it would go by HERC guidelines. However, the Company has violated the directives of HERC.

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51 Worked out on outstanding MTL amount by taking margin 0.50 *per cent* interest rate and considering guarantee fee of ₹ two crore along with working capital interest at the rate of 10.84 *per cent* thereon for 34 months.

2.10.5 Loss due to release of interest free advance and non-observance of BG terms

The Company awarded contracts for construction of 220 kV Gas Insulated Sub-station at Roj-ka-Meo (February 2014) to M/s Isolux Ingenieria S.A., Spain and subsequently the work of construction of lines was also awarded to it in August 2016.

- As per terms of SS contract, interest free advance equal to 10 *per cent* of the contract value was to be paid progressively in three installments[52] against submission of BG. The Company was required to make this payment in contractor's account with the BG issuing bank. Though the contractor could not open the site office, yet the Company released the third installment of advance of six *per cent* (₹ 3.38 crore) in March/ May 2014 without recognising that civil works could not have been started in the absence of hindrance free site. The second installment of ₹ 1.12 crore as two *per cent* advance payable after opening of site office was released in June 2016. Thus, the firm was favored by releasing interest free funds of ₹ 3.38 crore (third installment) for 19 months which cost ₹ 58.21 lakh[53] to the Company.

- In relaxation of contract provisions, the company accepted reduced BG equal to eight *per cent* in place of 10 *per cent* of contract price, prescribed in the contract. Subsequently, the firm submitted the BG for balance two *per cent* from a different bank, *i.e.*, HDFC Bank (earlier the firm had submitted BG from Central Bank of India).

- In disregard to BG terms, payment was released in firm's account with Central Bank of India instead of one with HDFC bank (BG issuing bank). Subsequently, when the Company raised (18 August 2017) claim (₹ 1.12 crore) for BG encashment at the time of termination of contract, HDFC bank dishonored the same citing that the Company had released advance in firm's account with other bank. Had the Company complied with BG conditions at the time of releasing advance, loss of ₹ 1.12 crore could have been avoided. The Management stated (May 2020) that the conditions to release advance were not chronological. The reply is not acceptable because civil works could not have been started in the absence of hindrance free site and release of third installment without availability of site was a favour to the contractor.

- For associated line work, interest free advance equal to 10 *per cent* of the contract value was to be paid against the BG in contractor's account with the BG issuing bank. In disregard to the BG terms, the Company released (October and December 2016) advance payment of ₹ 8.45 crore in firm's account with Central Bank of India, instead of BG issuing bank (HDFC bank). When, upon termination of contract, the Company

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[52] Two *per cent* of contract value at the time of signing of contract, two *per cent* on opening of site office and six *per cent* at the time of appointment of civil contractor.

[53] As the company had already exhausted its borrowing limits for working capital the interest worked out at the rate of interest allowed by HERC.

lodged (18 August 2017) claim with HDFC bank for BG encashment, HDFC bank declined citing non-compliance with the BG conditions.

Thus, due to non-compliance of the BG terms, the Company suffered loss of ₹ 9.57 crore (₹ 8.45 crore + ₹ 1.12 crore). Audit further noticed that both the cases of non- encashment of BGs were related to the same contractor.

The Management admitted (May 2020) that the BG terms could not be adhered to inadvertently and further stated that ₹ 34.68 lakh only was recoverable from the contractor after adjusting the dues in respect of various contracts. The reply is not acceptable as Management has not considered the risk and cost amount of ₹ 31.32 crore recoverable from the contractor for which there is no financial cover available with Company.

2.11 Tariff proposals

2.11.1 The main source of revenue for the Company is collection of transmission charges from DISCOMs at the rates approved by HERC. For this, the Company is required to file Aggregated Revenue Requirement (ARR) with HERC at least 120 days before commencement of each financial year. HERC approves ARR for the ensuing financial year after considering suggestions and objections from public and other stakeholders.

The table below indicates year-wise due date for filing ARR, dates of ARR filing and approval by HERC during 2014-19.

Table 2.8: Due and actual dates of filing ARR and dates of approval by HERC

Year	Due date of filing ARR	Actual date of filing ARR	Delay in filing (Days)	Date of HERC approval	Date of applicability	Delay in days from 1st April
2014-15	30.11.2013	15.01.2014	45	29.05.2014	01.06.2014	61
2015-16	30.11.2014	30.12.2014	30	31.03.2015	12.04.2015	11
2016-17	30.11.2015	26.11.2015	-	31.03.2016	25.04.2016	24
2017-18	30.11.2016	30.01.2017	60	30.05.2017	10.06.2017	70

Source: Information compiled from tariff orders of HERC.

In three out of four years during 2014-18, the Company filed its ARR with delay of 30 to 60 days. Further, the ARRs were finalised with delay of 11 to 70 days from the start of relevant financial year in respect of all the four years. Though the Company recovered arrears of transmission charges from long term open access consumers (mainly DISCOMs which constituted 99.24 *per cent* of Company's total customer base), the same amounting to ₹ 2.40 crore[54] could not be recovered from short term open access consumers[55]. Of this ₹ 2.11 crore was purely attributable to late filing of ARRs by the Company. As per HERC regulations, revenue from short term open access consumers is recovered over

[54] For 2016-17 revised transmission charges were made effective from 25 April 2016, but there was decrease in transmission charges by three paise with respect to previous year.

[55] Open access enables bulk consumers having connected load of more than one MW, to buy cheap power from the other sources than the State utilities. A purchaser having open access rights for less than one month is termed as short term open access consumers.

and above the transmission cost, therefore HERC reduces 75 *per cent* thereof from transmission cost of subsequent year and allows 25 *per cent* to be retained by the Company. Delay in filing of ARR resulted in overburdening of consumers by ₹ 1.58 crore (75 *per cent* of ₹ 2.11 crore). Balance ₹ 0.53 crore which was to be retained by the Company was also not recovered thereby reduced its profits. Delay in filing of ARRs was also pointed out in previous Performance audit of the Company.

Management attributed (May 2020) the delay in filing of ARR on inputs from its various wings like finance, planning, accounts *etc*. besides delay on part of consultant engaged for preparation of ARR. As all these factors were controllable, and the management in view of financial implication, should initiate timely action for filing the ARRs.

2.11.2 Avoidable financial implication due to non-claiming of holding cost

As per HERC (Multi Year Tariff) Regulations 2012, the Company was required to file application for determination of tariff for the ensuing year, mid-year performance review of current year and true-up[56] of previous year. As there is gap of approximately one and a half year in truing up of transmission cost, as such holding cost of one and half year is also allowed with the true-up cost by the regulator. It was noticed:

- For determination of tariff for the year 2015-16, mid-year performance review for 2014-15 and true up for 2013-14, was submitted to HERC in December 2014. This was approved by HERC in March 2015 which included the true up cost for 2013-14 along with holding cost (interest) for one and a half year.

- The Company, filed (6 May 2015) review petition for additional true up of the year 2013-14. The HERC allowed (August 2015) additional true up of ₹ 38.10 crore without any holding cost.

- The Company, however, neither recovered the additional true up from the consumers, nor took up with HERC immediately after August 2015 to allow recovery of additional true up along with holding cost.

- Belatedly, the Company claimed (October 2018) additional true up cost of ₹ 38.10 crore along with holding cost. HERC allowed (March 2018), the Company to recover ₹ 38.10 crore along with holding cost of ₹ 8.67 crore[57] for two and a half years only with transmission tariff for 2018-19.

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56 Before start of a financial year, the HERC approves tariff for the year based on estimated data for previous year which is revised in the coming years after the finalisation of balance sheet. This revision of tariff after receipt of actual data is called true-up and effect of this revision is implemented in the year in which it is finalised.

57 ₹ 3.81 crore (as holding cost for 2016-17 at the rate of 10 *per cent*) plus ₹ 4.86 crore (for one and a half year at the rate of 8.5 *per cent*).

- Since additional true up for 2013-14 was allowed along with transmission tariff for 2018-19, holding cost for four and a half year[58] was due. However, HERC considered that it was an error on the part of the Company and accordingly, it allowed holding cost for two and a half years only.

This resulted in financial implication of ₹ 8.27[59] crore on the Company which could have been avoided had the Company recovered additional true up cost immediately after August 2015 and claimed the holding cost separately. Impact of this had to be borne by the Company which reduced its profits.

The Management, during exit conference stated (January 2020) that this amount was erroneously deducted by HERC while truing up of 2015-16 and that HERC admitted the error and allowed recovery of ₹ 38.10 crore through orders dated 15 March 2018. The reply is not correct as HERC in their order dated 15 March 2018 had stated that it was an error on the part of the Company and allowed ₹ 38.10 crore to be recovered with holding cost for two and half years only. However, no reasons were stated for non-claiming of holding cost.

2.11.3 Inefficient Contract Management

Adani Enterprises Limited (AEL) entered into (August 2008) a Power Purchase Agreement (PPA) with Haryana DISCOMs, UHBVNL and DHBVNL for supply of 1,424 MW power from its 4,620 MW Mundra Thermal Power Station in Mundra, Gujarat through tariff based bidding route. For evacuation of power, AEL constructed a 2,500 MW dedicated HVDC bi-pole transmission line *viz.* Mundra-Mohindergarh.

- AEL filed (September 2012) petition with CERC for grant of transmission license for conversion of the dedicated line into Inter State Transmission System (ISTS) which was granted (June 2013).
- Haryana power utilities in consultation with GoH requested (July 2013) CERC that consequent upon conversion of dedicated transmission line in to ISTS, there shall not be any claim of Point of Connection (PoC)[60] charges on them for use of this line. However, the CERC ordered (June 2013) that transmission licensee shall bear the transmission charges corresponding to Haryana's contracted capacity of 1,424 MW only.

It was observed that the Company (being responsible for dealing with PoC relating issues of the State) did not consider the issue of implication of PoC charges on ISTS part (1,005 MW) of the line on the State despite the fact that the entire cost of transmission line including spare capacity was already embedded in the tariff.

[58] 2014-15, 2015-16, 2016-17, 2017-18 and half year in respect of 2018-19 in which recovery was to be effected.

[59] Calculated at rate of interest as allowed by HERC on Working Capital, *i.e.,* 10.85 *per cent per annum* for 2014-15 and 2015-16 on ₹ 38.10 crore.

[60] PoC is the basis for distribution of pan India Interstate transmission charges based on usage of Inter -State transmission system.

2.11.4 Non-adherence of norms for interest on working capital loan.

As per HERC (Multi Year Tariff) Regulations, 2012, interest on working capital[61] was to be allowed on normative basis. The table indicates the year-wise details of interest cost as allowed and actually incurred by the Company during five years ended 31 March 2019:

Table 2.9: Interest on working capital allowed by HERC and actually incurred

(₹ in crore)

Year	Working capital interest allowed by HERC	Interest on Working capital actually incurred	Amount disallowed by HERC
2014-15	19.10	46.73	27.63
2015-16	23.14	39.81	16.67
2016-17	21.20	21.20	-
2017-18	23.93	23.93	-
2018-19	27.75	25.51	-
Total	**115.12**	**157.18**	**44.30**

Source: Information compiled from tariff orders of HERC.

It was observed that:

- The Company was not able to efficiently manage its working capital requirements and as a result it could not recover interest of ₹ 44.30 crore though tariff as this was in excess of the norms allowed by HERC during 2014-19. This adversely affected its profitability.

- The Company inappropriately claimed interest on Medium Term Loan availed from REC (to meet its working capital requirement) as interest on CAPEX loan. This resulted in over claim of interest on CAPEX loan by ₹ 16.64 crore. Had it been claimed as interest on working capital, it would have been disallowed, as the company has already exhausted its working capital limits. This resulted in over burdening the consumers by ₹16.64 crore.

The Management stated (May 2020) that it claimed MTL in CAPEX to bridge the gap due to delayed release of equity by Haryana Government. Further the loan was taken for bridging the CAPEX loan instead of working capital loan. The reply is not acceptable as it was a working capital loan as per the documents of REC and the Company mis-represented the facts in ARR.

2.11.5 Benefits not passed on to consumers

(a) As per HERC (terms and conditions for determination of transmission tariff) Regulations 2008, the Company was allowed Advance Against Depreciation (AAD) over and above the actual depreciation for repayment of loans. In view of upward revision of depreciation rates, these Regulations were repealed and replaced with HERC (MYT) Regulations, 2012, which did not

[61] Working capital includes (i) normative operation and maintenance expenses for one month, (ii) Maintenance spares equivalent to 15 *per cent* of the operation and maintenance expenses and (iii) Receivables equivalent to one month's fixed cost calculated on normative target availability.

have provision regarding AAD. Accordingly, HERC did not allow AAD after 2012-13.

- As per annual accounts of the Company for the year 2012-13, AAD allowed by HERC stood at ₹ 182.34 crore, which was to be adjusted against depreciation in future years. However, during 2014-15 Company transferred AAD amounting to ₹ 182.34 crore to General Reserves on the ground that there was no provision of AAD in HERC (MYT) Regulations, 2012.

- Since AAD was already recovered through tariff over and above normal depreciation, the same should have been adjusted in subsequent years in the depreciation head and benefit passed on to consumers.

- Though HERC adjusted AAD amounting ₹ 144.69 crore (₹ 61.19 crore, ₹ 41.75 crore and ₹ 41.75 crore during the FY 2010-11, 2011-12 and 2012-13 respectively) against the depreciation through tariff but the amount of ₹ 37.65 crore allowed by HERC (November 2012) has not been passed on to the consumers so far (May 2020).

During exit conference, the management admitted the fact. Thus, the consumers were deprived of the benefit of ₹ 37.65 crore.

(b) The Company had drawn (2001) working capital loans from Haryana State Agricultural Marketing Board, interest on which was being allowed by HERC up to 2008-09. However, while approving ARR for FY 2009-10, HERC disallowed (May 2009) interest cost on the said loan stating that interest and full repayment of the loan had already been allowed during 2008-09.

- As the Company was pursuing for waiver of interest and not paying interest on this loan, HERC directed (April 2010) the Company to keep it informed about waiver of interest already accrued on this loan so that the same could be adjusted in subsequent years.

- Though, HERC continued to disallow interest on this loan during 2009-18, the Company booked interest liability of ₹ 45.43 crore during this period in its books of accounts.

- During 2017-18, Haryana State Agricultural Marketing Board waived off outstanding interest of ₹ 80.42 crore, however, as directed, the Company did not intimate HERC about this. As a result, benefit of ₹ 34.99 crore (₹ 80.42 crore – ₹ 45.43 crore) allowed prior to 2008-09, could not be passed on to consumers who were unjustly burdened.

The Management stated (May 2020) that interest on working capital was allowed on normative basis as such the amount allowed was not payable. The reply is not acceptable as the company had been recovering the interest expenditure through ARR, therefore any benefit of interest waiver thereafter should also have been passed to consumers. The Company did not inform HERC in this regard despite its specific directions.

2.12 Impact of audit findings

2.12.1 Overburdening of consumers

The HERC allow tariff to the Company on the basis of total transmission cost filed by the Company through ARR. Therefore, any inappropriate claim due to inefficiencies on the part of Company and non-passing on the benefit of transmission cost components already allowed by HERC through tariff in earlier years upon their subsequent non-requirement/waiver results in unjustified burden on the consumer by way of higher tariff. During 2014-19, the consumers of Haryana were overburdened by ₹ 168.64 crore as detailed below:

- The Company could not ensure synchronous completion of sub-stations and associated transmission lines which resulted in overburdening of consumers by ₹ 67.33 crore (para 2.7.2.1 and 2.7.2.2).
- Due to delay in repair of transformers and under utilisation of sub-stations, the consumers were overburdened by ₹ 6.71 crore (para 2.8.2).
- Due to poor coordination with sister power utilities, the consumers were overburdened by ₹ 3.74 crore (para 2.9).
- Due to delay in filing of ARR, an amount of ₹ 2.11 crore could not be recovered from short term open access consumers consequently the benefit of ₹ 1.58 crore (75 *per cent*) could not be passed on to the consumers as per HERC regulations (para 2.11.1).
- The consumers were overburdened by ₹ 16.64 crore as the Company inappropriately claimed interest on working capital as interest on CAPEX loan (para 2.11.4).
- Non-passing of benefits of AAD and interest waiver to the consumers by ₹ 72.64 crore (para 2.11.5).

2.12.2 Reduction in Company's profitability

Besides, inefficiencies on Company's part, the burden of which was passed on to consumers, there were certain other inefficiencies which, though not affected consumers, reduced Company's revenues and profitability by ₹ 70.08 crore during 2014-19 as detailed below:

- Non-achievement of TSA resulted in decrease in profits by ₹ 15.51 crore (Para No. 2.8.3).
- Availing mid-term loan against Government guarantee without carrying out cost benefit analysis put extra burden of interest of ₹ 1.47 crore (Para 2.10.3).
- Delayed filing of ARRs, resulted in non-recovery of additional revenue of ₹ 0.53 crore from short term open access consumers (Para 2.11.1).

- Non-claiming of holding cost timely, put extra burden of ₹ 8.27 crore on its profitability (Para 2.11.2).

- Non-adherence to working capital norms, resulted in non-recovery of ₹ 44.30 crore through tariffs which reduced its profitability (Para.2.11.4).

2.12.3 *Status of audit findings in previous Performance Audit and not forming part of present Performance audit*

The Company improved its performance with respect to following audit comments in previous Performance audit report:

- The transmission losses of the Company decreased from 2.62 *per cent* during 2014-15 to 2.05 *per cent* during 2018-19 and were even below the targets fixed by HERC during 2017-19.

- There was no disallowance of interest on capital expenditure during 2014-19.

- The Company had regularly claimed reactive energy charges.

Conclusions

The project planning and execution of the Company was poor in terms of completion of power sub-stations with delays. Pre project activities like acquisition of land, handing over site, providing approved drawings to contractors, forest clearance, and non-taking action against defaulting contractors as per contract *etc.* were the major factors behind this.

The Company could not ensure simultaneous completion of sub-stations and associated transmission lines which resulted in non-utilisation of completed work till the completion of associated work. The Company incurred higher transmission costs in comparison with Punjab and Rajasthan during 2014-19. The transmission cost could have been reduced by the Company by ensuring timely commissioning of sub-stations and transmission lines to minimise project cost, controlling extra costs incurred on various accounts and ensuring full utilisation of cheaper World Bank loan. Further, the Company filed ARR with delays to the HERC, which resulted in non-recovery of transmission charges.

The consumers were unduly burdened with ₹ 168.64 crore during 2014-19 for inefficiencies of the Company mainly on account of non-synchronous commissioning of sub-stations and transmission lines, under utilisation of transmission capacity, non-passing of benefits of Advance Against Depreciation and interest waiver to the consumers. Besides this, an amount of ₹ 70.08 crore was disallowed by the Commission in tariffs which had to be borne by Company itself reducing its profitability. As audit findings are based on test check of records, it is recommended that the Company may undertake checks in all areas of operation and undertake remedial measures to improve its efficiency and profitability.

Recommendations

Based on the above audit findings, we recommend that the Company may:

- streamline the system of project planning so as to abide by fixed timelines at different stages of project activities and ensure necessary clearances and physical possession of land before making any financial commitment in relation to the project;

- ensure coordinated commissioning of sub-stations and lines through proper planning and monitoring, and initiate timely action to enforce contract conditions against defaulting contractors;

- establish robust system for preventive maintenance and repair of Power Transformers and other transmission equipment to bring down their damage rate and improve upon transmission system availability on a consistent basis;

- review their financial management to ensure complete utilisation of comparatively cheaper funding options, diligent cost benefit analysis in borrowings and improve profitability;

- reduce its transmission cost by controlling the inefficiencies in project and financial management, and enhanced coordination with distribution utilities to ensure seamless downward flow of electricity;

- ensure timely submission of Aggregated Revenue Requirement to the HERC and recover due transmission charges;

- In line with objective of National Electricity Policy of balancing the interests of consumers and need for investment, the Company and GoH may co-ordinate with DISCOM/HERC to ensure that state consumers are not unduly burdened for inefficiencies of power utilities.

The matter was referred (February 2020) to the Government; their reply was awaited (August 2020).

Chapter-III

Power Sector- Compliance Audit Observations

Chapter III

3 Power Sector- Compliance Audit Observations

Significant audit findings emerging from test check of transactions of State Government Companies of the power sector are included in this Chapter.

Haryana Power Generation Corporation Limited

3.1 Avoidable expenditure

The Company paid ₹ 27.29 crore as compensation for short lifting of coal during 2016-17, as it did not initiate timely action for reduction of Annual Contracted Quantity of coal with Coal India Limited in line with the revised operational requirement of its Panipat Thermal Power Station.

Haryana Power Generation Corporation Limited (Company) had long term Coal Supply Agreements (CSAs) with three subsidiary companies of Coal India Limited (CIL) for a total Annual Contracted Quantity (ACQ) of 66 lakh Tonne[1] to meet out the coal requirements of eight units (1,360 MW capacity) of its Panipat Thermal Power Station (PTPS). As per terms and conditions of the CSAs, the purchaser was liable to pay compensation for short lifting of coal, if in any year the level of lifting fell below 90 *per cent* of the ACQ.

The Company, as per decision taken (9 December 2015) by the State Government, phased out Units 1 to 4 (440 MW capacity) of PTPS with effect from 9 December 2015 as these units had outlived their useful commercial lives. These units were not getting schedule[2] due to their high generation costs and were finally closed by January 2016. The closure of the units entailed lesser requirement of coal. Consequently, the Company should have taken simultaneous action to reduce its ACQ to avoid payment of compensation for short lifting of coal in terms of the CSA.

Audit observed that the Company did not assess the requirement of coal in wake of the reduction in plant capacity and initiate proactive measure for reduction of ACQ. It was only on 24 June 2016, when CIL unilaterally decided to reduce ACQ of PTPS from 66 lakh Tonnes to 44.65 lakh Tonne as also change the quantity to be supplied by Central Coalfields Limited (CCL) and Bharat Coking Coal Limited (BCCL). The Company, in a meeting with CIL, emphasised (29 July 2016) that ACQ of CCL for PTPS be kept intact and, in lieu, the ACQ of BCCL be reduced correspondingly. In the meantime, CCL and BCCL requested (July-August 2016) the Company for execution of side agreements for reduced ACQ as decided by CIL in June 2016.

