REPORT

OF THE

COMPTROLLER

AND

AUDITOR GENERAL OF INDIA

For the year ended 31 March 2000

NO. 3
(COMMERCIAL)

(GOVERNMENT OF HIMACHAL PRADESH)

TABLE OF CONTENTS

ANNEXURES

PREFACE

Government commercial enterprises, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories:

(i) Government companies,
(ii) Statutory corporations, and
(iii) Departmentally managed commercial undertakings.

2 This report deals with the results of audit of Government companies and Statutory corporations including Himachal Pradesh State Electricity Board and has been prepared for submission to the Government of Himachal Pradesh under Section 19A of the Comptroller and Auditor General's (CAG) (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India (Civil)-Government of Himachal Pradesh.

3 Audit of the accounts of Government companies is conducted by Comptroller and Auditor General of India under the provisions of Section 619 of the Companies Act, 1956. There are, however, certain companies which, in spite of Government investment are not subject to audit by the Comptroller and Auditor General of India as Government hold less than 51 *per cent* of their share capital. There was no company in which Government investment by way of share capital was more than Rs. 10 lakh as on 31 March 2000.

4 In respect of Himachal Road Transport Corporation and the Himachal Pradesh State Electricity Board which are Statutory corporations, the Comptroller and Auditor General of India is the sole auditor. In respect of Himachal Pradesh Financial Corporation, he has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. The Audit Reports on the annual accounts of all these corporations are forwarded separately to the State Government.

5 The cases mentioned in this Report are those which came to notice in the course of audit during the year 1999-2000 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 1999-2000 have also been included, wherever necessary.

OVERVIEW

The State had 18 Government companies (including one subsidiary), one Company under the purview of Section 619-B of the Companies Act, 1956 and three Statutory corporations as on 31 March 2000.

(Paragraphs 1.1 and 1.9)

As on 31 March 2000, the total investment in 21 Public Sector Undertakings (18 Government companies including one subsidiary and three Statutory corporations) was Rs. 3142.87 crore (equity: Rs. 614.37 crore, long-term loans: Rs. 2526.34 crore and share application money: Rs. 2.16 crore) as against a total investment of Rs. 2754.26 crore (equity: Rs. 594.33 crore; long-term loans: Rs. 2159.27 crore; and share application money: Rs. 0.66 crore) in 19 Public Sector Undertakings (16 Government companies including one subsidiary and three Statutory corporations) as on 31 March 1999.

(Paragraph 1.2)

During the year 1999-2000 the Government had guaranteed the loans aggregating Rs. 1063.13 crore obtained by eight Government companies (Rs. 895.43 crore) and three Statutory corporations (Rs. 167.70 crore). At the end of the year guarantees amounting to Rs. 1623.62 crore against ten Government companies (Rs. 1058.56 crore) and three Statutory Corporations (Rs. 565.06 crore) were outstanding.

(Paragraph 1.3)

Out of 18 Government companies only six companies and all the three Statutory corporations had finalised their accounts for the year 1999-2000. The accounts of 12 Government Companies were in arrears for periods ranging from one year to four years as on 30 September 2000.

(Paragraph 1.4.1)

Out of six companies which finalised their accounts for 1999-2000 by September 2000, one company earned an aggregate profit of Rs. 0.20 crore and declared dividend aggregating Rs. 0.12 crore (3.50 *per cent* of the paid up capital of the Company) as against the State Government's dividend policy (August 1982) of 3 *per cent* (minimum dividend). The three Statutory Corporations which finalised their accounts for the year 1999-2000, all of them had incurred a loss of Rs. 158.85 crore.

(Paragraphs 1.5.1.1 and 1.5.2.1)

Out of 13 companies having accumulated losses as per latest finalised accounts, in case of seven companies, accumulated losses aggregating Rs. 92.69 crore had far exceeded their aggregate paid-up capital of Rs. 58.97 crore. Of the three loss incurring Corporations, two Corporations, viz. Himachal Road Transport Corporation and Himachal Pradesh Financial Corporation had negative net worth of Rs. 55.61 crore.

(Paragraphs 1.5.1.2 and 1.5.2.1)

2 Review on the activities of Himachal Pradesh Agro Industries Corporation Limited and sectoral reviews on 'Management of Funds in Himachal Pradesh State Forest Corporation Limited', and 'Procurement, Performance, Maintenance and Repair of Transformers in Himachal Pradesh State Electricity Board' revealed the following points:

2.1 The Himachal Pradesh Agro Industries Corporation Limited was incorporated in September 1970 to promote agro-based industries in the State and to accelerate agricultural production and availability of food. It has been concentrating more on its trading activities and has done little to promote its main objectives.

(Paragraphs 2A.1 & 2A.2)

- Accumulated loss of Rs. 12.85 crore (31 March 1995) of the Company decreased to Rs. 2.69 crore (31 March 1999) on account of non-operating income of Rs. 15.57 crore received as grants and subsidies from State Government. The Company suffered operating loss of Rs. 5.28 crore during last five years up to 1998-99 after excluding the impact of grants and subsidies received.

  (Paragraphs 2A.7.1 (a) & 2A.7.2))

- The Company neither utilised nor refunded the unspent grants-in-aid/subsidies of Rs. 0.40 crore received between 1990-91 and 1994-95.