1 Bharat Coking Coal Limited (BCCL): 33.50 lakh Tonne, Central Coalfields Limited (CCL): 29.50 lakh Tonne and Western Coalfields Limited (WCL): 3.00 lakh Tonne.

2 Merit order prepared by DISCOMs for purchase of power on basis of cost.

The Company decided (9 September 2016) to sign side agreement with BCCL for reduced quantity of 22.65 lakh Tonne after obtaining approval from State Government which was received (6 January 2017). The side agreement was executed (18 January 2017) with BCCL for reduced ACQ of 22.65 lakh Tonne. The CIL further rationalised (March 2017) the coal sources of PTPS and additional side agreements with CCL (for reduced ACQ of 26.65 lakh Tonne) and BCCL (for further reduced ACQ of 15.00 lakh Tonne) were signed on 30 March 2017 and 12 May 2017 respectively effective from 1 April 2017. Thus, full benefit of reduced ACQ, in the form of lesser compensation, could be availed from 2017-18 onwards.

The Company paid ₹ 58.07 crore to BCCL on account of compensation for short lifting of coal for financial year 2016-17. Had the Company taken up the matter proactively with CIL for reduction of ACQ immediately after de-commissioning of its units in December 2015 and signed the side agreements w.e.f. 1 April 2016 to the required level of 15 lakh Tonne, the compensation payment of ₹ 27.29 crore[3] for short lifting in 2016-17 could have been avoided.

The Government stated (June 2019) that approval of Central Electricity Authority regarding phasing out of old units was pre-requisite and the contracted quantity of coal could have been reduced thereafter.

The reply is not acceptable as the State Government, in December 2015, decided to phase out units 1 to 4 of PTPS after Central Electricity Authority's recommendation of September 2015. Besides, Central Electricity Authority's approval of April 2016 was only for deletion of capacity of retiring units from installed capacity of the country which did not prevent the Company to take up revision of ACQ with CIL. It could be seen that the Company failed to secure its interest with prompt initiatives, and depended entirely on initiatives of the CIL. Due to this inactive approach, revision of the required quantity could not take place during the year 2016-17, resulting in payment of penalty to the benefit of CIL.

It is recommended that responsibility may be fixed for the delayed action of the Company in the matter.

3.2 Injudicious Procurement of Generator Transformer

The Company made imprudent procurement of Generator Transformer worth ₹ 9.35 crore for its Panipat Thermal Power Station.

Haryana Power Generation Corporation Limited (Company) issued (June 2014) Purchase Order (PO) for procurement of a new Generator Transformer[4] (GT) from Bharat Heavy Electricals Limited (BHEL) at a cost of ₹ 7.64 crore

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3 ₹ 58.07 crore (compensation for short lifting actually paid to BCCL for 2016-17 with ACQ of 22.00 lakh MT) – ₹ 30.78 crore (compensation which would have been paid had the ACQ been reduced to 15.00 lakh MT)

4 Generator Transformer is the critical link between power station and transmission network. It connects the generator output to the grid. There is one GT for each generating unit.

(exclusive of freight and taxes), for Unit-5[5] (with alternate arrangement for use in Unit-6[6]) of Panipat Thermal Power Station (PTPS) in view of the breakdown (April 2013) of existing GT of Unit-5 and its aging factor. The terms and conditions of the PO provided that BHEL would deliver the GT strictly as per delivery schedule and if it failed to deliver the same within the delivery period, the Company would have the right to refuse to accept the supply even on reduced rates. BHEL was to deliver the GT by 8 October 2015. BHEL, however, could only offer the GT for pre-despatch inspection on 15 December 2015 *i.e.,* after the scheduled delivery period.

In the meantime, the Company submitted (November 2015) a proposal to Haryana Electricity Regulatory Commission (HERC) for carrying out Residual Life Assessment of Boiler Turbine Generator for renovation and modernisation of the Unit-5 for its approval. The HERC, however, rejected (March 2016) the Company's proposal stating that substantial capital expenditure required to be incurred on renovation and modernisation of such an old unit would not be justified in the light of revised emission standards notified (December 2015) by the Ministry of Environment, Forest and Climate Change, Government of India.

In May 2016, the Company observed that Units-5 and 6 of PTPS remained shut down for six to eight months period due to low demand and the purchase of GT would involve high financial implication, therefore, asked (May 2016) BHEL to confirm whether there was requirement of this GT in any other power utility. BHEL stated (May 2016) that the subject GT would not suit the requirement of any other power utility. As such, the Company decided (August 2016) to accept the delivery of the GT citing contractual obligation, though it could have refused to accept the same due to delayed offer. The BHEL supplied the GT on 26 October 2016. As the warranty period (18 months) of the GT was going to expire on 23 March 2018, the Company installed (9 March 2018) the new GT on Unit-6 by replacing the existing working GT at a cost of ₹ 9.35 crore[7] after 16 months of its receipt in PTPS.

Audit observed that the Company was well aware of the fact that the power demand scenario had changed entirely because of availability of power at cheaper rates[8] to the state power distribution companies which would have resulted in unit remaining boxed up despite this investment. Further, HERC had clearly rejected renovation and modernisation expenditure on the old Unit in March 2016 and the Company was within its rights to refuse acceptance of delayed delivery as per the terms of PO but it did not exercise its mandate. Thus, the decision of the Company to accept delayed delivery of the GT with reduced warranty period, was imprudent which resulted in avoidable expenditure of ₹ 9.35 crore.

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5 Commissioned on 28 March 1989.

6 Commissioned on 31 March 2001.

7 Basic price: ₹ 7.64 crore, Excise duty: ₹ 95.50 lakh, Central Sales Tax: ₹ 17.19 lakh, Freight: ₹ 22.50 lakh and dismantling of existing GT and erection, testing and commissioning of new GT: ₹ 35.99 lakh

8 Four units of Sasan Power Limited Ultra Mega Power Project, in which Haryana's allocation was 445.5 MW, were commissioned in April 2014, May 2014, December 2014 and March 2015. In May 2015, per unit variable cost of power generated by SASAN was ₹ 1.15 while it was ₹ 3.71 for unit 5 and 6 of PTPS.

The Government stated (May 2019) that decision to accept GT after expiry of its scheduled date of delivery was reviewed prudentially keeping in view the circumstances prevailing at that time and it was decided by the Management to procure this GT for further use in Unit-6 foreseeing more running of Unit-6 than Unit-5.

The reply is not acceptable because by the time BHEL offered (December 2015) the GT for pre-despatch inspection, electricity demand scenario had changed because of availability of power at more competitive rates. Further, originally installed GT of Unit-6 had completed only 16 years out of total 25 years useful service life and was running trouble free. As such, there was no requirement for a new GT. Thus, by accepting delayed supply, the Company acted in disregard to its rights under the PO and its own financial interest as well.

It is recommended that Management may fix the responsibility for imprudent procurement of GT.

Dakshin Haryana Bijli Vitran Nigam Limited

3.3 Undue benefit to contractor

The Company changed the basis for calculation of AT&C losses as agreed in the contract and extended undue benefit of ₹ 1.97 crore to the contractor.

To reduce Aggregate Technical and Commercial (AT&C) losses, Dakshin Haryana Bijli Vitran Nigam Limited (Company), after inviting e-tenders, appointed (April 2016) M/s Raj Associates, Sirsa (contractor) as retail supply franchisee for Rania city feeder under operation circle Sirsa, on additional revenue sharing basis for a period of one year (2016-17). The terms of the Notice Inviting Tender (NIT)/work order, *inter-alia,* provided that:

- the contractor may carry out its own due diligence to validate the data of monthly realisations, collection efficiency and AT&C losses and the Company and the contractor would jointly carry out the exercise for calculation of base line data.

- before submitting the bid, the bidder may inspect and examine the area involved and satisfy itself regarding field conditions and no claim for change in bid or terms and conditions would be entertained on the ground that the conditions were different than what contemplated.

- after finalisation of base loss levels, the same would be reduced by 10 *per cent* in first quarter and by five *per cent* each in remaining three quarters. In consideration, the Company would share with contractor 30/20 *per cent* of incremental revenue in case of achievement/partial achievement of loss reduction targets.

- in case of increase in losses from base AT&C loss level or non-achievement of target losses in line with reduction trajectory, penalty as per prescribed formulae was to be recovered from the contractor. The incentive/penalty for achievement/non-achievement of loss reduction target was to be assessed on quarterly basis.

The base AT&C loss level was fixed at 44.4 *per cent*[9] jointly by the Company and the contractor. However, the actual AT&C losses in first and second quarters of 2016-17 were 58.45 *per cent* and 65.16 *per cent*, respectively. As such, penalty of ₹ 2.53 crore[10] was leviable on the contractor as per terms of work order. Since in the third and fourth quarters such losses were recorded as (-) 0.02 *per cent* and 13.04 *per cent*, respectively, incremental revenue to be shared with contractor for these quarters was ₹ 0.40 crore[11]. Thus, a net amount of ₹ 2.13 crore (₹ 2.53 crore - ₹ 0.40 crore) was to be recovered from the contractor. The Company asked (12 April 2017) the contractor to deposit the penalty amount within 15 days.

The contractor, instead of making payment, represented that he has been penalised on the basis of quarterly statement whereas base line data of the contract pertain to complete year. The Company considered that in view of seasonability involved in DISCOM operations, loss level in every quarter should be compared with that of corresponding quarter of previous year and decided (8 December 2017) to impose penalty of ₹ 15.74 lakh only which was deposited (2 April 2018) by the contractor.

Audit observed that the Company extended undue favour to the contractor by reducing penalty amount from ₹ 2.13 crore to mere ₹ 15.74 lakh by changing the terms and conditions of the contract afterwards. The contractor was aware of AT&C losses data from April 2015 to January 2016, based on which base AT&C loss was worked out, as the same was also indicated in the contract agreement. The terms of NIT clearly stipulate the contractor to carryout due diligence and inspect the field conditions before signing the contract. Any relaxation in the terms of contract agreement, afterwards, tantamount to undue favour.

The Management stated (June 2019) that on representation by the contractor, the BoDs decided to allow comparison of quarterly AT&C loss with AT&C loss of the same quarter of previous year instead of base line data for the purpose of levy of penalty as well as for sharing incremental revenue. The reply is not acceptable as the Company has changed the very basis of the calculation for AT&C losses and the base loss calculation done at the start of the contract (44.4 *per cent*) became redundant, which is a clear violation of the contract agreement.

The matter was referred (October 2019) to the Government and the Company; their replies were awaited (August 2020).

It is recommended that the Company before entering into a retail supply franchisee agreement ensure the justification of the conditions of contract and strictly follow the same once an agreement is concluded.

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[9] Average of monthly AT&C losses from April 2015 to January 2016 (10 months).

[10] ₹ 0.85 crore for first quarter and ₹ 1.68 crore for second quarter.

[11] ₹ 0.27 crore for third quarter and ₹ 0.13 crore for fourth quarter.

3.4 Acceptance of cables not conforming to agreed specifications

The Company accepted 35.268 km cables valuing ₹ 53.15 lakh not conforming to specifications in the Purchase Order.

DHBVNL (Company) placed (January and March 2016) Purchase Orders (POs) on a firm for procurement of Low Tension (LT) aerial bunched cable of different description and quantities with cross link polyethylene insulations, at a total cost of ₹ 2.98 crore on rate contract basis. The material was to be supplied in five equal lots of 20 *per cent* of ordered quantity. The terms of conditions of PO provided that each lot of cables would be accepted and issued to field office only after passing of sample by a National Accreditation Board for Testing & Calibration of Laboratories (NABL) accredited Laboratory. However, in case of urgency, the material could be issued before receipt of test report, after obtaining an undertaking from the vendor to bear the replacement cost in case of failure of sample. In addition, Liquidated Damages (LD) @ 10 *per cent* of cost of rejected lot was to be imposed.

Out of 56.689 km cables valuing ₹ 67.53 lakh received in five lots, 25.464 km cables worth ₹ 42.02 lakh were issued to field offices before receipt of NABL test reports on the basis of the undertaking (September 2016) from the firm. The PO wise quantity and value of cables received, used and lying in the stores of the Company is detailed in the table below:

Table 3.1- Details of cables received, used and lying in the stores

PO No. and Date	Total Material received		Material used in the field before NABL test report		Unused Material lying in the stores	
	Quantity (km)	Cost (₹ in lakh)	Quantity (km)	Cost (₹ in lakh)	Quantity (km)	Cost (₹ in lakh)
DH-1290 of January 2016	40.786	59.42	23.018	40.77	17.768	18.64
DH-1313 of March 2016	15.903	8.11	2.446	1.25	13.457	6.87
Total	**56.689**	**67.53**	**25.464**	**42.02**	**31.225**	**25.51**

Source: Data compiled from Company's records

Audit observed that the samples of cables of these lots failed (October 2016) as their insulation melted before specified time limit of 15 minutes. Though the Company intimated (October 2016) firm about the failure of subject samples, but it did not ask the firm to replace the entire stock of cables, *i.e.,* used as well as unused cables. However, subsequently, it issued (January 2017) notices to firm to deposit cost of only unused rejected material of 31.225 km cables (₹ 25.51 lakh) and LD at 10 *per cent* of cost of entire rejected material. As the firm did not comply, the Company encashed (May 2017) its Bank Guarantee (BG) of ₹ 44.79 lakh.

In the meantime, the firm filed (21 January 2017) a suit pleading that the Company did not provide them any opportunity to rectify defects and since the Company could not have rejected part quantity, encashment of the BG was illegal. However, in an 'out of court settlement' (June 2018) , the firm agreed for LD charge at 10 *per cent* of the cost of entire rejected material (₹ 6.75 lakh) and cost of unused rejected material (₹ 25.51 lakh) for revocation of BG invocation by the Company. During lifting of rejected cables by the Firm from Company's stores, it was revealed (December 2018) that 9.804 kms rejected cables (valuing ₹ 11.13 lakh), earlier reported to be lying in Nigam's Jind store, had been issued to field offices even after Company's directions (October 2016) to not to issue these cables.

The Company did not exercise its right to recover the replacement cost for the entire lot for which sample had failed the NABL test including the erected cables despite having the supplier's undertaking, and accepted 35.268 km substandard cables valuing ₹ 53.15 lakh by charging only 10 *per cent* LD, which, as per terms of PO, was leviable in addition to replacement of defective material. Further, by using substandard cables, the Company compromised effectiveness and safety of its infrastructure.

The Company stated (November 2019) that dismantlement of cables failed in NABL test was not possible as it got mixed up with healthy cables and were used in field in pieces. Further, warranty period of subject cables was up to November 2017 and no complaint had been received from the field. The Management reply is not acceptable as warranty period is for material conforming to norms and non-receipt of complaint so far does not guarantee that there would be no problem due to intrinsic defect of cable during its useful life of 25 years. Further, the Company while exercising right under PO to use material before NABL test results based on Firm's undertaking to bear replacement cost in case of sample failures, should have ensured enforcing the undertaking and safeguarded its interest.

The matter was referred (June 2019) to the Government; their reply was awaited (August 2020).

It is recommended that the Company may review its standard operating process relating to enforcement of undertakings obtained from suppliers to serve its commercial interest.

3.5 Loss due to non-revision of Security Deposit of consumers

The Company had to suffer a loss of ₹ 72.50 lakh due to not maintaining security deposit in line with HERC regulations.

Haryana Electricity Regulatory Commission (Electricity Supply Code) Regulations, 2014[12] provide that at the beginning of a financial year, the licensee (*i.e.,* DISCOM) would review the consumption pattern of consumer from April to March of previous year for adequacy of security deposit (Advance Consumption Deposit - ACD) and the customer would be required to maintain a sum equivalent to their average payment[13] for the period of two billing cycles.

Audit observed the following at Operation Circle, Sirsa of Dakshin Haryana

12 Notified on 8 January 2014.
13 Average payment shall be equal to average of actual bills paid in the last financial year.

Bijli Vitran Nigam Limited (Company):

(i) A large supply consumer[14] was granted (February 2013) connection with connected load of 1,100.395 kW which was extended (October 2013) to 1,797.159 kW. The Company got deposited total ACD of ₹ 13.49 lakh for this connection, however, as per HERC Regulations, 2014, the ACD was required to be revised as on 1 April 2014 on the basis of actual bills paid during previous financial year which worked out to ₹ 57.49 lakh. The consumer defaulted in payment of dues from December 2014 and the Company disconnected the connection on 30 January 2015. By that time, defaulting amount had increased to ₹ 134.07 lakh and after adjusting the available ACD of ₹ 13.49 lakh, the unpaid amount worked out to ₹ 120.58 lakh.

(ii) Similarly, another large supply consumer[15] was granted connection in June 1992 with connected load of 822.766 kW, which was extended (September 2012) to 1,119.301 kW. The Company was having total ACD of ₹ 20.35 lakh which was worked out in December 2013 but collected in installments up to November 2014. However, as per HERC regulations 2014, the ACD was required to be revised on 1 April 2014 on the basis of actual bills paid during previous financial year which worked out to ₹ 48.85 lakh. The consumer defaulted in payment of dues from December 2014 and the Company disconnected the connection on 30 January 2015. By that time, total dues had increased to ₹ 50.24 lakh and after adjusting the available ACD of ₹ 20.35 lakh, the total unpaid amount worked out to ₹ 29.89 lakh.

To recover its unpaid electricity charges of ₹ 150.47 lakh (₹ 120.58 lakh and ₹ 29.89 lakh), the Company issued (4 March 2015) notices to the concerned surety's of the respective connections. The surety's however moved (March 2015) the Court praying for restraining the Company from taking coercive action against them and transferring the outstanding defaulted amount of electricity charges to their account, which was granted (July 2015). The surety's also became defaulters from January 2017 and November 2017 and they were also disconnected by the Company in January 2018. Since then, no action has been initiated by the Company for recovery of its dues in terms of Sales Manual (Instruction No. 7.3) which prescribes recovery of dues as arrears of land revenue under Haryana Electrical Undertakings (Dues Recovery) Act, 1970.

Audit observed that though the Company was required to maintain an ACD of ₹ 106.34 lakh (₹ 57.49 lakh and ₹ 48.85 lakh) from both the consumers during 2014-15 on the basis of consumption pattern of the year 2013-14, the Company had ACD of only ₹ 33.84 lakh (₹ 13.49 lakh and ₹ 20.35 lakh). It did not obtain the additional ACD of ₹ 72.50 lakh (₹ 106.34 lakh - ₹ 33.84 lakh) from the consumers as per HERC regulations. Had the Company revised the ACD in April 2014 as per HERC regulations, the non-recovery could have been reduced to the extent of ₹ 72.50 lakh.

[14] Consumer Account No. AHHT-0001.
[15] Consumer Account No. DRHT- 0003.

The Management stated (August 2019) that the ACD of consumers was already under revision as per old instructions and new regulations were notified in January 2014 but circulated on 1 April 2014 by SE/Commercial. Then, it was presumed that the next revision would be on 1 April 2015. Further, keeping in view the large number of consumers, it was not easy to revise/update the ACD of every consumer, but now, the ACD is being automatically revised by the billing system.

The reply is not acceptable because HERC Regulations, 2014 (notified on 8 January 2014) had superseded the Regulations of 2005 and were applicable from the notification date itself and not from the circulation of the same by SE/Commercial. Further, the Company should have revised the ACD of large supply consumer manually to safeguard its financial interests.

The matter was referred (June 2019) to the Government; their reply was awaited (August 2020).

It is recommended that the Management should evolve such a system so that ACD of each consumer is revised at its due time and fix the responsibility of the concerned officials/officers for non-revision of ACD.

Uttar Haryana Bijli Vitran Nigam Limited

3.6 Infructuous expenditure on unmanned sub-stations

The Company incurred avoidable expenditure of ₹ 11.14 crore on construction of unmanned sub-stations and their subsequent conversion into conventional ones.

On the proposal of its field offices, the Company approved (January 2007 - March 2009) creation of unmanned sub-stations without conducting any techno-economic study and constructed 15 Nos. 33 kV unmanned sub-stations at a total cost of ₹ 34.46 crore between August 2008 and April 2012. These sub-stations were to be linked to a remote controlled monitoring station using general packet radio service[16] routers. The configuration software would automatically carry out ON/OFF operations, up-load the event/data and send message to the concerned field staff in case of call out by means of Short Messaging Service (SMS), voice call, e-mail *etc*.

The Company noted (March 2017) a general problem in the field offices to up-keep and maintain these sub-stations and difficulty to diagnose/repair any fault in the sub-station due to lack of expertise in the field offices. The Company, therefore, decided (October 2017) to convert six of these unmanned sub-stations into conventional type and awarded (May 2018) a work order at a cost of ₹ 6.22 crore. We observed that one unmanned sub-station was costlier by ₹ 41 lakh in comparison to conventional type at the time of their construction.

[16] It is a cost effective packet oriented wireless data communication service which provides higher data transfer speed than fixed telecommunication networks. It provides instant connection and immediate data transfer. It also provides internet applications over mobile.

Thus, due to commissioning of unmanned sub-stations without conducting any techno-economic study, the Company had to incur an avoidable expenditure of ₹ 11.14 crore[17].

The Management stated (December 2019) that earnest efforts were made to assimilate the new technology for creating robust electrical network within the State. However, due to non-availability of replacement for defective equipments in local market, original equipment manufacturer asking for more time and rates, annual maintenance contract related issues and frequent trippings and breakdowns, the Company decided to shift the functioning of unmanned sub-stations into conventional mode.

The reply is not acceptable as before going for the new technology, the Company could have done a feasibility study and the issues of replacement for defective equipments *etc*. could have been anticipated and addressed through suitable provisions in the contract with original equipment manufacturer. Moreover, the Company could have commissioned one unmanned sub-station on pilot basis instead of commissioning 15 sub-stations in one go.

The matter was referred (July 2019) to the Government; their reply was awaited (August 2020).

It is recommended that the Company may fix responsibility for commissioning of 15 sub-stations in one go instead of on a pilot basis.

3.7 Inadequacy of Automatic Power Factor Capacitors

The Company had to bear reactive energy charges of ₹ 59.83 crore due to inadequacy of functional Automatic Power Factor Capacitors.

An Automatic Power Factor Capacitor (APFC) is an electrical device which improves power factor[18] by regulating current flow and voltage. The Indian Electricity Grid Code seeks the participants in the system to plan, develop, maintain and operate the power system in the most secure, reliable, economic and efficient manner. The Company appointed (December 2013) a consultant firm to carry out survey of all its 183 nos. 33 kV Sub-Stations (SSs) to identify the defects in existing APFCs. The consultant report showed that capacitor bank at only 17 SSs were functioning successfully. The Company floated (September 2014) tender for repair/replacement of APFCs. However, due to non-participation of bidders the same could not materialise.

Thereafter, the Company conducted another survey (July 2018) on the working of APFCs in 309 nos. SSs through its own Metering and Protection office. This study showed that APFCs in only 67 SSs (21.68 *per cent*) were functional; while in remaining 242 SSs (78.32 *per cent*) were damaged.

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17 ₹ 6.22 crore on conversion of six unmanned SSs into conventional type SSs and ₹ 4.92 crore @ ₹ 41 lakh for 12 sub-stations (out of 15, three SSs were transferred to DHBVNL) being extra cost of an automatic SS as compared to conventional SS in 2009-10.

18 The power factor of an AC electrical power system is defined as the ratio of the real power absorbed by the load to the apparent power flowing in the circuit.

Audit noticed that even after two surveys, the Company did not take any action for repair of defective APFCs (March 2019). Due to inadequate functioning APFCs, the Company had to bear reactive energy[19] charges of ₹ 59.83 crore during 2014-15 to 2018-19 which could have been avoided if the Company had taken action to install adequate APFCs and repair the damaged ones.

The Company stated (December 2019) that it had made mandatory to install APFCs in all newly created/augmented sub-stations from 2009-10. All non-operational APFCs are being made operational for which a NIT for procurement of new APFCs panels and repair of non-functional APFCs has been floated in March 2020.

The reply, does not explain continuing with faulty and non-functional APFCs reported in both the surveys, and lack of prompt action on the survey report which led to the incidence of reactive energy charges of ₹ 59.83 crore during 2014-15 to 2018-19.

The matter was referred (July 2019) to the Government; their reply was awaited (August 2020).

It is recommended that the Company may take action to install adequate APFCs and repair the damaged ones to avoid payment of reactive energy charges.

[19] It is the power present in the power supply which does not do any useful work but simply moves back and forth in the power system lines.

Part-II

Other than Power Sector

Chapter-IV

Functioning of Public Sector Undertakings

(Other than Power Sector)

Part II

Chapter IV

Functioning of Public Sector Undertakings (Other than Power Sector)

Introduction

4.1 There were 27 State Public Sector Undertakings (PSUs) as on 31 March 2019 related to sectors other than Power Sector. These State PSUs, incorporated during 1966-67 to 2017-18, included 25 Government Companies and two Statutory Corporations[1]. The Government Companies included two[2] subsidiary companies owned by Government Companies and four[3] inactive companies. Two[4] Government Companies had not commenced commercial activities till 31 March 2019.

The State Government provides financial support to the State PSUs in the form of equity, loans and grants/ subsidy from time to time. Of the 27 State PSUs, the State Government invested funds in 21 State PSUs only. Equity of remaining six[5] joint venture/ subsidiary companies was contributed by their respective Co-partner/ Holding 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 and GSDP of Haryana for a period of five years ending March 2019:

Table 4.1: Details of turnover of State PSUs *vis-à-vis* GSDP of Haryana

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover	8,891.35	4,633.78	4,100.32	4,564.52	4,536.78
GSDP of Haryana	4,41,864.26	4,92,656.90	4,34,607.93	6,08,470.73	7,07,126.33
Percentage of Turnover to GSDP of Haryana	2.01	0.94	0.94	0.75	0.64

GSDP of Haryana for 2013-14 : ₹ 3,95,747.73 crore , Turnover for 2013-14 : ₹ 3,006.57 crore

Source: Compilation based on Turnover figures of working PSUs and GSDP figures as per information supplied by Department of Economic and Statistical analysis Haryana at current prices of respective years (Advanced Estimates) for year to year comparison.

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1 Haryana State Warehousing Corporation and Haryana Financial Corporation.

2 Hartron Informatics Limited incorporated (8 March 1995) as subsidiary company of HARTRON and Panipat Plastic Park Haryana Limited, incorporated (27 December 2016) as subsidiary company of HSIIDC.

3 Haryana State Minor Irrigation and Tubewells Corporation limited, Haryana State Housing Finance Corporation Limited, Haryana Concast Limited and Haryana Minerals Limited which ceased to carry out their operations from the years 2002-03, 2001-02, 1997-98, and 2002-03 respectively.

4 Haryana Rail Infrastructure Development Corporation Limited and Faridabad Smart City Limited.

5 Hartron Informatics Limited, Gurgaon Technology Park Limited, Panipat Plastic Park Haryana Limited, Gurugram Metropolitan City Bus Limited, Haryana Minerals Limited and Haryana State Housing Finance Corporation Limited.

The turnover of these PSUs increased during 2014-15 and 2017-18 in comparison to turnover recorded in the preceding year, as per their latest audited accounts available in respective years. The high turnover noticed in the year 2014-15 is due to adoption of accrual method of preparation of accounts by Haryana State Industrial and Infrastructure Development Corporation Limited (HSIIDC) from Cash basis. The change in turnover ranged between 195.73 *per cent* and (-) 47.88 *per cent* during the period 2014 19, whereas increase in GSDP of the State ranged between 11.50 *per cent* and 40 *per cent* during the same period. The compounded annual growth of GSDP was 12.31 *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 12.31 *per cent* of the GSDP, the turnover of other than power sector undertakings recorded negative compounded annual growth of 8.58 *per cent* during last five years. There was decrease in share of turnover of these PSUs in the GSDP, from 2.01 *per cent* in 2014-15 to 0.64 *per cent* in 2018-19.

Investment in State PSUs

4.3 There are some PSUs which function as instruments of the State Government. They provide certain services which the private sector may not be willing to extend due to various reasons. 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 divided and analysed under two major classifications *viz.* those in the social sector and those functioning in competitive environment. Besides, five[6] of these PSUs which had been incorporated to perform some specific activities on behalf of the State Government have been categorised under 'Others'. Details of investment made in these 27 State PSUs in shape of equity and long term loans up to 31 March 2019 are detailed in ***Appendix-5.***

4.4 The sector-wise summary of investment in these State PSUs as on 31 March 2019 is given below:

Table 4.2: Sector-wise investment in State PSUs

<table>
<tr><th rowspan="3">Sector</th><th rowspan="3">Number of PSUs</th><th colspan="8">Investment (₹ in crore)</th></tr>
<tr><th colspan="2">Equity</th><th colspan="2">Long term loans</th><th colspan="2">Grant/Subsidies</th><th colspan="2">Total</th></tr>
<tr><th>GoH</th><th>Others</th><th>GoH</th><th>Others</th><th>GoH</th><th>Others</th><th>GoH</th><th>Others</th></tr>
<tr><td>Social Sector</td><td>9</td><td>107.27</td><td>31.98</td><td>8.15</td><td>173.98</td><td rowspan="3">2153.24</td><td rowspan="3">226.22</td><td rowspan="3">2751.43</td><td rowspan="3">6430.45</td></tr>
<tr><td>PSUs in Competitive Environment</td><td>13</td><td>420.03</td><td>75.21</td><td>1.39</td><td>5,504.02</td></tr>
<tr><td>Others</td><td>5</td><td>61.35</td><td>28.54</td><td>0</td><td>390.50</td></tr>
<tr><td>Total</td><td>27</td><td>588.65</td><td>135.73</td><td>9.54</td><td>6,068.50</td><td>2153.24</td><td>226.22</td><td>2751.43</td><td>6430.45</td></tr>
</table>

Source: Compilation based on information received from PSUs.

[6] Haryana Police Housing Corporation Limited incorporated to perform buildings constructions and civil engineering works for Police department; Haryana Mass Rapid Transport Corporation Limited incorporated to implement the mass rapid transport projects in Haryana; Haryana Medical Services Corporation Limited incorporated to procure drugs and medical equipment on behalf of State Government; Haryana Roadways Engineering Corporation Limited incorporated as bus body building workshop for Haryana Roadways; Haryana Rail Infrastructure Development Corporation Limited incorporated for planning and implementation of railway infrastructure on behalf of State Government.

As on 31 March 2019, the total investment (equity, long term loans and grant/subsidies) in these 27 PSUs was ₹ 9,181.88 crore comprising of investment by Government of Haryana (GoH) of ₹ 2,751.43 crore and by others ₹ 6,430.45 crore. The investment consisted of 7.89 *per cent* towards equity, 66.20 *per cent* in long-term loans and 25.91 *per cent* in grant/subsidy. Of the total long term loans, the State Government loans were only 0.16 *per cent* (₹ 9.54 crore). Component-wise analysis of grant/subsidy received (₹ 1,380.07 crore) by other than Power sector PSUs during last five years showed that 86.52 *per cent* (₹ 1,194.07 crore) of the grant/subsidy was for operational and administrative expenses and balance 13.48 *per cent* was for project funds.

The total investment increased by 105.86 *per cent* from ₹ 4,460.28 crore in 2014-15 to ₹ 9,181.88 crore in 2018-19. The investment increased mainly due to increase in outstanding long term loans from ₹ 2,711.43 crore during 2014-15 to ₹ 6,078.04 crore during 2018-19. The share of HSIIDC in the outstanding loans was ₹ 5,501.72 crore.

Disinvestment, Restructuring and Privatisation of State PSUs

4.5 During the year 2018-19, no disinvestment, restructuring or privatisation was done by the State Government in these PSUs.

Budgetary Support to State PSUs

4.6 The Government of Haryana 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 for the last three years ending March 2019 are as follows:

Table 4.3: Details regarding budgetary support to State PSUs during the years

(₹ in crore)

Particulars[7]	**2016-17**		**2017-18**		**2018-19**	
	Number of PSUs	**Amount**	**Number of PSUs**	**Amount**	**Number of PSUs**	**Amount**
Equity Capital outgo (i)	2	3.10	4	7.71	5	25.44
Loans given (ii)	-	-	-	-	1	8.15
Grants/Subsidy provided (iii)	8	445.08	9	188.60	8	358.36
Total Outgo (i+ii+iii)		**448.18**		**196.31**		**391.95**
Loan repayment/ written off[8]	1	81.24	-	-	1	215.15
Loans converted into equity	-	-	-	-	-	-
Guarantees issued	3	677.62	3	2,030.52	4	1,071.81
Guarantee Commitment	5	1,084.36	5	3,351.48	5	4,359.35

Source: Compilation based on information received from PSUs.

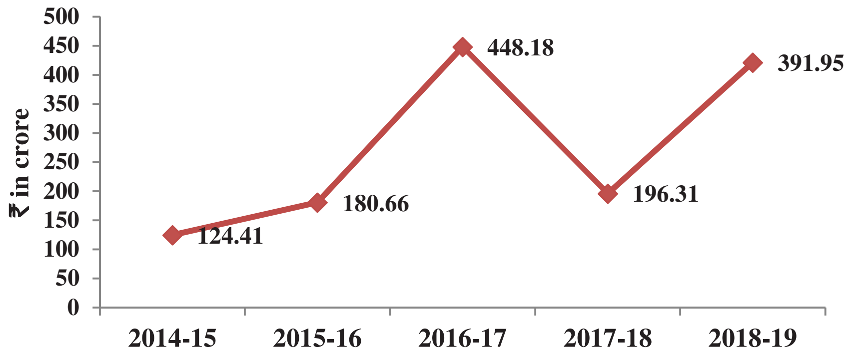
The details regarding budgetary outgo towards equity, loans and

7 Amount represents outgo from State Budget only.

8 This represents the loans written off in respect of Haryana State Minor Irrigation and Tubewells Corporation Limited and loan repayment is nil.

grants/subsidies for the last five years ending March 2019 are given in graph below:

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



The budgetary assistance of ₹ 358.36 crore given as grants/ subsidy during the year 2018-19 was primarily for repayment of loan, implementation of schemes and administrative expenses.

GoH provides guarantee for PSUs to seek financial assistance from banks and financial institutions and levies guarantee fees at the rate of 0.125 *per cent* to two *per cent* on loans availed by these PSUs. During the year 2018-19, guarantee commission of ₹ 45.41 crore was paid by three[9] PSUs.

Reconciliation with Finance Accounts of Government of Haryana

4.7 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 Haryana. 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 2019 is stated below:

Table 4.4: Equity, loans, guarantees outstanding as per Finance Accounts of Government of Haryana *vis-à-vis* records of State PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	553.45	588.65	35.20
Loans	204.08	9.54	194.54
Guarantees	3,903.52	4,359.35	455.83

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

Audit observed that out of 27 State PSUs, such differences occurred in 18 PSUs as shown in ***Appendix 6***. These differences between the figures have been persisting since last several years. The issue of reconciliation of differences has been taken up by the Accountant General (Audit) Haryana

[9] Haryana Scheduled Castes Finance and Development Corporation Limited, Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited and Haryana State Industrial and Infrastructure Development Corporation Limited.

with the concerned PSUs and their Administrative Departments from time to time. Major difference in balances was observed in Haryana Police Housing Corporation Limited, Haryana State Roads and Bridges Development Corporation Limited and Haryana State Minor Irrigation and Tubewells Corporation Limited (an inactive company).

It is recommended that the State Government and respective PSUs should reconcile the differences in accounts in a time-bound manner.

Submission of accounts by State PSUs

4.8 Of these 27 PSUs, 23 are working (21 Companies and two Statutory Corporations) and four are inactive as of 31 March 2019. The status of timelines followed by the State PSUs in preparation of their accounts is detailed below:

Timeliness in preparation of accounts by the working State PSUs

4.8.1 Accounts for the year 2018-19 were required to be submitted by all the PSUs by 30 September 2019. However, out of 21 working Companies, only four Companies submitted their accounts for the year 2018-19 for audit by CAG on or before 30 September 2019.

The CAG is the sole auditor of the two Statutory Corporations[10] of the State. The accounts of both Statutory Corporations for the year 2018-19 were awaited as of 30 September 2019.

Details of arrears in submission of accounts by working PSUs, as on 30 September 2019, are given below:

Table 4.5: Position relating to submission of accounts by the working State PSUs

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Number of PSUs	20	19	21	23	23
2.	Number of accounts submitted during current year	17	19	14	27	26
3.	Number of working PSUs which finalised accounts for the current year	1	1	1	3	4
4.	Number of previous year accounts finalised during current year	16	18	13	24	22
5.	Number of working PSUs with arrears in accounts	19	18	20	20	19
6.	Number of accounts in arrears	34	35	43	38	35
7.	Extent of arrears (in no. of years)	1-5	1-5	1-5	1-4	1-5

Source: Compilation based on accounts of PSUs received during the period October 2018 to September 2019.

The concerned Departments were informed quarterly by the Accountant General (Audit) Haryana regarding arrears in finalisation of accounts.

[10] Haryana Financial Corporation and Haryana State Warehousing Corporation.

The GoH had provided ₹ 751.25 crore (Equity ₹ 39.48 crore, Loans ₹ 8.15 crore, Grants/ Subsidy: ₹ 703.62 crore) to nine of the 23 working State PSUs, accounts of which for the year 2018-19 had not been finalised by 30 September 2019. PSU wise details of investment made by State Government during the years, for which accounts are in arrears are shown in ***Appendix 7***. The grants/ subsidy was provided to the PSUs for meeting their administrative expenses except for HSIIDC where grant was provided for projects.

Timeliness in preparation of accounts by inactive State PSUs

4.8.2 Of the four inactive PSUs, two PSUs *viz.* Haryana State Housing Finance Corporation Limited and Haryana Concast Limited were under liquidation. There were arrears in finalisation of accounts by remaining two inactive PSUs, details of which are given below:

Table 4.6: Position relating to arrears of accounts in respect of inactive PSUs as on 30 September 2019

Sl. No.	Name of inactive companies	Period for which accounts were in arrears
1.	Haryana State Minor Irrigation and Tubewells Corporation Limited	2018-19
2.	Haryana Minerals Limited	2018-19

Source: Compilation based on accounts of PSUs received during the period October 2018 to September 2019

Impact of non-finalisation of accounts of State PSUs

4.9 The delay in finalisation of accounts is a violation of the provisions of the relevant Statutes, and it has multiple consequences such as (i) Actual contribution of the PSUs to State GDP for the year 2018-19 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature, (ii) It may result in fraud and leakage of public money apart from violation of the provisions of the relevant statutes, (iii) In absence of finalisation of accounts and their subsequent audits, oversight by the Statutory Auditors appointed by the CAG and supplementary audit by the CAG could not be exercised, (iv) 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 besides being a violation of the provisions of the relevant Statutes, the actual contribution of the PSUs to State GDP for the year 2018-19 could not be ascertained. Their contribution to State exchequer was also not reported to the State Legislature. Of the 19 working PSUs with arrears in finalisation of their accounts, six working PSUs had arrears of more than one year in finalisation of their accounts.

It is, therefore, recommended that the Administrative Department should monitor and issue directions to liquidate the arrears in accounts. The Government may also like to look into the constraints faced by PSUs in preparing the accounts and initiate necessary measures.

Placement of Separate Audit Reports of Statutory Corporations in State Legislature

4.10 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. Accounts of both the Statutory Corporations for the 2018-19 were not received for audit by 30 September 2019.

The Status of annual accounts of Statutory Corporations and placement of their SARs in Legislature is detailed in the following table:

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

Name of the Corporation	Year of Accounts	Month of placement of SAR
Haryana Financial Corporation	2016-17	February 2019
	2017-18	Sent to Government on 11 February 2020 for placement
Haryana State Warehousing Corporation	2015-16	21 February 2019
	2016-17	Yet to be placed
	2017-18	Yet to be placed

Source: Compilation based on information furnished by the PSU.

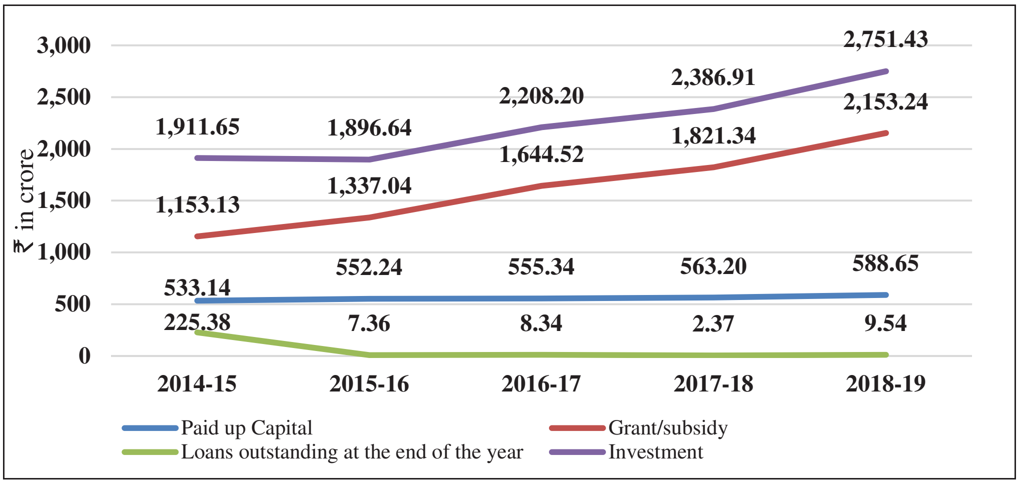
Performance of PSUs

4.11 The financial position and working results of the 27 PSUs, as per their latest finalised accounts, as of 30 September 2019 are detailed in ***Appendix-8***.

The PSUs are expected to yield reasonable return on investment made by Government in them. The amount of investment as on 31 March 2019 in the PSUs was ₹ 9,181.88 crore consisting of ₹ 724.38 crore as equity, ₹ 6,078.04 crore as long term loans and ₹ 2,379.46 crore as grants and subsidy. Out of this, State Government had invested ₹ 2,751.43 crore (Equity ₹ 588.65 crore, Long term loans ₹ 9.54 crore and grant/subsidy of ₹ 2,153.24 crore).

The year-wise graph of investment of GoH in the PSUs during the period 2014-15 to 2018-19 is as follows:

Chart 4.2: Total investment of GoH in PSUs



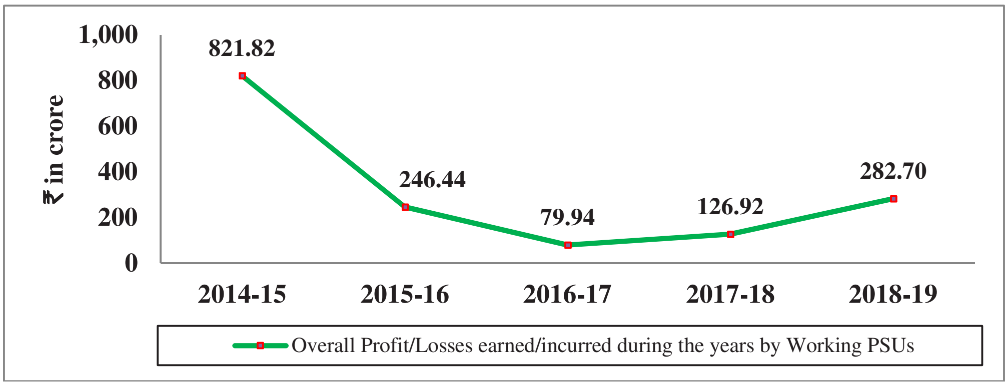
The total investment of GoH in the other than power sector PSUs increased 1.44 times during the period from 2014-15 to 2018-19 as shown in the chart 4.2.

4.12 The financial performance and profitability of a company is traditionally assessed through Return on Investment (ROI), Return on Equity (ROE) and Return on Capital Employed (ROCE) as discussed below.

Return on Investment (ROI)

4.13 The Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit/ losses[11] earned/ incurred by the working PSUs during 2014-15 to 2018-19 is depicted below:

Chart 4.3: Profit earned / Losses incurred by working PSUs during the years



The financial results of other than power sector PSUs for the latest year for which accounts were finalised have been summarised in ***Appendix-8***.

Of the 23 working PSUs as on 31 March 2019, position of working PSUs which earned/ incurred profit/ loss during 2014-15 to 2018-19 is given below:

Table 4.8: Details of working PSUs which earned profit / incurred loss

Financial Year	Total number[12] of PSUs	Number of PSUs which earned profits	Number of PSUs which incurred loss	Number of PSUs which had marginal profit/ loss
2014-15	18	14	4	-
2015-16	18	12	6	-
2016-17	18	11	7	-
2017-18	21	14	7	-
2018-19	23	16	5	2[13]

(a) Return on Investment on historical cost basis

4.14 Out of 27 PSUs of the State, the State Government infused funds in the form of equity, long term loans and grants/ subsidies in 21 PSUs only. The Government has invested ₹ 598.19 crore in these PSUs consisting of equity of ₹ 588.65 crore and long term loans of ₹ 9.54 crore.

[11] Figures are as per the latest finalised accounts of the respective years.
[12] Number of Working PSUs which finalised accounts.
[13] Panipat Plastic Park Haryana Limited and Haryana Rail Infrastructure Development Corporation Limited.

The ROI has been calculated[14] on the investment made by the Government of Haryana in the form of equity, loans and grants/subsidy. In the case of loans, only interest free loans are considered as investment since the Government does not receive any interest on such loans and are therefore of the nature of equity investment by Government except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. However, all long term loans of ₹ 9.54 crore are interest bearing loans and there are no interest free loans. Thus, the total investment of State Government in these 21 PSUs on the basis of historical cost was ₹ 2,741.89 crore[15] (Equity of ₹ 588.65 crore and grants/subsidy of ₹ 2,153.24 crore) and investment of others was ₹ 110.39 crore as detailed in Table 4.9.

The sector wise ROI on the basis of historical cost of investment for the period 2014-15 to 2018-19 is as given below:

Table 4.9: Return on State Government Investments on the basis of historical cost

Year	Sector-wise break-up	Total Earnings (₹ in crore)	Funds invested by the GoH in form of Equity, Interest Free Loans and Grant/Subsidy on historical cost (₹ in crore)	Return on State Government investment (*per cent*)
i	**ii**	**iii**	**iv**	**v =iii/iv *100**
2014-15	Social Sector	-12.51	272.29	-4.59
	Competitive Sector	804.52	1296.6	62.05
	Others	13.81	117.38	11.77
	Total	**805.82**	**1686.27**	**47.79**
2015-16	Social Sector	-21.95	345.66	-6.35
	Competitive Sector	256.98	1353.73	18.98
	Others	2.58	189.89	1.36
	Total	**237.61**	**1889.28**	**12.58**
2016-17	Social Sector	-65.19	398.55	-16.36
	Competitive Sector	136.25	1534.38	8.88
	Others	0.53	266.92	0.20
	Total	**71.59**	**2199.85**	**3.25**
2017-18	Social Sector	22.01	466.29	4.72
	Competitive Sector	92.52	1557.07	5.94
	Others	1.76	361.19	0.49
	Total	**116.29**	**2384.55**	**4.88**
2018-19	Social Sector	51.43	554.15	9.28
	Competitive Sector	216.34	1643.7	13.16
	Others	4.69	544.04	0.86
	Total	**272.46**	**2741.89**	**9.94**

14 Though the HFC is a listed corporation, the corporation has not sanctioned fresh loan since May 2010 and the last trading of shares of corporation took place on 13 July 2011 at a price of ₹ 24.65. The share price remained static since then and the same is the current share price *i.e,* ₹ 24.65. Therefore, the ROI has not been calculated separately.

15 Long term loans ₹ 9.54 crore not taken in account being interest bearing loans and there are no interest free loans.

The returns on State Government investments improved during 2018-19 over that for the period 2017-18 mainly due to increase in profits of HSIIDC (in competitive sector) and Haryana State Warehousing Corporation (HSWC) (in social sector) during the year 2018-19. Further analysis showed fluctuating trend in the returns on State Government investments in competitive sector which were 62.05 *per cent* in 2014-15 and decreased to 18.98 *per cent* in 2015-16 mainly due to decrease in profits of HSIIDC. This sector's investments returns in 2017-18 were 5.94 *per cent* and 13.16 *per cent* in 2018-19. During 2018-19, competitive sectors returns on investment were highest amongst the three sectors. The return earned during the period 2014-15 to 2018-19 ranged between 3.25 *per cent* and 47.79 *per cent*.

(b) Present Value of Investment

4.15 Analysis of the earnings *vis-à-vis* investments in respect of those 21 State PSUs, where funds had been infused by the State Government was carried out to assess the profitability of these PSUs. Traditional calculation of ROI is based on which may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the Present Value (PV) of money. Therefore, in addition, Rate of Real Return (RORR) is calculated considering the PV of historical cost of investment.

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

- Where interest free loans was given to the PSUs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year.
- The average rate of interest on Government borrowings for the concerned financial year[16] was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of ROI made by the Government.
- The grants and subsidies given by the State Government less disinvestment had traditionally been considered for arriving at RORR.

The present value of the Government investment has been computed to assess the rate of return on the PV of investment of GoH in the State PSUs as compared to historical value of the investment. In order to bring the historical cost of investments to its PV at the end of each year up to 31 March 2019, the past investment/year-wise funds infused by the GoH in the State PSUs have

[16] The average rate of interest on Government borrowings was adopted from the Reports of the CAG of India on State Finances (Government of Haryana) for the concerned year wherein the average rate for interest paid = Interest payment/[(amount of previous year's fiscal liabilities + Current year's Fiscal Liabilities)/2]*100.

been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, PV of the State Government investment was computed in respect of those 21 State PSUs where funds had been infused by the State Government in the shape of equity, interest free loan and grant/subsidies since inception of these companies till 31 March 2019. During the period from 2014-15 to 2018-19, these 21 PSUs had a positive ROI. The ROI for these five years have, therefore, been calculated and depicted on the basis of PV.

For the period 2014-15 to 2018-19, when some of these 21 companies incurred losses, a more appropriate measure of performance is the erosion of net worth due to losses. The erosion of net worth of PSUs has been commented upon in Para 4.18.

Rate of Real Return (RORR) on the basis of Present Value of investment

4.16 PSU wise position of State Government investment in these 21 State PSUs in the form of equity on historical cost basis for the period from 1999-2000 to 2018-19 is indicated in ***Appendix 9.*** Further, consolidated position of net present value (NPV) of the State Government investment relating to these PSUs for the same period is indicated in table below:

Table 4.10: Present value (Real Return) on State Government investment from 1999-2000 to 2018-19

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Grants/ subsidies given by Government for operational and administrative Expenditure	Total investment during the year	Average rate of interest on Government borrowings (in *per cent*)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earning for the year[17]
i	ii	iii	iv	v=iii+iv	vi	vii=ii+v	viii= {vii(1+vi /100)}	ix={vii*vi)/ 100}	x
Up to 1999-2000	-	164.22	49.95	214.17	12.05	214.17	239.98	25.81	8.96
2000-01	239.98	45.48	73.50	118.98	11.40	358.96	399.88	40.92	-0.22
2001-02	399.88	21.04	98.18	119.22	10.50	519.10	573.60	54.51	7.83
2002-03	573.60	28.04	66.87	94.91	10.74	668.52	740.31	71.80	10.22
2003-04	740.31	11.51	16.19	27.70	10.20	768.01	846.35	78.34	-2.92
2004-05	846.35	2.48	22.04	24.52	8.49	870.87	944.81	73.94	2.84
2005-06	944.81	57.78	31.59	89.37	8.95	1,034.18	1,126.74	92.56	49.76
2006-07	1,126.74	12.16	25.90	38.06	9.20	1,164.80	1,271.96	107.16	-25.97
2007-08	1,271.96	72.07	83.03	155.10	7.43	1,427.05	1,533.08	106.03	-81.43
2008-09	1,533.08	95.92	67.39	163.31	7.82	1,696.39	1,829.05	132.66	176.34
2009-10	1,829.05	4.98	41.96	46.94	9.29	1,875.99	2,050.27	174.28	54.25
2010-11	2,050.27	6.41	98.80	105.21	9.22	2,155.48	2,354.22	198.74	138.45
2011-12	2,354.22	21.28	167.40	188.68	9.73	2,542.90	2,790.32	247.42	98.15
2012-13	2,790.32	-21.98	61.71	39.73	9.86	2,830.05	3,109.09	279.04	123.25
2013-14	3,109.09	2.93	94.88	97.81	9.83	3,206.90	3,522.14	315.24	-93.65

17 Total earning for the year depicts total of net earnings (Profits/loss) for the concerned year relating to those 21 PSUs where funds were infused by State Government. In case where annual accounts of any PSU was pending during any year then net earnings (profits/loss) for the year has been taken as per latest audited accounts of the concerned PSU.

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Grants/ subsidies given by Government for operational and administrative Expenditure	Total investment during the year	Average rate of interest on Government borrowings (in *per cent*)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earning for the year[18]
i	ii	iii	iv	v=iii+iv	vi	vii=ii+v	viii= {vii(1+vi /100)}	ix={vii*vi)/1 00}	x
2014-15	3,522.14	8.82	153.74	162.56	9.33	3,684.70	4,028.49	343.78	805.82
2015-16	4,028.49	19.10	183.91	203.01	8.64	4,231.50	4,597.10	365.60	237.61
2016-17	4,597.10	3.10	307.48	310.58	8.00	4,907.68	5,300.29	392.61	71.59
2017-18	5,300.29	7.87	176.82	184.69	8.10	5,484.98	5,929.26	444.28	116.29
2018-19	5,929.26	25.44	331.90	357.34	8.81	6,286.60	6,840.45	553.85	272.46
Total		**588.65**	**2,153.24**	**2,741.89**					

Note: Interest free loans given by the State Government during the years were nil.

During 2000-01 to 2018-19, total earnings for the year remained below the minimum expected return to recover cost of funds infused in these PSUs during the years 1999-2000 to 2007-08, 2009-10 to 2013-14 and 2015-16 to 2018-19 as three of these PSUs incurred substantial losses during this period. Further, the profit earned by four other PSUs –during the entire period 1999-2018 were also set off towards the losses incurred by these four PSUs due to which the total earnings remained below the minimum expected return from all these PSUs.

Return on present value

4.17 As during the years 2014-15 to 2018-19, 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 PV for these years is given in table below:

Table 4.11: Return on State Government Funds

(₹ in crore)

Year	Sector-wise break-up	Total Earnings	At Historical Cost		At Present Value (PV)	
			Funds invested by the GoH in form of Equity and Interest Free Loans Grant/Subsidy	Return on investment (*per cent*)	Investment of GoH at end of year	Rate of Real Return (*per cent*)
1	2	3	4	5=3/4*100	6	7=3/6*100
2014-15	Social Sector	-12.51	272.29	-4.59	712.61	-1.76
	Competitive Sector	804.52	1296.60	62.05	2,967.10	27.11
	Others	13.81	117.38	11.77	348.78	3.96
	Total	**805.82**	**1686.27**	**47.79**	**4,028.49**	**20.00**
2015-16	Social Sector	-21.95	345.66	-6.35	838.51	-2.62
	Competitive Sector	256.98	1353.73	18.98	3,308.41	7.77
	Others	2.58	189.89	1.36	450.18	0.57
	Total	**237.61**	**1889.28**	**12.58**	**4,597.10**	**5.17**

[18] Total earning for the year depicts total of net earnings (Profits/loss) for the concerned year relating to those 21 PSUs where funds were infused by State Government. In case where annual accounts of any PSU was pending during any year then net earnings (profits/loss) for the year has been taken as per latest audited accounts of the concerned PSU.

Year	Sector-wise break-up	Total Earnings	At Historical Cost		At Present Value (PV)	
			Funds invested by the GoH in form of Equity and Interest Free Loans Grant/Subsidy	Return on investment (*per cent*)	Investment of GoH at end of year	Rate of Real Return (*per cent*)
1	2	3	4	5=3/4*100	6	7=3/6*100
2016-17	Social Sector	-65.19	398.55	-16.36	962.71	-6.77
	Competitive Sector	136.25	1534.38	8.88	3,768.19	3.62
	Others	0.53	266.92	0.20	569.39	0.09
	Total	**71.59**	**2199.85**	**3.25**	**5,300.29**	**1.35**
2017-18	Social Sector	22.01	466.29	4.72	1113.92	1.98
	Competitive Sector	92.52	1557.07	5.94	4,097.93	2.26
	Others	1.76	361.19	0.49	717.41	0.25
	Total	**116.29**	**2384.55**	**4.88**	**5,929.26**	**1.96**
2018-19	Social Sector	51.43	554.15	9.28	1307.64	3.93
	Competitive Sector	216.34	1643.7	13.16	4553.22	4.75
	Others	4.69	544.04	0.86	979.59	0.48
	Total	**272.46**	**2741.89**	**9.94**	**6,840.45**	**3.98**

The returns based on present value were less than returns based on historical cost as indicated in the table above.

Erosion of Net worth

4.18 Net worth means the sum total of the paid-up capital and free reserves and accumulated profits 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 profits of these 27 PSUs as per their latest finalised accounts (as on 30 September 2019) were ₹ 7,911.61 crore and ₹ 1,150.34 crore, respectively resulting in net worth of ₹ 1,917.65 crore as detailed in ***Appendix 8***.

The following table indicates total paid-up capital, total accumulated profit/ loss and total net worth of the 21 companies where the State Government has made direct investment:

Table 4.12: Net worth[19] of 21 PSUs during 2014-15 to 2018-19

(₹ in crore)

Year	Paid-up Capital at end of the year	Accumulated Profit (+) Loss (-) at end of the year	Deferred revenue Expenditure	Free reserve	Net Worth
1	2	3	4	5	6 (2+3-4+5)
2014-15	558.66	709.98	2.85	85.00	1,350.79
2015-16	572.37	830.59	1.06	95.78	1,497.68
2016-17	572.37	770.50	1.06	90.89	1,432.70
2017-18	579.77	923.21	1.01	102.88	1,604.85
2018-19	598.79	1,133.91	0.93	100.30	1,832.07

[19] Calculated on the basis of figures of latest finalised accounts in the concerned year.

Out of 21 PSUs, 15 PSUs[20] showed positive net worth while net worth of three[21] PSUs was in negative during 2014-15. During 2015-19, 16-18 PSUs showed positive net worth whereas net worth of three PSUs was in negative. The net worth of nine PSUs decreased during 2014-15 to 2018-19 whereas it increased in respect of 11 PSUs during the same period and it remained same in respect of one PSU.

Dividend Payout

4.19 The State Government had formulated (October 2003) guidelines under which all profit making PSUs are required to pay a minimum return of four *per cent* on the paid-up share capital contributed by the State Government. Further, dividend should be declared in the Annual General Meeting (AGM) based on the recommendations of the Board of Directors.

Dividend Payout relating to 21 PSUs (including two inactive PSUs) where equity was infused by GoH during the period 2014-15 to 2018-19 is shown in table below:

Table 4.13: Dividend Payout of 21 PSUs during 2014-15 to 2018-19

(₹ in crore)

Year	Total PSUs where equity infused by GoH		PSUs which earned profit as per latest finalised accounts		PSUs which declared/ paid dividend		Dividend Payout Ratio (*per cent*)
	Number of PSUs	Equity infused by GoH	Number of PSUs	Equity infused by GoH	Number of PSUs	Dividend Declared / paid by PSUs	
1	**2**	**3**	**4**	**5**	**6**	**7**	**8=7/5*100**
2014-15	19	533.14	12	393.46	3	6.25	1.59
2015-16	19	552.24	10	475.18	3	5.64	1.19
2016-17	20	555.33	10	498.85	4	6.85	1.37
2017-18	21	563.20	11	301.13	1	5.00	1.66
2018-19	21	588.65	14#	292.22	1	2.15	0.74

Out of 14 PSUs, the accounts of three PSUs were received prior to October 2018. Apart from this, one PSU (Haryana Tourism Corporation Limited) submitted three accounts for the years 2015-16 to 2017-18, but earned profits in 2015-16 only. It makes total tally of PSUs earning profit to 12 which submitted their accounts during October 2018 to September 2019 (***Appendix* 8**).

During the period 2014-15 to 2018-19, the number of PSUs which earned profits ranged between 10 and 14. During this period, however, number of PSUs which declared/ paid dividend was between one and four only. Only one PSU[22] declared dividend during 2017-18 and 2018-19.

[20] Haryana Land Reclamation and Development Corporation Limited, Haryana Seeds Development Corporation Limited, Haryana Forest Development Corporation Limited, Haryana Scheduled Castes Finance and Development Corporation Limited, Haryana Backward Classes Kalyan Nigam Limited, Haryana Women Development Corporation Limited, Haryana State Industrial and Infrastructure Development Corporation Limited, Haryana Police Housing Corporation Limited, Haryana State Roads and Bridges Development Corporation Limited, Haryana Tourism Corporation Limited, Haryana Roadways Engineering Corporation Limited, Haryana State Electronics Development Corporation Limited, Haryana State Warehousing Corporation, Haryana Financial Corporation and Haryana Mass Rapid Transport Corporation Limited.

[21] Haryana State Minor Irrigation and Tubewells Corporation Limited, Haryana Concast Limited and Haryana Agro Industries Corporation Limited.

[22] Haryana State Warehousing Corporation.

It is recommended that the Government may take up the matter through its nominees on the Board of Directors.

Return on Equity

4.20 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 or net worth 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.

ROE has been computed in respect of 21 PSUs where funds had been infused by the State Government. The details of Shareholders fund and ROE relating to 21 PSUs during the period from 2014-15 to 2018-19 are given in table below:

Table 4.14: Return on Equity relating to 21 PSUs where funds were infused by the GoH

Year	Profit making/ Loss making	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (*per cent*)
2014-15	Profit Making	868.40	1,645.11	52.79
	Loss Making	-62.58	-294.32	-21.26
Total		**805.82**	**1,350.79**	**59.66**
2015-16	Profit Making	299.84	1,793.86	16.71
	Loss Making	-62.23	-296.18	-21.01
Total		**237.61**	**1,497.68**	**15.87**
2016-17	Profit Making	171.97	1,868.44	9.20
	Loss Making	-100.38	-435.74	-23.04
Total		**71.59**	**1,432.7**	**5.00**
2017-18	Profit Making	137.26	1,773.96	7.74
	Loss Making	-20.97	-169.11	-12.40
Total		**116.29**	**1,604.85**	**7.25**
2018-19	Profit Making	302.40	2,045.58	14.78
	Loss Making	-29.94	-213.51	-14.02
Total		**272.46**	**1,832.07**	**14.87**

Return on Capital Employed

4.21 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[23]. The details of total ROCE of all the State PSUs having positive capital employed during the period from 2014-15 to 2018-19 are given in table below:

Table 4.15: Return on Capital Employed

Year	Profit / Loss Making	No. of PSUs	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (*per cent*)
2014-15	Profit Making	14	1,657.92	3,847.02	43.10
	Loss Making	3	140.64	164.42	85.54
Total		**17**	**1,798.56**	**4,011.44**	44.84
2015-16	Profit Making	12	671.39	3,806.96	17.64
	Loss Making	5	-4.48	168.23	-2.66
Total		**17**	**666.91**	**3,975.19**	16.78
2016-17	Profit Making	11	563.43	4,356.18	12.93
	Loss Making	7	-4.06	108.07	-3.76
Total		**18**	**559.37**	**4,464.25**	12.53
2017-18	Profit Making	13	684.184	5,921.92	11.55
	Loss Making	7	-6.639	222.53	-2.98
Total		**20**	**677.545**	**6,144.45**	**11.03**
2018-19	Profit Making	16	1,146.00	8,196.93	13.98
	Loss Making	6	-20.10	178.27	-11.28
Total		**22**	**1,125.90**	**8,375.20**	**13.44**

Analysis of Long Term Loans of the PSUs

4.22 Analysis of the long term loans of the PSUs during 2014-15 to 2018-19 was carried out to assess the ability of the companies to serve the debt owed by them to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

Interest Coverage Ratio

4.23 Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing 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

[23] 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.

ratio during the period from 2014-15 to 2018-19 are given in the following table:

Table 4.16: Interest Coverage Ratio relating to State PSUs.

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 PSUs having interest coverage ratio more than one	Number of PSUs having interest coverage ratio equal to or less than one
2014-15	543.21	1,682.35	8	4	4
2015-16	438.22	633.21	8	4	4
2016-17	395.77	443.62	6	4	2
2017-18	540.80	720.77	7	5	2
2018-19	788.42	1,162.04	7	4	3

Debt Turnover Ratio

4.24 During the last five years, the turnover of these PSUs recorded compounded annual growth of (-) 12.59 *per cent* whereas compounded annual growth of debt was 21.68 *per cent* due to which the debt turnover ratio fell from 0.25 in 2014-15 to 1.32 in 2018-19 as given in table below:

Table 4.17: Debt Turnover Ratio relating to the State PSUs

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government and others (Banks and Financial Institutions)	2,247.13	2,073.13	2,500.12	4,046.12	5,993.96
Turnover	8,891.35	4,633.78	4,100.32	4,564.52	4,536.78
Debt-Turnover Ratio	0.25:1	0.45:1	0.61:1	0.87:1	1.32:1

Source: Compilation based on latest audited accounts of the concerned PSUs.

Winding up of Inactive State PSUs

4.25 Four of the 27 State PSUs were inactive companies having a total investment of ₹ 21.67 crore towards capital (₹ 17.98 crore) and long term loans (₹ 3.69 crore) as on 31 March 2019 as shown in ***Appendix 5***. The numbers of inactive State PSUs at the end of each year during last five years ended 31 March 2019 are given below:

Table 4.18: Inactive State PSUs

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
No. of inactive companies	4	4	4	4	4

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

The liquidation process of two PSUs[24] had commenced 15 to 20 years ago and is not complete. The Government may like to take appropriate early decision regarding their winding up.

[24] Haryana Concast Limited and Haryana State Housing Finance Corporation Limited.

Comments on Accounts of PSUs

4.26 Seventeen working companies forwarded 24 audited accounts to the Principal Accountant General (Audit) during the period from 1 October 2018 to 30 September 2019. Of these, 16 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 4.19: Impact of audit comments on Working Companies

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	8	14.66	6	39.15	-	-	5	25.56
2.	Increase in profit	-	-	-	-	6	6.19	-	-
3.	Increase in loss	6	40.16	3	4.48	4	8.56	2	1.56
4.	Decrease in loss	-	-	-	-	-	-	2	0.07
5.	Non-disclosure of material facts	6	1,426.81	2	111.17	3	19.44	5	56.62
6.	Errors of classification	8	188.85	4	49.74	1	10.66	4	71.23

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

During the period October 2018 to September 2019, the Statutory Auditors had issued qualified certificates on 16 accounts. Compliance to the Accounting Standards by the PSUs was poor. The Statutory Auditors pointed out 38 instances of non-compliance to the Accounting Standards in 13 number of accounts.

4.27 The State has two Statutory Corporations *i.e.*, (i) Haryana Financial Corporation (HFC) and (ii) Haryana State Warehousing Corporation (HSWC). Both forwarded their accounts for the year 2017-18 for supplementary audit during the period October 2018 to September 2019 which have been finalised.

Both accounts were selected for supplementary audit. The Statutory Auditors had given qualified certificate on annual accounts of HSWC and unqualified certificate in case of HFC for the year 2017-18.

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 in following table:

Table 4.20: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	3	7.49	3	10.71	-	-	1	1.16
2.	Increase in profit	-	-	-	-	2	2.94	1	2.80
3.	Increase in loss	-	-	-	-	-	-	1	0.11
4.	Decrease in loss	-	-	-	-	-	-	-	-
5.	Non-disclosure of material facts	2	7.07	2	1.23	-	-	2	6.81
6.	Errors of classification	2	28.82	2	19.99	-	-	1	2.16

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

Compliance Audit Paragraphs

4.28 For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2019, seven compliance audit paragraphs were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Administrative Departments with request to furnish replies. Replies on five compliance audit paragraphs have not been received from the State Government. The total financial impact of the compliance audit paragraphs is ₹ 70.12 crore.

Follow up action on Audit Reports

Replies outstanding

4.29 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 Haryana issued (July 2002) 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 4.21: Position of explanatory notes on Audit Reports related to PSUs (as on 30 April 2020)

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs related to other than Power Sector in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2014-15	14 March 2016	1	7	-	-
2015-16	27 February 2017	-	5	-	-
2016-17	14 March 2018	1	4	-	2
2017-18	26 November 2019	-	8	-	6

Source: Compilation based on explanatory notes received from respective Departments of GoH.

Explanatory notes on eight compliance audit paragraphs were pending with four departments till 30 April 2020.

Discussion of Audit Reports by COPU

4.30 The status of discussion of Performance Audits and paragraphs related to PSUs that appeared in Audit Reports (PSUs) by the COPU as on 30 April 2020 was as under:

Table 4.22: Performance Audits/ Paragraphs appeared in Audit Reports *vis-à-vis* discussed as on 30 April 2020

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2014-15	1	7	1	7
2015-16	-	5	-	1
2016-17	1	4	-	-
2017-18	-	8	-	-

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

The discussion on Audit Reports (PSUs) up to 2014-15 has been completed.

Compliance to Reports of COPU

4.31 Action Taken Notes (ATNs) on six reports of the COPU relating to the State PSUs presented to the State Legislature between March 2011 and March 2019 had not been received (30 April 2020) as indicated in the following table:

Table 4.23: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	Number of recommendations where ATNs not received
2010-11	1	8	1 (Para No. 8)
2011-12	1	5	1 (Para No. 3)
2012-13	1	11	-
2013-14	1	7	2 (Para No. 5 and 6)
2014-15	1	8	1 (Para No. 5)
2015-16	1	12	-
2016-17	1	8	-
2017-18	1	15	7 (Para No. 15, 19 to 24)
2018-19	1	2	2 (Para No. 6 and 7)
2019-20	1	5	5 (Para No. 1 to 4 and 9)
Total	**10**	**81**	**19**

Source: Compilation based on ATNs received on recommendations of COPU from the respective Departments of GoH.

The above mentioned Reports of COPU contained recommendations in respect of paragraphs which appeared in the Reports of the CAG of India for the period 2006-07 to 2015-16.

Chapter-V

Other than Power Sector-

Compliance Audit Observations

Chapter V

5 Other than Power Sector - Compliance Audit Observations

Significant audit findings emerging from test check of transactions of State Government Companies and Statutory Corporation of the other than power sector are included in this Chapter.

Haryana State Industrial and Infrastructure Development Corporation Limited

5.1 Hiring of Public Relation Agency at higher rates

The Company ignored the technically qualified bidder having maximum scores for appointment as PR agency and awarded the work to another bidder in re-tendering which resulted in extra expenditure of ₹ 1.09 crore.

Haryana State Industrial and Infrastructure Development Corporation Limited (Company) decided (April 2017) to appoint a Public Relation (PR) Agency, in order to ensure its outreach to stakeholders and make them aware of policies and reforms in the State. The scope of work included creative development and deployment of PR/marketing/campaign across all media. The e-tender for hiring of PR agency, for a period of one year, was uploaded in May 2017. The PR agency was to be selected through Quality and Cost Based Selection system[1]. The bid ranking was to be done on the basis of combined score obtained after giving weightage of 70 and 30 *per cent* for technical and financial scores respectively, to the qualified bids.

Four PR agencies submitted bids online which were opened (16 June 2017) and the presentations were made. Two bidders (Firm A[2] and Firm B[3]) were declared qualified for opening of their financial bids which were opened on 21 June 2017. Firm A achieved maximum score (80.4 points) in the evaluation process and quoted annual fee of ₹ 0.55 crore against the quote of ₹ 2.30 crore of Firm B with score of 71.6 points. The Company, however, instead of awarding the contract to Firm A, considering its financial bid abnormally low, decided (June 2017) to go for re-tendering on the apprehension that the firm might not be able to provide necessary services.

In the re-tendering held in July 2017 with similar selection criteria, same two bidders (Firm A and Firm B) were declared qualified for opening of their financial bids, out of eight bids received. The financial bids of these two qualified bidders were opened (20 September 2017). This time, Firm A quoted annual fee of ₹ 2.24 crore and firm B ₹ 2.83 crore. Firm B, having highest score, was awarded (22 September 2017) the work at annual fee of ₹ 2.83 crore for a

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1 Under Quality and Cost Based Selection system, a bid's technical proposal scores and financial proposal scores are weighted and then summed to produce the final results.
2 M/s Vermillion Communications Private Limited, New Delhi.
3 M/s Mode Advertising & Marketing Private Limited, New Delhi.

period of one year which was later (March 2018) extended till 31 March 2019. However, the contract was terminated on 11 October 2018 citing financial crunch in the Company. The Company had made payment of ₹ 1.35 crore for the period October 2017 to March 2018 to PR agency. The agency has not submitted the bills for the period from April 2018 to September 2018 till date (January 2020).

Audit observed that the apprehension of the Company that Firm A would not be able to provide necessary services was unjustified, as the Company itself had assessed the Firm A as technically qualified in the first tender. Thereafter, the work was awarded (after re-tendering) to Firm B at higher annual fee of ₹ 2.83 crore.

Thus, the imprudent decision of the Company to award the work to Firm B at higher rates resulted in avoidable expenditure of ₹ 1.09 crore[4].

The Management stated (May 2019) that the gap of financial bid was very large. Further, it had been clearly mentioned in the tender document that as per our estimate, the cost would be about ₹ 2.41 crore. Accordingly, bidding was cancelled and fresh tender was initiated. The reply is not tenable as in first tender, Firm A had qualified technical evaluation process and had maximum score in overall evaluation. Moreover, the Company always had the right to replace the resource staff or terminate the contract in case of deficiency in services at any stage.

The matter was referred (March 2019) to the Government; their reply was awaited (August 2020).

It is recommended that the management may consider fixing responsibility for ignoring the lowest bidder on unjustified ground.

5.2 Imprudent resource mobilisation for financing of Mass Rapid Transport System

The Company availed HUDCO loan carrying higher rate of interest despite availability of cheaper cash credit/ term loans for financing of Mass Rapid Transport System which resulted in avoidable expenditure of ₹ 11.24 crore.

Haryana State Industrial and Infrastructure Development Corporation Limited (Company) entered (June 2016) into a joint venture agreement with Delhi Mumbai Industrial Corridor Project Implementation Trust Fund for the development of Mass Rapid Transport System between Gurugram to Manesar and Bawal. The Detailed Project Report put the approximate cost of the project at ₹ 17,328 crore to be funded through loans raised from multilateral agencies, the Japan International Co-operation Agency, World Bank – IBRD and domestic market. Government of Haryana was to contribute ₹ 1,313 crore in cash and land valuing ₹ 1,368 crore as equity towards the project.

4 ₹ 1.35 crore (total payment) – ₹ 0.26 crore (Proportionate payment). The calculation has been made on the basis that if contract had been awarded to Firm A for ₹ 0.55 crore then proportionate payment released could have been ₹ 0.26 crore (₹ 1.35 crore/ ₹ 2.83 crore X ₹ 0.55 crore) up to March 2018.

The Company approached (April 2016) Housing and Urban Development Corporation Limited (HUDCO) for term loan of ₹ 1,313 crore for land acquisition and allied uses. However, before sanctioning the loan, the Company had acquired (August 2016 and January 2017) 452 acre[5] land for Mass Rapid Transport System in Gurugram, Manesar and Rewari (for Bawal) at a cost of ₹ 1,220.31[6] crore and transferred (September 2016 to July 2017) this amount from other available sources to District Revenue Officer-Cum-Land Acquisition Collectors (DRO-cum-LACs) for making payments to land owners. In the meantime, HUDCO sanctioned (December 2016) loan of ₹ 876 crore bearing interest at the rate of 10.15 *per cent per annum* subject to Company providing State Government guarantee[7] and budgetary provision in the State Government budget for repayment of dues, and released (17 March 2017) first instalment of loan of ₹ 250 crore upon receipt (9 March 2017) of the State Government guarantee.

Thereafter, HUDCO repeatedly (during March 2017 to December 2017) insisted the Company to provide budgetary provision in the State Budget and stated that non-compliance thereof shall be treated as an event of default. The Company however, decided (February 2018) to repay the HUDCO loan as budgetary provision could not be arranged and even interest charged by HUDCO was considered higher as compared to other loans. The Company repaid the loan on 28 February 2018 along with pre-payment charges of ₹ 5.04 crore.

Audit observed that before drawal (March 2017) of HUDCO loan, the Company had already made (up to January 2017) payment of ₹ 657.85[8] crore to concerned DRO-cum-LACs and an amount of ₹ 562.46 crore (₹ 1,220.31 crore - ₹ 657.85 crore) only was payable in March 2017. The Company was having sufficient amount of un-availed loans/cash credit limits which ranged between ₹ 916.81 crore and ₹ 3,337.75 crore during February 2017 to February 2018 (excluding HUDCO loan) at cheaper rates of interest ranging between 8.10 and 9.65 *per cent per annum* for making balance payment of ₹ 562.46 crore. The State Government while granting guarantee to the loan in December 2016 had also desired that as the rate of interest of HUDCO loan was higher, the Company should raise minimum amount of loan as per actual requirement. Thus the Company could have avoided the drawal of HUDCO loan.

Thus, imprudent resource mobilisation by the Company for financing of Mass Rapid Transport System resulted in avoidable expenditure of ₹ 11.24 crore in the shape of differential interest (₹ 1.20 crore)[9], prepayment charges (₹ 5.04 crore) and guarantee fee payable to State Government (₹ five crore[10]).

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5 110.5 acres in Gurugram, 147.5 acres in Manesar and 194 acres in Rewari.

6 Gurugram- ₹ 80.00 crore in January 2017 and ₹ 234.44 crore in July 2017, Manesar- ₹ 477.85 crore during September 2016 to January 2017 and ₹ 187.50 crore during May 2017 to July 2017 and Rewari- ₹ 100.00 crore in January 2017 and ₹ 140.52 crore in March 2017.

7 At two *per cent* of amount of loan drawn.

8 Gurugram - ₹ 80.00 crore, Manesar - ₹ 477.85 crore and Rewari - ₹ 100.00 crore.

9 Calculated proportionately at 0.50 *per cent* (10.15 *per cent* – 9.65 *per cent*) on total amount of interest actually paid from 17 March 2017 to 28 February 2018: ₹ 24.26 crore * 0.50 / 10.15 = ₹ 1.20 crore.

10 Yet to be paid.

The Government/Company stated (June 2019) that un-availed loans/credit limits were kept as safeguard to meet the huge enhanced compensation liability as per orders dated 19 November 2017 of the High Court of Punjab and Haryana. Further, it has been stated that the transactions of interest/pre-payment charges and bank guarantee took place between Government bodies only and there was no private party involved in whole process.

The reply is not acceptable as the Company had committed and drawn the HUDCO loan much before the High Court orders, and thus, this could not have been the reason for availing the loan.

It is recommended that being a commercial organisation, the Company should act with prudence to safeguard its financial interests.

5.3 Loss due to allotment of non-encumbrance free site

The Company failed to provide encumbrance free site to the allottee within prescribed time frame which resulted in deferment of payment schedule leading to loss of interest of ₹ 45.96 crore.

Haryana State Industrial and Infrastructure Development Corporation Limited (Company) decided (November 2016) to monetise its land holdings and identified a land parcel (17.18 acres) at Udyog Vihar, Gurugram for sale on free hold basis. After revising the terms of payments and exclusion of certain area, the Company invited (December 2017) bids for e-auction of 11.76 acres of land (including an office building which was on lease to two tenants). As per Clause 2.3 of bid documents, the site was clear and free from all encumbrances. The plot was allotted to the successful bidder (Allottee) at an offer of ₹ 1,496 crore for the plot and a Regular Letter of Allotment (RLA) was issued (9 March 2018) on deposit of ₹ 149.60 crore (10 *per cent* of bid value). For taking possession of the plot, the allottee was required to deposit another ₹ 224.40 crore (to make 25 *per cent* of bid value) within 30 days (by 8 April 2018) of issue of RLA, ₹ 374 crore within 60 days and balance ₹ 748 crore within 90 days of issuance of RLA.

The Company though offered (December 2017) the site as free from all encumbrances, but the building having two tenants and mobile tower on the land, were not vacant. Notices to vacate the premises were issued to the tenants on 1 September 2017 only, though the Company decided to sell this land in November 2016 itself.

Since the building on the land was not vacant, the Company initially extended the due date for deposit of first instalment from 8 April 2018 to 30 April 2018. The allottee apprehending non-removal of encumbrances moved (26 April 2018) the High Court of Punjab and Haryana for extension in payment time and deposited (1 May 2018) ₹ 224.40 crore (after adjusting ₹ 149.60 crore deposited earlier) with the High Court. The High Court ordered (31 May 2018) the Company to remove all the encumbrances and issue the revised RLA. Accordingly, the Company issued the revised RLA on 3 July 2018 with revised payment schedule. The Company received the payment in shape of first instalment amount of ₹ 224.40 crore on 30 July 2018 and second instalment of ₹ 383.23 crore on 1 January 2019. The allottee again requested (January 2019) the Company to provide the encumbrance free site as it was still not clear and there were still some issues relating to allotting of parking slot, underground water tank, sewerage lines, demarcation points which were not as per zoning plan. The Company, however, served (March 2019) a notice to the allottee for balance payment upon which the allottee again moved (April 2019) the High Court. The High Court directed (May 2019) the Company for revision of schedule of RLA commencing from 26 March 2019. Allottee therefore, deposited the balance payment of ₹ 723.81 crore after deducting TDS of ₹ 14.96 crore on 19 June 2019 in lump sum against the balance 50 *per cent* payment on taking the possession of the land.

Audit observed that the revision of schedule of RLA resulted in deferment of payment schedule of allottee by 113 to 354 days. Had the Company received payments as per original RLA, it could have saved interest of ₹ 45.96[11] crore paid on its borrowings as the Company has obtained various loans for its operations. Company should have initiated process for vacation of land well in advance so that clear and encumbrance free site could have been provided to the Allottee as per bid document to avoid any loss.

The Government stated (November 2019) that the allottee has been raising different issues at different times and did not approach the Company for taking over possession of land pre-supposing that the land was not free from encumbrances. The reply is not acceptable as the Company could not provide the encumbrance free land to the allottee till March 2019 upon which the High Court directed the Company for revision of schedule of the RLA commencing from 26 March 2019.

It is recommended that the Company should keep its saleable area free from all encumbrances before they are put to auction/allotment in order to avoid litigation and loss of interest in deferment of payment schedules.

Haryana State Roads and Bridges Development Corporation Limited

5.4 Non-compliance of provisions of Income Tax Act

The Company did not deposit advance Income Tax and delayed filing of Income Tax return resulting in avoidable payment of interest of ₹ 9.09 crore.

As per Section 208 of the Income Tax Act, 1961 (Act), Advance Tax is payable during the financial year if estimated tax liability of assessee during that year is rupees ten thousand or more. Section 234A of the Act provides that if the return of income for any assessment year is furnished after due date[12], simple interest at the rate of one *per cent* per month is chargeable on the amount of tax on the assessed less Advance Tax deducted/collected at source.

[11] Calculated at the rate of 7.90 *per cent* on delayed realisation of: ₹ 224.40 crore for 113 days (from 8 April 2018 to 30 July 2018), ₹ 374 crore for 238 days (from 8 May 2018 to 1 January 2019), ₹ 187 crore for 354 days (from 1 July 2018 to 19 June 2019) and ₹ 187 crore for 170 days (from 1 January 2019 to 19 June 2019).

[12] 30 September of the relevant assessment year.

Further, Section 234B of the Act provides for levy of simple interest where the advance tax paid by the taxpayer is less than 90 *per cent* of the assessed tax at the rate of one *per cent* for every month from the first day of April. Also, section 234C of the Act provides that if an assessee fails to pay advance tax or the advance tax paid is less than 15 p*er cent*, 45 *per cent*, 75 *per cent* and 100 *per cent* of the tax due till 15 June, 15 September, 15 December and 15 March (of the financial year) respectively, the assessee shall be liable to pay simple interest at the rate of one *per cent* per month on the amount of the shortfall.

Scrutiny of records revealed that during financial years 2014-15 to 2016-17, the Company did not deposit advance income tax and delayed filing the income tax returns also, as detailed in table 5.1 below:

Table 5.1: Interest paid by the Company under section 234 A/B/C

Financial Year	Due date of filing ITR (extended dates)/ Revised Return	Actual date of filing ITR	Taxable Income	Tax Paid[13]	Interest paid under section 234 A/B/C
			₹ in crore		
2014-15	31.10.2015	30.09.16	87.03	29.58	14.38
2015-16	17.10.2016 31.03.2018	17.10.16 (Original) 30.03.18 (Revised)	52.99	18.34	04.80
2016-17	07.11.2017 31.03.2019	31.10.17(Original) 30.03.19 (Revised)	23.89	8.27	0.98
Total					**20.16**

Note: The assessment by the Income Tax Department for the Financial Year 2014-15 has not been done.

As a result of non-payment of Advance Tax and delay in filing Income Tax returns, the Company had to pay interest of ₹ 20.16 crore during December 2017 to March 2018. Audit observed that the delay in remitting statutory dues was despite the fact that the Company had sufficient funds. The Company was keeping its surplus funds in fixed/term deposits and considering that by not depositing advance tax it could have earned interest[14] of ₹ 11.07 crore on the amount of advance tax not remitted.

The Company incurred undue burden of ₹ 9.09 crore on its resources due to non-depositing of due Advance Tax and delay in filing its income tax return.

The Company accepted (March 2019) the audit observation.

The matter was referred to the Government and the Company in June 2019; their replies had not been received (May 2020).

It is recommended that the Company may fix responsibility for these lapses and institutionalise a mechanism for avoidance of similar instances.

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[13] Tax paid include TDS adjusted of ₹ 0.55 crore (Assessment Year 2015-16), ₹ 0.11 crore (Assessment Year 2016-17) and ₹ 0.12 crore (Assessment Year 2017-18).

[14] Considering prevailing FDRs rates of 7.10 to 9 *per cent per annum* during this period.

5.5 Imprudent financial management

The Company did not invest surplus funds at the maximum available rates of interest and lost the opportunity to earn interest of ₹ 40.41 lakh.

The Haryana State Roads and Bridges Development Corporation Limited (Company) is engaged in construction of buildings, roads, up-gradation of State highways on deposit work basis for which it receives construction cost and service charges in advance from departments of the State Government. For such durations, the payments for works executed are not made, advance funds received remain surplus with the Company and are invested in fixed deposits with commercial banks.

For investment of surplus funds by its public enterprises, State Government issued (November 2013) guidelines specifying that investment should be made in those banks which quote highest rate of interest and a list of empanelled banks. The State Government included (18 June 2015) Haryana State Co-operative Apex Bank Limited (HARCO Bank) in the list of empanelled banks and decided that 10 to 15 *per cent* of surplus funds be placed with HARCO Bank, provided that the rate of interest offered by it meets the benchmark deposit rates offered to such PSUs/ Organisations.

The Company should have invested its surplus funds as per guidelines of the State Government to obtain maximum returns. A scrutiny of company's records for the period 2015-18 revealed that in three cases depicted in table 5.2, the Company did not invest the surplus funds in the HARCO bank which offered highest rate of interest in comparison to other banks in which funds were invested. As a result the Company lost the opportunity of earning interest of ₹ 40.41 lakh.

Table 5.2: Statement showing loss of interest income due to investment in FDRs of lower rate of interest

Sl. No.	Date of investment	Amount invested (₹ in crore)	Highest RoI (*per cent*)	Bank offering the highest RoI	Rate at which funds invested (*per cent*)	Bank with which funds invested	Period	Loss of interest (₹ in lakh)
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)= {3 *(4-6)/100} x 8**
(i)	30.12.2015	46.00	8.05	HARCO	7.60	ICICI Bank	1 year	20.70
(ii)	01.01.2016	20.92	8.05	HARCO	7.60	ICICI Bank	1 year	9.41
(iii)	24.05.2016	29.43	8.00	HARCO	7.65	YES Bank	1 year	10.30
Total		**96.35**						**40.41**

Audit observed in its analysis of the decision making process that the Company did not invest in HARCO bank arguing that the investment in HARCO bank had already exceeded 10 to 15 *per cent* limit set by Government of Haryana. However, the State Government directions of June 2015 were to encourage State Government agencies to invest their surplus funds with HARCO bank without stipulation of any maximum limit.

The Company stated (July 2019) that since investment in HARCO bank had already exceeded 10 to 15 *per cent* limit set by the Government of Haryana, as such investments were made in other banks offering next higher rates.

The reply is not acceptable as the State Government guidelines of November 2013 clearly specified that investment should be made in those banks which quote highest rate of interest. Thus, due to imprudent financial management, the Company lost the opportunity of earning interest of ₹ 40.41 lakh.

The matter was referred to the Government in March 2019; their reply was awaited (August 2020)

It is recommended that the Company may fix the responsibility for the lapse and ensure investments of its surplus funds strictly as per State Government guidelines.

Haryana Agro Industries Corporation Limited and Haryana State Warehousing Corporation

5.6 Avoidable payment of interest on short term loans

HAIC and HSWC delayed claiming interest charges on custom milled rice from FCI during KMS 2017-18 and had to bear avoidable interest charges of ₹ 1.06 crore.

The State Government procures paddy on behalf of Food Corporation of India (FCI) for central pool through its procuring agencies including Haryana Agro Industries Corporation Limited (HAIC) and Haryana State Warehousing Corporation (HSWC). HAIC and HSWC procure paddy from the farmers by availing Short Term Loans (STLs) from commercial banks. The paddy is moved directly from *mandis* to the millers' premises for milling and the resultant rice, *i.e.,* Custom Milled Rice (CMR) is delivered to FCI. For each Kharif Marketing Season (KMS), Government of India (GoI) intimates provisional rates of CMR, which includes Mandi labour charges, driage charges, interest, *etc*. which are to be claimed by the Company at the time of delivery of CMR to FCI. Since HAIC and HSWC have to pay interest on STLs for undertaking their procurement activities, it is in their financial interest to claim the reimbursements as soon as they fall due so as to minimise the new borrowings for debt service and interest liability.

i) HAIC procured 5.69 lakh MT paddy by availing STLs (₹ 1,150 crore) bearing interest rate of 7.90 *per cent per annum* during 2017-18. Audit observed that test checked three[15] Farmer Service Centres (FSCs) (out of eight), had not claimed interest admissible along with sales bills at the time of delivery of CMR for KMS 2017-18 to FCI. These FSCs claimed interest charges from FCI through consolidated supplementary bills with delays ranging from 29 to 405 days and received the payment. The FSC-wise delay[16] in submission of claims

[15] Kurukshetra, Karnal and Fatehabad.

[16] The delay has been calculated from the date of submitting sales bill of MSP and other incidentals charges for CMR delivered to FCI to date of submitting supplementary bill for reimbursement of interest charges.

for interest charges and consequent interest burden on HAIC is shown in table 5.3 below:

Table 5.3: FSC-wise delay in submission of claim for interest charges

Name of FSC	Delay range (in days)	Amount of claim for interest charges (₹ in lakh)	Interest burden[17] (₹ in lakh)
Kurukshetra	49 to 357	455.76	23.89
Karnal	65 to 405	219.24	14.57
Fatehabad	29 to 168	550.87	9.01
Total		**1,225.87**	**47.47**

There was nothing on record to justify the delays in raising the claims of interest from FCI along with original sales bills of CMR during KMS 2017-18 leading to avoidable burden of interest of ₹ 47.47 lakh.

ii) Similarly, HSWC procured 6.65 lakh MT paddy by availing STLs (₹ 914 crore) bearing interest rate of 7.80 *per cent per annum* during 2017-18. Audit observed that test checked four[18] District Manager (DM) offices of HSWC had not claimed interest admissible along with sales bills at the time of delivery of CMR for KMS 2017-18 to FCI. These FSCs claimed interest charges from FCI through consolidated supplementary bills with delays ranging from 7 to 317 days and received the payment. The DM office-wise delay[19] in submission of claims for interest charges and interest thereon is shown in the table 5.4 below:

Table 5.4: DM office-wise delay in submission of claim for interest charges

Name of FSC	Delay range (in days)	Amount of claim for interest charges (₹ in lakh)	Interest burden[20] (₹ in lakh)
Panipat	156 to 307	361.92	16.52
Fatehabad	7 to 198	261.17	5.95
Kaithal	72 to 268	369.37	15.82
Ambala	70 to 317	629.78	20.31
Total		**1,622.24**	**58.60**

There was nothing on record to justify the delays in raising the claims. Thus, during KMS 2017-18 non-claiming of interest from FCI along with original sales bills of CMR led to avoidable burden of interest of ₹ 58.60 lakh to HSWC.

As such, HAIC and HSWC suffered avoidable interest liability of ₹ 1.06 crore due to non-claiming of interest from FCI alongwith original sales bills.

The matter was referred (April 2019) to the Government and the agencies; their replies were awaited (May 2020).

It is recommended that both the agencies may undertake checks in their other centres to investigate cases where claims for interest have been raised with delay on FCI and institutionalise a mechanism to avoid such recurrence.

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17 Calculated at the simple average interest rate of 7.90 *per cent per annum* on short term loans availed by the Company during KMS 2017-18.

18 Ambala, Fatehabad, Kaithal and Panipat.

19 The delay has been calculated from the date of submitting sales bill of MSP and other incidentals charges for CMR delivered to FCI to date of submitting supplementary bill for reimbursement of interest charges.

20 Calculated at the simple average interest rate of 7.80 *per cent per annum* on short term loans availed by the Corporation during KMS 2017-18.

Haryana Agro Industries Corporation Limited

5.7 Misappropriation of Custom Milled Rice

Paddy was allocated to a miller who was not approved by District Milling Committee of Fatehabad for Kharif Marketing Season (KMS) 2017-18 who misappropriated custom milled rice valuing ₹ 1.28 crore.

The Directorate, Food, Civil Supplies and Consumer Affairs Department (Directorate) allots *mandis* to procuring agencies[21] for its paddy procurement operations. Thereafter, the respective District Milling Committee[22] approves the list of millers and makes allotment of millers to procuring agencies for every *mandi* and allocates the estimated quantity of paddy to be milled to each miller. The procured paddy is moved directly from *mandis* to the millers' premises for milling and the Custom Milled Rice (CMR) is delivered to FCI.

The Directorate allocated (19 September 2017) Hasanga *mandi*, District Fatehabad to Haryana State Warehousing Corporation and subsequently (27 October 2017) to Haryana Agro Industries Corporation (HAIC). District Office, Fatehabad of HAIC entered (6 November 2017) into agreement with M/s Hari Brothers Rice Mill, Fatehabad (miller) who was not included in the list of millers approved by District Milling Committee for any *mandi*. The agreement was for milling 2,699.175 MT paddy worth ₹ 4.87 crore. Against this the miller was required to deliver 1,808.45 MT CMR to FCI by 4 October 2018[23].

As per the agreement, the miller submitted guarantee of ₹ 50 lakh in the form of post-dated cheque drawn in favour of HAIC. HAIC was required to conduct physical verification of the premises of the miller on a fortnightly basis as per the milling policy for the KMS 2017.

The agreement was executed despite the fact that the miller was not included in the list of millers approved for any district. The miller delivered 1,318.76 MT CMR to FCI and failed to deliver balance 489.69 MT CMR valuing ₹ 1.42 crore. Audit observed that HAIC did not conduct physical verification of the stock on fortnightly basis as required, and during physical verification conducted in September 2018, the millers' premises were found locked and there was no paddy available.

The company did not present the post-dated cheque of ₹ 50 lakh (dated 1 May 2018) obtained as financial safeguard from the miller, for payment within its validity period of three months. By allowing this undue benefit to the miller, the company lost the opportunity to partially recover the loss, which is indicative of failure of internal financial controls of the organisation. Further, no FIR was registered against the miller against the act of misappropriation (December 2019).

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21 Food, Civil Supplies and Consumer Affairs Department- GoH, Haryana State Warehousing Corporation, Haryana Agro Industries Corporation Limited and Haryana State Co-operative Supply and Marketing Federation Limited.

22 Consisting of District Managers of all procuring agencies under Chairmanship of Deputy Commissioner for every district.

23 The due date of 31 March 2018 was extended up to 30 June 2018, then 31 July 2018 and then 4 October 2018.

The Company stated (April 2019 and January 2020) that the name of the M/s Hari Brothers Rice Mill, Fatehabad was included in the orders issued (7 November 2017) by Deputy Commissioner, Fatehabad for carrying out physical verification of paddy stock allocated to various millers. Further, an FIR is being lodged by HAIC against the miller and guarantors and arbitration proceedings are also going on.

The reply is not tenable as the Directorate confirmed the fact that name of the miller was not included in the list of millers who were allotted *mandis* during KMS 2017-18. As such, HAIC allotting paddy to an unapproved miller, non-conducting of physical verification and its failure to timely cash the security resulted in misappropriation of CMR valuing ₹ 1.28 crore[24].

The matter was referred (May 2019) to the Government and the Company; their replies were awaited (August 2020).

It is recommended that the Company should conduct physical verifications of stock on a regular basis and fix responsibility of the officials who allotted the paddy to an unapproved miller.

(FAISAL IMAM)
Accountant General (Audit), Haryana

Chandigarh
Dated: 20 November 2020

Countersigned

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
Dated: 8 December 2020

[24] After adjusting amount of ₹ 10.50 lakh towards encashment of FDR submitted by the miller and ₹ 3.27 lakh payable by HAIC on account of milling charges.

Appendices

Appendix 1

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

(Referred to in Paragraphs 1.9, 1.14 and 1.20)

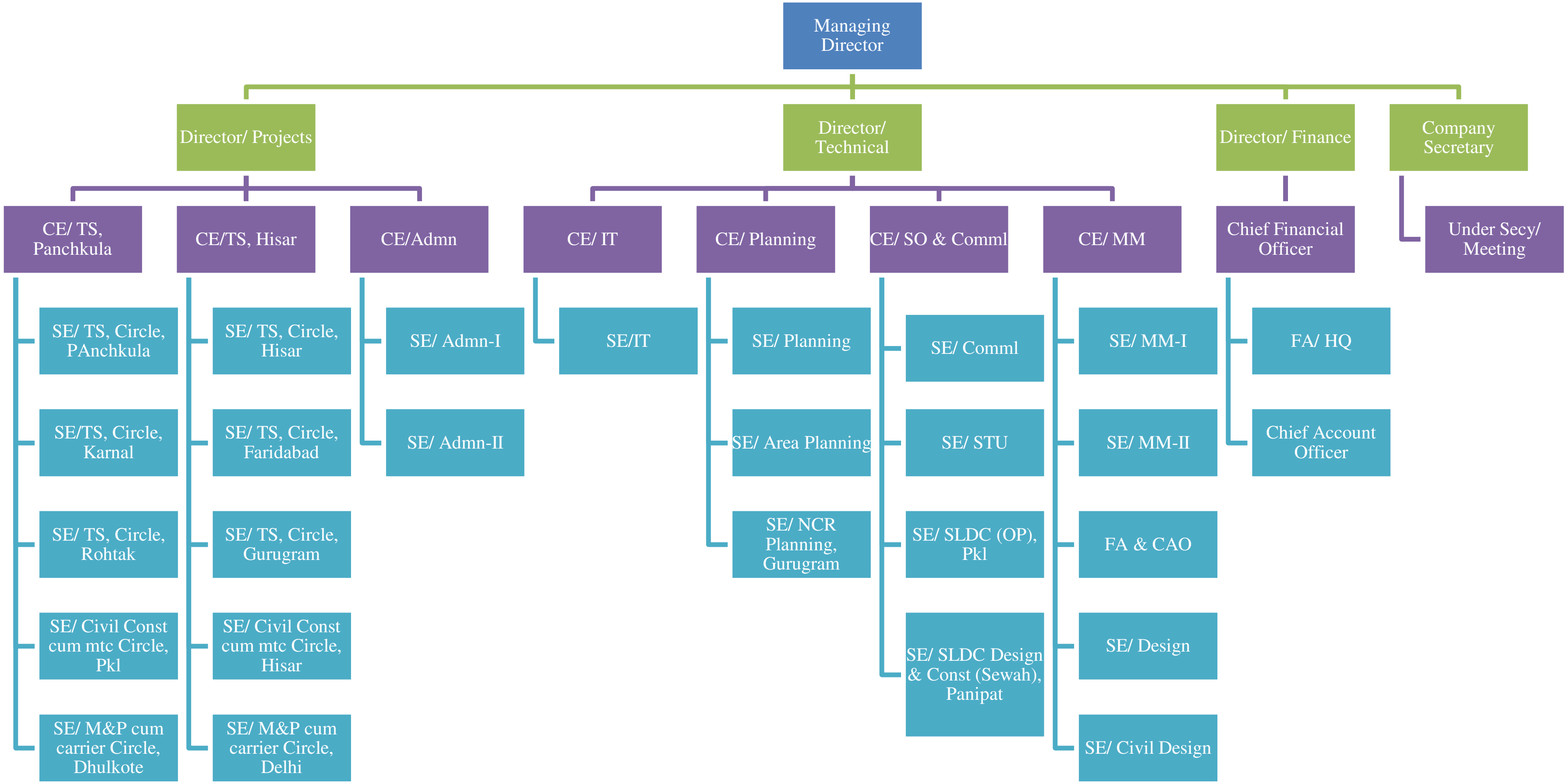
(₹ in crore)

Sl. No.	Activity and Name of the Power Sector Undertaking	Period of accounts	Net profit/ loss before interest and tax	Net profit/ loss after interest and tax	Turnover	Paid-up capital	Capital Employed	Net Worth	Accumulated Profit/ loss
1	2	3	4	5	6	7	8	9	10
A.	**Generation**								
1	Haryana Power Generation Corporation Limited	2018-19	1,003.76	209.99	5,462.60	3,051.33	4,422.83	3,212.79	161.46
Sub-total			**1,003.76**	**209.99**	**5,462.60**	**3,051.33**	**4,422.83**	**3,212.79**	**161.46**
B.	**Transmission**								
2	Haryana Vidyut Prasaran Nigam Limited	2018-19	838.64	196.98	2,154.41	3,520.66	8,601.12	4,011.27	490.61
Sub-total			**838.64**	**196.98**	**2,154.41**	**3,520.66**	**8,601.12**	**4,011.27**	**490.61**
C.	**Distribution**								
3	Uttar Haryana Bijli Vitran Nigam Limited	2018-19	1,071.56	185.71	14,165.20	12,681.98	-422.44	-2,932.14	-15,614.12
4	Dakshin Haryana Bijli Vitran Nigam Limited	2018-19	636.97	95.23	15,036.13	11,178.78	318.56	-2,516.38	-13,695.16
Sub-total			**1,708.53**	**280.94**	**29,201.33**	**23,860.76**	**-103.88**	**-5,448.52**	**-29,309.28**
Grand total			**3,550.93**	**687.91**	**36,818.34**	**30,432.75**	**12,920.07**	**1,775.54**	**-28,657.21**

Appendix 2

Organisation Chart of the HVPNL

(Referred to in paragraph-2.2)



The operations of the Company are managed through six Transmission System (TS) circles, responsible for operation and maintenance of Transmission System, *i.e.*, sub-stations and transmission lines; one State Load Dispatch Centre (SLDC), responsible to ensure integrated operation of the power system in the State for reliability, economy and efficiency of power system; two Civil Maintenance-cum-Construction (CMC) circles, responsible for maintenance and construction of civil works; and two metering and protection circles, responsible for ensuring accurate metering and implementation of protection norms in sub-station/lines, besides Planning, Material Management, Commercial and Finance wings at Head office of the Company at Panchkula.

Appendix 3

Statement showing delay in execution of sub-station, lines and mismatch between sub-station and associated lines during 2014-19.

(Referred to in paragraph-2.7.2.1)

Sl. No.	Name of Sub-station	Transmission element	Date of approval of planning wing	Date of award of work	Scheduled date of completion	Date of back charge	Actual completion date	Actual completion cost (₹ in lakh)	Delay in completion from scheduled completion (months)	Time taken from planning approval to award after allowing 6 Months	Overall delay from planning (months)	Loss of envisaged benefits (₹ in lakh)	Mismatch in Sub-station and line (Months)	Interest loss due to mismatch @ 10.28 *per cent per annum* (₹ in lakh)	Remarks
1	2	3	4	5	6	7	8	9	10=8-6	11=4-5	12=10+11	13	14	15	16
1	220 kV SS, A-4 Faridabad	Substation	07-03-08	25-05-11	19-10-12	24-11-14	30-12-15	2,500.00	39	33	72	833.11			Initial activities of finalization of line alignment was completed in September 2013, after 4 years of award of contract in August 2009 and request for forest clearance was initiated (July 2014) after 5 years of start of work.
		Associated Transmission line	07-03-08	06-08-09	01-12-10	-	30-12-15	1,359.66	62	11	73	720.22	13	214.17	
2	220 kV SS, Hukmawali	Substation	27-09-10	29-02-12	27-06-13	16-06-14	23-04-16	2,500.00	34	11	46	736.02			The Company took 1 year to terminate (February 2014) the line contract, after recommendation (March 2013) of Special Purchase Committee (SPC) in view of contractor's dismal performance. The company again failed to monitor the completion of the work within time by taking punitive action as per contract. The Company also released (May to July 2013) payments to the firm without recovering any LD. Further, though the Company encashed (March 2014) the available BGs against the whole contract for five lines, LD amounting to ₹ 6.02 crore could not be recovered even after more than five years of contract termination and chances of its recovery are also remote in the absence of any financial cover with the Company.
		Associated Transmission line	27-09-10	14-03-12	20-07-13		Terminated		0	12	12	0.00	25	471.17	
			27-09-10	01-07-14	28-10-15		24-06-16	985.00	8	40	48	67.51			
3	220 kV SS, Sonta	Substation	09-04-10	29-02-12	27-06-13	26-06-14	31-05-16	2,692.13	36	17	53	821.80			
		Associated Transmission line	09-04-10	14-03-12	20-07-13	-	Terminated		0	18	18	0.00			
			09-04-10	09-07-14	25-10-15		05-05-16	1,733.73	6	46	52	95.55	23	94.40	
4	66 kV SS, Naneola	Substation	09-04-10	29-02-12	27-06-13	11-06-14	03-07-15	551.00	25	17	42	115.80			The Company took one year to terminate (February 2014) the contract, after recommendation (March 2013) of Special Purchase Committee (SPC) in view of contractor's dismal performance.
		Associated Transmission line	09-04-10	14-03-12	20-07-13	-	Terminated		0	18	18	0.00			
			09-04-10	01-07-14	15-07-15		03-07-15	691.00	0	45	45	0.00	13	47.20	
5	220 kV SS, Sector-6 Sonepat	Substation	09-07-09	03-01-14	02-05-15	-	16-06-17	2,225.00	26	49	75	493.04	6	11.87	There was innordinate delay in award of work for construction of Sub Station, due to which there was mismatch in completion of SS and lines.
		Associated Transmission line	09-07-09	07-01-14	02-05-15	10-12-16	10-12-16	462.00	20	49	68	77.57			
6	220 kV SS, Meerpur Kurali	Substation	04-10-10	03-01-14	02-05-15	-	29-04-17	2,491.00	24	34	58	517.84	12	111.04	Construction of sub-station delayed as the contractor did not followed the work schedule as per contract. The site office was opened (November 2014) after 8 months of starting contract. The vendor approval, which should have been completed by May 2014, spilled over upto

Sl. No.	Name of Sub-station	Transmission element	Date of approval of planning wing	Date of award of work	Scheduled date of completion	Date of back charge	Actual completion date	Actual completion cost (₹ in lakh)	Delay in completion from scheduled completion (months)	Time taken from planning approval to award after allowing 6 Months	Overall delay from planning (months)	Loss of envisaged benefits (₹ in lakh)	Mismatch in Sub-station and line (Months)	Interest loss due to mismatch @ 10.28 *per cent per annum* (₹ in lakh)	Remarks
1	2	3	4	5	6	7	8	9	10=8-6	11=4-5	12=10+11	13	14	15	16
		Associated Transmission line	04-10-10	14-05-13	01-10-14	27-04-16 (charged without load)	27-04-16	1,440.20	19	26	45	236.06			November 2016. As per contract, all supplies were to be completed by February 2015, however, the contractor submitted first supply bill in February 2016. Despite contractor's performance being highly dismal and lagging behind PERT chart, the Company did not take any punitive action as per contract.
7	220 kV SS, Pinjore	Substation	13-01-10	25-09-13	23-01-15	30-08-17	20-11-17	2,235.00	34	39	73	658.64	0	0	Associated lines are still incomplete. However, substation was commissioned with alternative arrangement.
		Associated Transmission line	13-01-10	27-11-15	15-12-16	incomplete March 19	31-03-19	1,432.13	28	65	93	341.88			
8	220 kV SS, at Sector-32 Panchkula	Substation	13-01-10	25-09-13	23-01-15	24-10-17	22-12-17	2,964.00	35	39	75	900.56			Associated lines are still incomplete. However, substation was commissioned with alternative arrangement.
		Associated Transmission line	13-01-10	27-11-15	15-12-16	incomplete March 19	31-03-19	651.51	28	65	93	155.53	0	0	
9	132 kV SS, Chanderkhurd	Substation	18-12-08	04-06-10	17-06-11	-	12-08-14	850.00	38	12	50	279.62			The Company did not take early action against Sub-station contractor despite its poor progress. Recovery of LD was deferred twice in November 2011 and March 2012 relying upon its commitments as regard completion of work which were never fulfilled. The Company also released (August 2013) already recovered LD of ₹ 1 crore. The Company finally terminated contract in May 2014 and decided (June 2014) to carry out balance work departmentally which also could be completed in July 2016 with delay of 24 months. Risk and cost amount of ₹ 4.55 crore also remained unrecovered.
		Associated Transmission line	18-12-08	28-05-10	16-05-11	-	09-02-15	388.00	46	12	57	151.24	6	21.85	
10	132 kV SS, Barsi	Substation	15-12-08	04-06-10	17-06-11	-	29-09-14	921.00	40	12	52	315.60			
		Associated Transmission line	15-12-08	28-05-10	16-05-11	-	23-05-15	200.00	49	12	61	83.84	8	39.45	
11	132 kV SS, Makrani	Substation	18-03-09	04-06-10	17-06-11		29-07-16	880.00	62	9	71	469.66	43	47.97	
		Associated Transmission line	18-03-09	26-11-10	20-10-11	-	31-01-13	140.00	16	15	30	18.75			
12	132 kV SS, Tajpur	Substation	09-07-09	23-04-13	07-06-14	-	14-05-15	1,217.00	11	40	52	118.50	5	7.64	
		Associated Transmission line	09-07-09	10-06-13	06-07-14		09-12-14	446.00	0	42	42	0.00			
13	132 kV SS, Khewra	Substation	01-07-09	23-04-13	07-06-14	-	18-05-16	1,200.00	24	40	64	243.64	3	0	
		Associated Transmission line	01-07-09	05-01-15	03-02-16		29-02-16	4,753.00	1	61	62	35.29			
14	66 kV SS, Jamalpur	Substation	15-03-13	12-02-14	24-03-15		28-04-18	1,250.00	38	5	43	403.70	0	0	Progress of the contractor was very poor since beginning due to financial constraints. However, the company did not take any action against the firm for termination of the contract and carry out the work at risk and cost of the contractor.
		Associated Transmission line	15-03-13	26-08-16	12-01-18		28-04-18	42.00	4	36	40	1.27			

Sl. No.	Name of Sub-station	Transmission element	Date of approval of planning wing	Date of award of work	Scheduled date of completion	Date of back charge	Actual completion date	Actual completion cost (₹ in lakh)	Delay in completion from scheduled completion (months)	Time taken from planning approval to award after allowing 6 Months	Overall delay from planning (months)	Loss of envisaged benefits (₹ in lakh)	Mismatch in Sub-station and line (Months)	Interest loss due to mismatch @ 10.28 *per cent per annum* (₹ in lakh)	Remarks
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10=8-6**	**11=4-5**	**12=10+11**	**13**	**14**	**15**	**16**
15	66 kV SS, Mohamadpur Ahir	Substation	15-03-13	12-02-14	24-03-15		06-03-18	1,213.00	36	5	41	373.40	36	121.09	
		Associated Transmission line	15-03-13	30-01-14	28-02-15		14-03-15	430.00	0	5	5	0			
16	66 kV SS, Majri	Substation	25-03-13	12-02-14	24-03-15		14-06-16	887.00	15	5	20	113.47	15	158.72	In case of these sub- stations power transformers were to be supplied by the HVPNL. However, the Company failed to supply power transformers to the contractor on time and resultantly works of these SSs were delayed.
		Associated Transmission line	25-03-13	30-01-14	28-02-15	18-03-15	28-03-15	1,544.00	0	4	4	0.00			
17	66 kV SS, Sardaheri	Substation	01-04-13	12-02-14	24-03-15		15-07-16	749.00	16	5	21	102.45	17	43.78	
		Associated Transmission line	01-04-13	30-01-14	28-02-15		08-03-15	365.00	0	4	4	0.83			
18	66 kV SS, Pilakhani	Substation	14-05-13	12-02-14	24-03-15		13-08-16	837	17	3	20	121.42	16	78.74	
		Associated Transmission	14-05-13	30-01-14	28-02-15		18-04-15	707	2	3	4	9.89			
19	132 kV SS, Bhanderi	Substation	03-05-12	01-11-13	30-06-14		28-06-14	1,107.00	0	12	12	0.00	0	0	
		Associated Transmission line	03-05-12	14-05-13	03-07-14		28-06-14	323.00	0	7	6	0.00			
20	66 kV SS, Rundhi	Substation	18-08-09	06-12-12	07-09-13		06-11-14	580.00	0	34	34	0.00			
		Associated Transmission line	18-08-09	07-03-11	04-02-12		30-12-14	25.00	35	13	48	7.57	2	0	
21	66 kV SS, Sector-4 Gurgaon	Substation	25-08-10	02-09-13	30-12-14		25-11-15	1,300.00	11	31	42	122.50	0	0	
		Associated Transmission line	25-08-10	20-09-13	31-03-15		16-11-15	743.00	8	31	39	48.80			
22	66 kV SS, Laha Panchkula	Substation	12-12-11	01-11-13	31-10-14		31-08-15	848.00	10	17	27	73.61	12	5.40	The work of sub-station was delayed due to non-completion of pre-bid activities. The clear site could be made available on 14 March 2014 after more than 4 months on the revised approved of GELO in March 2014 and delay in removal of H pole and tree from the site which could be done in January 2015. Delayed completion of initial activity resulted into delayed completion of project.
		Associated Transmission line	12-12-11	25-09-13	20-10-14		03-09-14	70.00	0	16	16	0.00			
23	132 kV SS, Urlana, Panipat	Substation	05-10-12	01-11-13	31-10-14		22-12-15	1,200.00	14	7	21	142.89	13	59.97	
		Associated Transmission line	05-10-12	25-09-13	20-10-14		26-11-14	700.00	1	6	7	7.40			

Sl. No.	Name of Sub-station	Transmission element	Date of approval of planning wing	Date of award of work	Scheduled date of completion	Date of back charge	Actual completion date	Actual completion cost (₹ in lakh)	Delay in completion from scheduled completion (months)	Time taken from planning approval to award after allowing 6 Months	Overall delay from planning (months)	Loss of envisaged benefits (₹ in lakh)	Mismatch in Sub-station and line (Months)	Interest loss due to mismatch @ 10.28 *per cent per annum* (₹ in lakh)	Remarks
1	2	3	4	5	6	7	8	9	10=8-6	11=4-5	12=10+11	13	14	15	16
24	66 kV SS, Sector-20 Panchkula	Substation	15-11-12	01-11-13	03-11-14		30-12-15	1,352.00	14	6	20	162.92	7	11.48	
		Associated Transmission line	15-11-12	10-07-14	24-01-15	30-05-2015	25-12-15	335.00	11	14	25	32.05			
25	132 kV SS, Bhattu sotter	Substation	21-09-10	04-05-12	12-06-13		26-03-16	690.00	34	14	48	200.58	0	0	
		Associated Transmission line	21-09-10	15-06-12	28-08-13		13-03-16	454.00	31	15	46	120.31			
26	220 kV SS, Panchgaon	Substation	14-08-12	17-02-14	15-05-15		18-07-17	4,320.00	27	12	39	980.71	34	45.41	Progress of the contractor was very poor since beginning. However, the company did not take any action against the firm for termination of the contract and carry out the work at risk and cost of the contractor.
		Associated Transmission line	14-08-12	15-05-13	01-10-14		01-10-14	171.00	0	3	3	0.00			
27	220 kV SS, sector 33 Gurgaon	Substation	16-11-10	28-02-14	04-06-15		20-07-17	4,264.00	26	34	60	946.08	27	226.16	The Company did not enforce contract provisions though contractor's performance was poor since inception and upto scheduled completion (June 2015) it had completed only 24 *per cent* civil work and 35 *per cent* material supply. Delayed supply of manpower and inadequate mobilization of manpower and financial crunch of the contractor were the main reasons of tardy work progress. It was also observed that in March 2016, the Company not only deferred recovery of 90 *per cent* LD up to May 2016, but also refunded already recovered (March 2016 and May 2016) LD of ₹ 3.97 crore on contractor's assurance to complete the work by May 2016. As the contractor could not complete work by above assured date, the Company again bailed out contractor by deferring recovery of 60 *per cent* LD till September 2016 and again in November 2016 by deferring recovery of 90 *per cent* LD till December 2016. Further, the sub-station commissioned in July 2017 could not be capitalized till March 2019 in the absence of consumption statement and completion certificate to be issued by concerned TS circle of the Company.
		Associated Transmission line	16-11-10	31-01-14	30-04-15		30-04-15	1,200.00	0	33	33	0.00			
28	220 kV SS, Sector 20, Gurgaon	Substation	14-05-08	14-01-13	31-07-14		29-05-17	6,208.00	34	51	85	1,831.23	28	1,120.73	
		Associated Transmission line	14-05-08	19-05-09	12-09-10		31-01-15	5,233.00	53	6	60	2,393.89			

Sl. No.	Name of Sub-station	Transmission element	Date of approval of planning wing	Date of award of work	Scheduled date of completion	Date of back charge	Actual completion date	Actual completion cost (₹ in lakh)	Delay in completion from scheduled completion (months)	Time taken from planning approval to award after allowing 6 Months	Overall delay from planning (months)	Loss of envisaged benefits (₹ in lakh)	Mismatch in Sub-station and line (Months)	Interest loss due to mismatch @ 10.28 *per cent per annum* (₹ in lakh)	Remarks
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10=8-6**	**11=4-5**	**12=10+11**	**13**	**14**	**15**	**16**
29	220 kV SS, RGEC Sonipat	Substation	20-05-11	03-10-13	28-02-15		05-02-19	3,500.00	48	23	71	1,437.20	36	1,343.67	The proposed load of REGEC did not come up as such the entire capacity at 66 kV/33 kV level remained unutilised.
		Associated Transmission line	20-05-11	13-03-12	12-03-13		29-02-16	4,753.00	36	4	40	1,471.25			
30	220 kV GIS SS, Barhi	Substation	09-07-09	07-10-13	31-12-14		16-02-19	3,500.00	50	46	96	1,507.16	19	69.22	
		Associated Transmission line	31-07-12	14-05-13	31-07-14		14-07-17	505.00	36	4	40	155.60			
31	66 kV SS, Hassanpur Khadar	Substation	31-03-14	20-02-17	20-06-18		29-03-19	930.00	9	29	39	74.89	1	0	
		Associated Transmission line	31-03-14	27-11-17	30-08-18		10-03-19	539.00	6	39	45	29.55			
32	220 kV SS, sector-57 gurgaon	Substation	30-06-08	07-10-13	31-12-14		14-04-18	4,184	40	58	98	1,433.72	75	32.07	
		Associated Transmission line	30-06-08	19-05-09	10-09-10		29-02-12	52	18	5	23	7.97			
	Total							**95,018.36**				**22,801.58**		**4,383.20**	
												27,184.78			

Appendix 4

Financial position and working results of Haryana Vidyut Prasaran Nigam Limited for the five years up to 2018-19.

(Referred to in paragraph-2.10.1)

A. Financial Position **(₹ in crore)**

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
I. Equity and Liabilities					
A. Equity					
Equity Share capital including other Equity	2,368.38	2,721.24	3,054.45	3,479.80	4,310.31
B. Liabilities					
Non-Current Liabilities	6370.9	6,238.5	5,882.78	5,411.80	5,450.15
Current Liabilities	1,154.24	1,267.11	1,499.35	1,860.22	1,208.32
Total (I)	**9,893.52**	**10,226.85**	**10,436.58**	**10,751.82**	**10,968.78**
II. Assets					
A. Non-Current Assets					
Property, Plant and equipment (including CWIP)	6,400.6	6,526.87	6,611.16	6,580.33	7,107.04
Financial Assets*	2,792.57	2,842.93	2,913.53	3,018.91	2,926.48
Other Non-Current Assets	114.72	82.73	87.62	70.96	64.27
B. Current Assets					
Inventories	102.3	76.97	92.05	105.61	73.99
Financial Assets#	251.98	365.05	250.35	485.20	429.10
Other Current Assets	231.35	332.3	481.87	490.81	367.90
Total (II)	**9,893.52**	**10,226.85**	**10,436.58**	**10,751.82**	**10,968.78**
Debt/Equity ratio	2.69	2.29	1.93	1.56	1.26
Net worth	2,550.10	2,736.85	2,839.51	3,222.98	4,011.27
Capital Employed	8,518.28	8,321.99	8,016.94	7,768.36	8,409.55
Profit before Tax	-8.42	316.12	381.23	534.25	457.13
Interest and Finance Charges	476.46	521.79	476.2	430.58	381.51
Total Return	468.04	837.91	857.43	964.83	838.64
Percentage of return on capital employed	5.49	10.07	10.70	12.42	9.97

* Financial Assets included investments, trade receivable, loans and other financial assets.

\# Included current investment, trade receivables, cash and cash equivalents bank balances, loans and other current financial assets.

B. Working results **(₹ in crore)**

Description	2014-15	2015-16	2016-17	2017-18	2018-19
I. Revenue					
Revenue from operation	1,377.61	1,697.46	1,698.23	2,006.57	2,154.41
Other Income	111.67	193.03	231.51	268.88	198.28
Total Revenue	**1,489.28**	**1,890.49**	**1,929.74**	**2,275.45**	**2,352.69**
II. Expenses					
A. Fixed Cost					
Employee Benefit Expenses	433.62	465.31	480.63	620.17	636.37
Finance Cost	476.45	521.79	476.2	430.58	381.51
Depreciation and Amortization Expenses	272.29	340.04	369.97	382.93	397.79
Total Fixed Cost	**1,182.36**	**1,327.14**	**1,326.8**	**1,433.68**	**1,415.67**
B. Variable Expenses					
Generation of power*	218.13	-	-	-	-
other Expenses	97.21	247.24	221.71	307.52	479.90
Total Variable Expenses	**315.34**	**247.24**	**221.71**	**307.52**	**479.90**
Total Expenses	**1,497.7**	**1,574.38**	**1,548.51**	**1,741.2**	**1,895.57**
Profit and loss Before tax	-8.42	316.11	381.23	534.25	457.12
Tax expenses	0	67.71	81.36	114.02	98.50
Profit and loss after tax	-8.42	248.4	299.87	420.23	358.62
Net Power transmitted (in MUs)	45,260.42	46,580.35	48,042.08	49,721.78	50,456.03
Realisation (₹ per unit)	0.304	0.364	0.353	0.404	0.427
Fixed cost (₹ per unit)	0.261	0.285	0.276	0.288	0.281
Variable cost (₹ per unit)	0.070	0.053	0.046	0.062	0.095
Total cost (₹ per unit)	0.331	0.338	0.322	0.350	0.376
Contribution (₹ per unit)	0.235	0.311	0.307	0.342	0.332
Profit (+)/ Loss(-) (₹ per unit)	-0.027	0.026	0.031	0.054	0.051

* The generation cost has been included in other expenses during the period 2015-19.

Appendix 5

Statement showing position of equity and outstanding loan relating to State PSUs (other than Power Sector) as on 31 March 2019

(Referred to in paragraph 4.3 and 4.25)

(₹ in crore)

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity at close of the year 2018-19				Long term loans outstanding at the close of the year 2018-19			
				GoH	GoI	Others	Total	GoH	GoI	Others	Total
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
A	**Social Sector**										
	I. Working Government Companies										
1	Haryana Scheduled Castes Finance and Development Corporation Limited	Scheduled Castes and Backward Classes Welfare	02-Jan-71	26.14	23.92	0	50.06	0	0	10.91	10.91
2	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	Scheduled Castes and Backward Classes Welfare	10-Dec-80	45.14	0	0	45.14	0	0	77.11	77.11
3	Haryana Women Development Corporation Limited	Women and Child Development	31-Mar-82	15.51	1.1	0	16.61	0	0	0	0
4	Haryana Seeds Development Corporation Limited	Agriculture and farmer welfare department Haryana	12-Sep-74	2.76	1.13	1.11	5	0	0	0	0
5	Haryana Land Reclamation and Development Corporation Limited	Agriculture and farmer welfare department Haryana	27-Mar-74	1.37	0	0.2	1.57	0	0	0	0
6	Haryana Agro Industries Corporation Limited	Agriculture and farmer welfare department Haryana	30-Mar-67	2.54	1.6	0	4.14	0	0	16.56	16.56
Total A-I				**93.46**	**27.75**	**1.31**	**122.52**	**0**	**0**	**104.58**	**104.58**
	II. Statutory Corporations										
7	Haryana State Warehousing Corporation	Agriculture	01-Nov-67	2.92	2.92		5.84	8.15	0	69.4	77.55
Total A-II				**2.92**	**2.92**	**0**	**5.84**	**8.15**	**0**	**69.4**	**77.55**
	III. Inactive Government Companies										
8	Haryana State Minor Irrigation and Tubewells Corporation Limited	Agriculture	09-Jan-70	10.89	0	0	10.89	0	0	0	0
9	Haryana State Housing Finance Corporation Limited	Industry	19-Jun-00	0	0	0	0	0	0	0	0
Total A-III				**10.89**	**0**	**0**	**10.89**	**0**	**0**	**0**	**0**
Total A (I+II+III)				**107.27**	**30.67**	**1.31**	**139.25**	**8.15**	**0**	**173.98**	**182.13**

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity at close of the year 2018-19				Long term loans outstanding at the close of the year 2018-19			
				GoH	GoI	Others	Total	GoH	GoI	Others	Total
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
B	**PSUs in Competitive environment**										
	I. Working Government Companies										
10	Haryana Forest Development Corporation Limited	Forest	07-Dec-89	0.2	0	0	0.2	0	0	0	0
11	Haryana State Industrial and Infrastructure Development Corporation Limited	Industry	08-Mar-67	48.86	0	0	48.86	0	0	5,501.72	5,501.72
12	Haryana State Roads and Bridges Development Corporation Limited	P W D (B&R)	13-May-99	122.04	0	0	122.04	0	0	0	0
13	Haryana Tourism Corporation Limited	Tourism and Public Relations	01-May-74	34.07	0	0	34.07	0	0	0	0
14	Haryana State Electronics Development Corporation Limited	Electronics	15-May-82	9.9	0	0	9.9	0	0	0	0
15	Hartron Informatics Limited	Electronics	08-Mar-95	0	0	0.5	0.5	0	0	0	0
16	Gurgaon Technology Park Limited.	Town & Country Planning	14-Feb-96	0	0	14.72	14.72	0	0	0	0
17	Panipat Plastic Park Haryana limited	Industry	27-Dec-16	0	0	0.1	0.1	0	0	0	0
18	Faridabad Smart City Limited	Town & Country Planning	30-Sep-16	0.05	0	0.05	0.1	0	0	0	0
19	Gurgram Metropolitan City Bus Limited	Town & Country Planning	05-Sep-17	0	0	50	50	0	0	0	0
Total B-I				**215.12**	**0**	**65.37**	**280.49**	**0**	**0**	**5,501.72**	**5,501.72**
	II. Statutory Corporations										
20	Haryana Financial Corporation	Industry	01-Apr-67	202.01	0	5.65	207.66	0	0	0	0
Total B-II				**202.01**	**0**	**5.65**	**207.66**	**0**	**0**	**0**	**0**
	III. Inactive Government Companies										
21	Haryana Concast Limited	Industry	29-Nov-73	2.9	0	3.95	6.85	1.39	0	2.3	3.69
22	Haryana Minerals Limited	Mining and Geology	02-Dec-72	0	0	0.24	0.24	0	0	0	0
Total B-III				**2.9**	**0**	**4.19**	**7.09**	**1.39**	**0**	**2.3**	**3.69**
Total B (I+II+III)				**420.03**	**0**	**75.21**	**495.24**	**1.39**	**0**	**5,504.02**	**5,505.41**

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity at close of the year 2018-19				Long term loans outstanding at the close of the year 2018-19			
				GoH	GoI	Others	Total	GoH	GoI	Others	Total
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
C	**Others**										
23	Haryana Medical Services Corporation Limited	Health	05-Jun-14	5	0	0	5	0	0	0	0
24	Haryana Roadways Engineering Corporation Limited	Transport	27-Nov-87	6.75	0	0	6.75	0	0	0	0
25	Haryana Rail Infrastructure Development Corporation Limited	P W D (B&R)	22-Aug-17	10.2	14.7	0	24.9	0	0	0	0
26	Haryana Police Housing Corporation Limited	Home	29-Dec-89	25	0	0	25	0	0	390.5	390.5
27	Haryana Mass Rapid Transport Corporation Limited	Industry	24-Mar-12	14.4	0	13.84	28.24	0	0	0	0
Total C				**61.35**	**14.7**	**13.84**	**89.89**	**0**	**0**	**390.5**	**390.5**
	Total A+B+C			**588.65**	**45.37**	**90.36**	**724.38**	**9.54**	**0**	**6068.5**	**6078.04**

Appendix 6

Statement showing difference between Finance Accounts of Government of Haryana and Accounts of the State PSUs (other than Power Sector) in respect of balances of Equity, Loans and Guarantee as on 31 March 2019

(Referred to in paragraph 4.7)

(₹ in crore)

Sl. No.	Name of PSU	As per Finance Accounts of Government of Haryana			As per records of the State PSUs			Difference		
		Paid-up Capital	Loan outstanding	Guarantee Committed	Paid-up Capital	Loan outstanding	Guarantee Committed	Paid-up Capital	Loan outstanding	Guarantee Committed
1	2	3	4	5	6	7	8	9	10	11
1	Haryana Agro Industries Corporation Limited	2.54	18.3	3.72	2.54	0	0	0	18.3	3.72
2	Haryana Land Reclamation and Development Corporation Limited	1.37	0.73	0	1.37	0	0	0	0.73	0
3	Haryana Seeds Development Corporation Limited	2.75	0.21	0	2.76	0	0	-0.01	0.21	0
4	Haryana Forest Development Corporation Limited	0.2	0	0	0.2	0	0	0	0	0
5	Haryana Scheduled Castes Finance and Development Corporation Limited	33.85	0.38	10.91	26.14	0	10.91	7.71	0.38	0
6	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	45.56	0	77.06	45.14	0	77.11	0.42	0	-0.05
7	Haryana Women Development Corporation Limited	14.86	0	0	15.51	0	0	-0.65	0	0
8	Haryana State Industrial and Infrastructure Development Corporation Limited	76.14	0	3351.93	48.86	0	3351.93	27.28	0	0
9	Haryana Police Housing Corporation Limited	69.82	0	390.5	25.00	0	850	44.82	0	-459.5
10	Haryana State Roads and Bridges Development Corporation Limited	70.12	0	0	122.04	0	0	-51.92	0	0
11	Haryana Rail Infrastructure Development Corporation Limited	0	0	0	10.2	0	0	-10.20	0	0

Sl. No.	Name of PSU	As per Finance Accounts of Government of Haryana			As per records of the State PSUs			Difference		
		Paid-up Capital	Loan outstanding	Guarantee Committed	Paid-up Capital	Loan outstanding	Guarantee Committed	Paid-up Capital	Loan outstanding	Guarantee Committed
1	2	3	4	5	6	7	8	9	10	11
12	Haryana Tourism Corporation Limited	0	0	0	34.07	0	0	-34.07	0	0
13	Haryana Roadways Engineering Corporation Limited	8.31	0	0	6.75	0	0	1.56	0	0
14	Haryana State Electronics Development Corporation Limited	9.9	0	0	9.9	0	0	0	0	0
15	Hartron Informatics Limited	0	0	0	0	0	0	0	0	0
16	Gurgaon Technology Park Limited.	0	0	0	0	0	0	0	0	0
17	Haryana Mass Rapid Transport Corporation Limited	0	0	0	14.4	0	0	-14.4	0	0
18	Haryana Medical Services Corporation Limited	0	0	0	5.00	0	0	-5.00	0	0
19	Haryana State Warehousing Corporation	2.92	8.15	69.4	2.92	8.15	69.4	0	0	0
20	Haryana Financial Corporation	204.22	0	0	202.01	0	0	2.21	0	0
21	Haryana State Minor Irrigation & Tubewells Corporation Limited	10.89	176.31	0	10.89	0	0	0	176.31	0
22	Haryana State Housing Finance Corporation Limited	0	0	0	0	0	0	0	0	0
23	Haryana Concast Limited	0	0	0	2.9	1.39	0	-2.9	-1.39	0
24	Haryana Minerals Limited	0	0	0	0	0	0	0	0	0
25	Panipat Plastic Park Haryana Limited	0	0	0	0	0	0	0	0	0
26	Faridabad Smart City Limited	0	0	0	0.05	0	0	-0.05	0	0
27	Gurugram Metropolitan City Bus Limited.	0	0	0	0	0	0	0	0	0
Total		**553.45**	**204.08**	**3903.52**	**588.65**	**9.54**	**4359.35**	**-35.20**	**194.54**	**-455.83**

Appendix 7

Statement showing position of State Government investment in working State PSUs (other than Power Sector) accounts of which are in arrears

(Referred to in paragraph 4.8.1)

(₹ in crore)

Sl. No.	Name of the Public Sector Undertaking	Year up to 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 year of which accounts are in arrears			
					Equity	Loans	Grants	Others to be specified (subsidy)
1	2	3	4	5	6	7	8	9
A	**Working Government Companies**							
1	Haryana Scheduled Castes Finance and Development Corporation Limited	2014-15	2015-16	48.11	1	0	0	6.75
			2016-17	0	0	0	0	80.27
			2017-18	0	0	0	0	18.49
			2018-19	0	0	0	0	10.94
2	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	2013-14	2014-15	22.47	1.25	0	0	3.5
			2015-16	0	13.24	0	0	3.5
			2016-17	0	2.17	0	0	44.44
			2017-18	0	2.5	0	0	5.25
			2018-19	0	2.27	0	0	8.25
3	Haryana Women Development Corporation Limited	2015-16	2016-17	16.61	0	0	0	2.5
			2017-18	0	0	0	0	6.8
			2018-19	0	0	0	2.1	2.8
4	Haryana Land Reclamation and Development Corporation Limited	2017-18	2018-19	1.56	0	0	0	4.32
5	Haryana State Industries & Infrastructure Development Corporation Limited	2017-18	2018-19	48.85	0.01	0	83.47	0
6	Haryana Tourism Corporation Limited	2017-18	2018-19	30.92	3.15	0	17.82	0
7	Haryana Police Housing Corporation Limited	2014-15	2015-16	25	0	0	72.46	0
			2016-17	0	0	0	77.03	0
			2017-18	0	0	0	90.09	0
			2018-19	0	0	0	162.84	0
8	Haryana Mass Rapid Transport Corporation Limited	2017-18	2018-19	1	13.89	0	0	0
	Total A (Working Government Companies)			**194.52**	**39.48**	**0**	**505.81**	**197.81**
B	**Working Statutory corporations**							
1	Haryana State Warehousing Corporation	2017-18	2018-19	5.84	0	8.15	**0**	0
	Total B (Working Statutory Corporations)			**5.84**	**0**	**8.15**	**0**	**0**
	Grand Total (A + B)			**200.36**	**39.48**	**8.15**	**505.81**	**197.81**

Appendix 8

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

(Referred to in paragraph 4.11, 4.13, 4.18 and 4.19)

₹ in crore

Sl. No.	Sector, Type and Name of the PSU	Period of accounts	Year in which finalised	Net Profit/loss before dividend, interest and tax	Net Profit/loss after dividend, interest and tax	Turnover	Paid-up capital	Capital employed	Net Worth	Accumulated Profit/loss
1	2	3	4	5	6	7	8	9	10	11
A	**Social Sector**									
	I. Working Government Companies									
1	Haryana Scheduled Castes Finance and Development Corporation Limited #	2014-15	2018-19	0.93	0.73	1.3	48.11	61.42	57.05	8.94
2	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited #	2013-14	2017-18	0.68	-0.79	3.57	22.47	37.63	9.71	-12.76
3	Haryana Women Development Corporation Limited	2014-15	2019-20	-0.57	-0.57	3.04	16.61	15.11	15.11	-2.37
		2015-16	2019-20	0.14	0.14	3.82	16.61	15.25	15.25	-2.23
4	Haryana Seeds Development Corporation Limited	2017-18	2018-19	2.7	-0.42	106.94	5	5.79	5.79	0.79
		2018-19	2019-20	10.4	4.8	143.23	5	10.06	10.06	5.06
5	Haryana Land Reclamation and Development Corporation Limited	2017-18	2018-19	-0.84	-1.19	87.3	1.56	6.52	6.52	4.96
6	Haryana Agro Industries Corporation Limited #	2015-16	2018-19	87.94	0.92	2,131.60	4.14	-98.67	-117.71	-121.85
	Total A-I			**99.25**	**4.61**	**2370.82**	**97.89**	**32.21**	**-19.12**	**-117.88**
II. Statutory Corporation										
7	Haryana State Warehousing Corporation	2017-18	2018-19	92.31	46.87	121.62	5.84	80.99	4.91	0
Total A-II				**92.31**	**46.87**	**121.62**	**5.84**	**80.99**	**4.91**	**0**
	III. Inactive Government Companies									
8	Haryana State Minor Irrigation and Tubewells Corporation Limited	2017-18	2019-20	-0.05	-0.05	0	10.89	-343.44	-343.44	-354.33
9	Haryana State Housing Finance Corporation Limited ^	ended 31 Aug 2001	2003-04	0	0	0	0	0	0	0
	Total A-III			**-0.05**	**-0.05**	**0**	**10.89**	**-343.44**	**-343.44**	**-354.33**
	Total A (I+II+III)			**191.51**	**51.43**	**2,492.44**	**114.62**	**-230.24**	**-357.65**	**-472.21**

Sl. No.	Sector, Type and Name of the PSU	Period of accounts	Year in which finalised	Net Profit/loss before dividend, interest and tax	Net Profit/loss after dividend, interest and tax	Turnover	Paid-up capital	Capital employed	Net Worth	Accumulated Profit/loss
1	2	3	4	5	6	7	8	9	10	11
B.	**Statutory Corporations**									
PSUs in Competitive environment										
	I. Working Government Companies									
10	Haryana Forest Development Corporation Limited	2017-18	2019-20	0.86	0.62	34.99	0.2	48.9	48.9	48.7
11	Haryana State Industrial and Infrastructure Development Corporation Limited	2017-18	2019-20	962.25	216.34	1,563.68	48.84	7,268.51	1,631.10	1,482.82
12	Haryana State Roads & Bridges Development Corporation Limited	2017-18	2018-19	26.97	17.74	1.8	122.04	232.43	232.43	110.39
13	Haryana Tourism Corporation Limited	2015-16	2018-19	1.52	1.09	255.95	28.06	56.61	56.61	28.55
		2016-17	2019-20	-5.84	-5.39	270.55	29.79	52.95	52.95	23.16
		2017-18	2019-20	-14.37	-14.3	270.94	30.92	39.78	39.78	8.86
14	Haryana State Electronics Development Corporation Limited	2017-18	2019-20	16.12	9.55	37.51	9.9	89.47	89.47	79.59
15	Hartron Informatics Limited ^	2017-18	2018-19	1.08	0.77	1.11	0.5	4.85	4.85	4.35
16	Gurgaon Technology Park Limited^	2017-18	2018-19	4.45	3.42	0.69	14.72	34.02	34.02	18.25
		2018-19	2019-20	2.2	1.41	1.86	14.72	35.43	35.43	19.66
17	Panipat Plastic Park Haryana Limited^	2018-19	2019-20	-0.01	-0.01	0	0.1	0.09	0.09	-0.01
18	Faridabad Smart City Limited	2016-17	2018-19	-0.04	-0.03	0	0.10	0.07	0.07	-0.03
		2017-18	2018-19	-1.18	-1.19	0	0.1	0.1	0.1	0
19	Gurugram Metropolitan City Bus Limited^	2017-18	2018-19	0.06	0.05	0	50	50.05	50.05	0.05
	Total B-I			**993.98**	**230.98**	**1,911.89**	**277.32**	**7769.61**	**2132.2**	**1754.41**
	II. Statutory Corporations									
20	Haryana Financial Corporation	2017-18	2018-19	-4.38	-4.45	1.39	207.66	94.15	94.15	**-113.51**
Total B-II				**-4.38**	**-4.45**	**1.39**	**207.66**	**94.15**	**94.15**	**-113.51**

Sl. No.	Sector, Type and Name of the PSU	Period of accounts	Year in which finalised	Net Profit/loss before dividend, interest and tax	Net Profit/loss after dividend, interest and tax	Turnover	Paid-up capital	Capital employed	Net Worth	Accumulated Profit/loss
1	2	3	4	5	6	7	8	9	10	11
III. Inactive Government Companies										
21	Haryana Concast Limited	1997-98	1998-99	-7.97	-7.97	0	6.85	-16.64	-20.33	-27.18
22	Haryana Minerals Limited^	2017-18	2018-19	-0.09	-0.09	0	0.24	-4.84	-4.84	-7.64
Total B-III				**-8.06**	**-8.06**	**0**	**7.09**	**-21.48**	**-25.17**	**-34.82**
	Total B-(I+II+III)			**981.54**	**218.47**	**1,913.28**	**492.07**	**7842.28**	**2201.18**	**1606.08**
C	**Others**									
	I. Working Government Companies									
23	Haryana Medical Services Corporation Limited#	2015-16	2018-19	1.39	1.27	3.09	5	4.77	4.77	-0.23
24	Haryana Roadways Engineering Corporation Limited	2016-17	2018-19	-2.08	-2.85	44.73	6.6	21.77	21.77	15.17
		2017-18		5.08	2.54	55.22	6.65	24.35	24.35	17.7
25	Haryana Rail Infrastructure Development Corporation Limited	2018-19	2019-20	0.04	0.03	0	20	19.91	19.91	-0.09
26	Haryana Police Housing Corporation Limited	2014-15	2018-19	25.9	0.59	72.75	25	249.31	23.86	-1.14
27	Haryana Mass Rapid Transport Corporation Limited	2017-18	2018-19	0.27	0.26	0	1	1.23	1.23	0.23
Total C				**32.68**	**4.69**	**131.06**	**57.65**	**299.57**	**74.12**	**16.47**
Total (A+B+C)				**1205.73**	**274.59**	**4,536.78**	**664.34**	**7911.61**	**1917.65**	**1150.34**

\# *Four working PSUs (Sl. No. 1, 2, 6 and 23) did not submit any accounts during October 2018 to September 2019. The accounts details of these PSUs are as per Audit Report of previous year.*

^ *Refers to six PSUs (Sl. No. 9, 15, 16, 17, 19 and 22) where investment has been made by others than State Government.*

Appendix 9

PSU-wise position of State Government investments in the form of equity on historical cost basis

(Referred to in paragraph 4.16)

(₹ in crore)

Sr. No.	Name of the Company	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	2018-19
	A. Social Sector																				
1	Haryana Scheduled Castes Finance and Development Corporation Limited	0	28.17	28.67	29.17	15.69	15.94	17.13	18.64	20.29	21.69	23.49	25.14	25.14	25.14	25.14	25.14	26.15	26.14	26.14	26.14
2	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	7.91	8.31	8.51	8.96	9.46	9.96	11.16	12.66	13.66	16.07	17.58	19.52	20.52	21.52	22.77	24.97	38.2	40.37	42.87	45.14
3	Haryana Women Development Corporation Limited	3.85	4.1	4.15	4.65	5	6.2	9.34	12.48	14.81	15.51	15.51	16.61	16.61	15.51	15.51	15.51	15.51	15.51	15.51	15.51
4	Haryana Seeds Development Corporation Limited	2.76	2.76	2.76	2.9	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76
5	Haryana Land Reclamation and Development Corporation Limited	1.37	1.37	1.37	1.56	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.36	1.36	1.37	1.37	1.37
6	Haryana Agro Industries Corporation Limited	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54
7	Haryana State Warehousing Corporation	2.92	2.92	2.92	2.92	2.92	2.92	2.92	2.92	2.92	2.92	2.92	2.92	2.92	2.92	2.92	2.92	2.92	2.92	2.92	2.92
8	Haryana State Minor Irrigation and Tubewells Corporation Limited	10.89	10.89	10.89	10.89	10.89	10.89	10.89	10.89	10.89	10.89	10.89	10.89	10.89	10.89	10.89	10.89	10.89	10.89	10.89	10.89
	Total A	**32.24**	**61.06**	**61.81**	**63.59**	**50.63**	**52.58**	**58.11**	**64.26**	**69.24**	**73.75**	**77.06**	**81.75**	**82.75**	**82.65**	**83.9**	**86.09**	**100.33**	**102.5**	**105**	**107.27**

Sr. No.	Name of the company	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	2018-19
	B. Competitive Sector																				
9	Haryana Forest Development Corporation Limited	0.6	0.6	0.61	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
10	Haryana State Industrial & Infrastructure Development Corporation Limited	62.75	62.84	62.86	67.81	67.82	67.82	70.68	70.69	70.69	70.69	70.7	70.7	70.7	48.82	48.82	48.84	48.84	48.84	48.85	48.86
11	Haryana State Roads and Bridges Development Corporation Limited		7.88	26.94	47.6	70.6	70.6	113.7	113.7	113.7	122.04	122.04	122.04	122.04	122.04	122.04	122.04	122.04	122.04	122.04	122.04
12	Haryana Tourism Corporation Limited	12.71	14.4	15.53	16.59	18.05	18.58	19.86	19.86	20.19	20.19	20.19	21.4	21.46	21.46	22.46	24.06	28.86	29.79	30.92	34.07
13	Haryana State Electronics Development Corporation Limited	7.74	7.74	7.81	7.81	7.81	7.81	7.82	8.82	8.83	9.83	9.84	9.85	9.86	9.86	9.88	9.89	9.9	9.9	9.9	9.9
14	Faridabad Smart City Limited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.05	0.05
15	Haryana Financial Corporation	25.28	25.28	25.28	25.28	25.28	25.28	28.28	33.28	99.03	179.9	181.35	181.85	201.86	201.86	202.01	202.01	202.01	202.01	202.01	202.01
16	Haryana Concast Limited	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
	Total B	**111.98**	**121.64**	**141.93**	**168.19**	**192.66**	**193.19**	**243.44**	**249.45**	**315.54**	**405.75**	**407.22**	**408.94**	**429.02**	**407.14**	**408.31**	**409.94**	**414.75**	**415.68**	**416.87**	**420.03**

Sr. No.	Name of the company	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	2018-19
	C Others																				
17	Haryana Medical Services Corporation Limited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5	5	5	5	5
18	Haryana Roadways Engineering Corporation Limited	2	2	2	2	2	2	4	4	5	6.2	6.4	6.4	6.6	6.6	6.6	6.6	6.65	6.65	6.75	6.75
19	Haryana Rail Infrastructure Development Corporation Limited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4.08	10.2
20	Haryana Police Housing Corporation Limited	18	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
21	Haryana Mass Rapid Transport Corporation Limited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.51	0.51	0.51	0.51	0.51	14.4
	Total C	**20**	**27**	**27**	**27**	**27**	**27**	**29**	**29**	**30**	**31.2**	**31.4**	**31.4**	**31.6**	**31.6**	**32.11**	**37.11**	**37.16**	**37.16**	**41.34**	**61.35**
	Grand Total	**164.22**	**209.70**	**230.74**	**258.78**	**270.29**	**272.77**	**330.55**	**342.71**	**414.78**	**510.70**	**515.68**	**522.09**	**543.37**	**521.39**	**524.32**	**533.14**	**552.24**	**555.34**	**563.21**	**588.65**

Glossary

Glossary of Abbreviations	
AAD	Advance Against Depreciation
ACD	Advance Consumption Deposit
ACQ	Annual Contracted Quantity
AEL	Adani Enterprises Limited
AGM	Annual General Meeting
APFC	Automatic Power Factor Capacitor
ARR	Aggregated Revenue Requirement
AT&C	Aggregate Technical and Commercial
ATNs	Action Taken Notes
BBPP	Bus-Bar Protection Panel
BCCL	Bharat Coking Coal Limited
BG	Bank Guarantee
BHEL	Bharat Heavy Electricals Limited
BoDs	Board of Directors
CAPEX	Capital Expenditure
CCL	Central Coalfields Limited
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CIL	Coal India Limited
CMC	Civil Maintenance-cum-Construction
CMR	Custom Milled Rice
COPU	Committee on Public Undertakings
CSAs	Coal Supply Agreements
DHBVNL	Dakshin Haryana Bijli Vitran Nigam Limited
DISCOMs	Distribution Companies
DM	District Manager
DT	Distribution Transformer
EBIT	Earnings Before Interest and Taxes
EMS	Energy Management System
FCI	Food Corporation of India
FDRs	Fixed Deposit Receipts
FSCs	Farmer Service Centres
GDP	Gross Domestic Product
GoH	Government of Haryana
GoI	Government of India
GSDP	Gross State Domestic Product
GT	Generation Transformers
HAIC	Haryana Agro Industries Corporation Limited
HARCO	Haryana State Co-operative Apex Bank Limited
HERC	Haryana Electricity Regulatory Commission
HFC	Haryana Financial Corporation
HPGCL	Haryana Power Generation Corporation Limited
HSIIDC	Haryana State Industrial and Infrastructure Development Corporation Limited
HSWC	Haryana State Warehousing Corporation
HUDCO	Housing and Urban Development Corporation Limited
HVDC	High Voltage Direct Current
HVPNL	Haryana Vidyut Prasaran Nigam Limited
IDEA	Interactive Data Extraction and Analysis
JKTPL	Jhajjar KT Transco Private Limited
KMS	Kharif Marketing Season

Glossary of Abbreviations	
kV	Kilo Volt
kW	Kilowatt
kWh	Kilo Watt Hour
LD	Liquidated Damages
LILO	Loop In Loop Out
LT	Low Tension
MoP	Ministry of Power
MoU	Memorandum of Understanding
MSP	Minimum Support Price
MT	Metric Tonne
MTL	Medium Term Loan
MUs	Million Units
MVA	Mega Volt Ampere
Mvar	Mega Volt Ampere (Reactive)
MW	Megawatt
MYT	Multi Year Tariff
NABL	National Accreditation Board for testing and calibration Laboratories
NIT	Notice Inviting Tender
NRLDC	Northern Regional Load Dispatch Centre
OPGW	Optical Ground Wire
PGCIL	Power Grid Corporation of India Limited
PO	Purchase Order
PoC	Point of Connection
PR	Public Relation
PSUs	Public Sector Undertakings
PTs	Power Transformers
PTPS	Panipat Thermal Power Station
PV	Present Value
R & M	Repair and Maintenance
REC	Rural Electrification Corporation
RLA	Regular Letter of Allotment
ROCE	Return on Capital Employed
ROE	Return on Equity
ROI	Return on Investment
RORR	Rate of Real Return
SAR	Separate Audit Report
SAS	Sub-station Automation System
SCADA	Supervisory Control and Data Acquisition
SLDC	State Load Dispatch Centre
SSs	Sub-Stations
STLs	Short Term Loans
TDS	Tax Deducted at Source
TS	Transmission System
TSA	Transmission System Availability
UDAY	Ujwal Discom Assurance Yojana
UHBVNL	Uttar Haryana Bijli Vitran Nigam Limited
ULDC	Unified Load Dispatch and Communication
USD	United States Dollar