  (Paragraph 2A.7.1 (b))

- Funds of Rs. 0.50 crore provided (July 1997) by the State Government for implementation of 'Potato Support Price Scheme' were misutilised by the Company for payment of salary and wages and discharge of liabilities. The diversion of funds was not admissible under the scheme.

  (Paragraph 2A.7.1 (c))

- Against budgeted profit of Rs. 0.25 crore, Pesticide Formulation Plant suffered a loss of Rs. 0.43 crore during five years up to 1999-2000 mainly on account of low production for want of demand from the

State Government departments.

(Paragraph 2A.8.1 (i) (a))

- Implements Factory of the Company sustained losses (Rs. 2.18 crore) since inception (October 1982) to March 2000 due to low utilisation of machines, non-receipt of supply orders from Government departments, payment of idle wages and increase in salary structure.

(Paragraph 2A.8.1 (iii)(a))

- As against projected profit of Rs. 0.61 crore, the Honey Processing Plant of the Company incurred loss of Rs. 0.46 crore during last four years up to 1999-2000 mainly on account of inadequate marketing arrangement.

(Paragraph 2A.8.1 (iv)(a))

- The Government departments purchased only 7.9 *per cent* of their requirements of pesticides and insecticides from the Company which resulted in under utilisation of its plant. 10-15 of the Company's 23 trading centres (March 1995) for sale of cement, iron and steel, tyres and tubes, agricultural implements and bitumen etc. incurred losses of Rs. 1.31 crore during last five years upto 1998-99 mainly on account of low turnover.

(Paragraphs 2A.8 (i) (a), 2A.9 & 2A.9.1)

- Company procured bitumen from Mathura instead of nearest refinery at Panipat resulting in extra expenditure of Rs. 0.45 crore on transportation.

(Paragraph 2A.9.3 (c))

2.2 The Himachal Pradesh State Forest Corporation Limited was incorporated in March 1974 with a view to nationalise operations of extraction of resin and timber, which hitherto were being done by private forest lessees. Management of funds involves control and management of inflows and outflows of funds keeping in view financing needs of the Company. Management of funds aims at establishing a sound system for efficient management of available funds and availing of limited cash credit.

(Paragraph 2B.1)

- The Company raised funds through the issue of Non-SLR Bonds amounting to Rs. 659.63 crore during the period 1996-97 to 1999-2000 under directions of the State Government for payment of advance royalty. Instead of depositing the same as advance royalty, the amount remained locked up as deposit with the State Government. The Company also paid royalty of Rs. 111.04 crore during this period.

However, an amount of Rs. 656.04 crore was credited as advance royalty to forest remittances on 27 March 2000.

(Paragraph 2B.4.1)

- The Company had to pay a sum of Rs. 2.72 crore as interest and penalty on income tax as the income tax was being paid on estimate basis since the accounts of the Company were in arrears.

  (Paragraph 2B.4.2)

- The Company had average surplus funds of Rs. 0.92 crore and Rs. 2.44 crore during 1995-96 and 1996-97 respectively. However, it continued to avail of cash credit facility during the period which resulted in avoidable payment of interest of Rs. 0.55 crore during these years.

  (Paragraph 2B.8)

- Funds ranging between Rs. 0.03 crore and Rs. 3.00 crore remained idle in Escrow Account for 24 to 155 days. Interest income of Rs. 1.17 crore could have been earned by investment in term deposits.

  (Paragraph 2B.9)

- Due to non-reconciliation of payments due for the fuel wood supplied to tribal areas and royalty paid in excess by Forest Working Division, Kullu, Company incurred interest loss of Rs. 1.99 crore.

  (Paragraph 2B.10 (i) and (ii))

- The Company passed on undue benefit of Rs. 1.25 crore to the purchasers and Market Committees during April 1995 to December 1999 due to defective system of determining the elements of TDS and market fee on gross sales of timber.

  (Paragraph 2B.11.1)

- Non-recovery of market fee from the purchasers of timber as per auction conditions, resulted in short realisation of timber sales by Rs. 2.01 crore during the period from June 1994 to September 1995.

  (Paragraph 2B.11.3)

- The Company deposited a sum of Rs. 0.86 crore as surcharge on TDS which was not payable as per Finance Act, 1997.

  (Paragraph 2B.11.4)

2.3 Review on 'Procurement, Performance, Maintenance and Repairs of Transformers in Himachal Pradesh State Electricity Board' covering both the power and distribution transformers, revealed the following:

- Delay in procurement and providing auto reclosers on the sub-stations commissioned with HRC fuses rendered six transformers and other material valued at Rs. 0.28 crore unproductive for periods ranging from one year to three years.

  (Paragraph 3A.7.1.4)

- Excess transformation losses in four sub-stations resulted in energy loss of 7.88 MUs valued at Rs. 1.49 crore.

  (Paragraph 3A.7.2.3 (i))

- Non-monitoring of actual transformation losses vis-à-vis guaranteed losses as quoted by the suppliers in their offer resulted in non-levy of penalty amounting to Rs. 1.29 crore.

  (Paragraph 3A.7.2.3 (ii))

- Seventeen power transformers costing Rs. 1.86 crore were lying idle for periods ranging from one year to 19 years.

  (Paragraph 3A.7.2.4)

- The cost of repair of transformers in HPSEB workshops was higher than the cost of new transformers resulting in an extra expenditure of Rs. 3.37 crore on the repair of 2888 transformers during 1995-96 to 1999-2000.

  (Paragraph 3A.8.2)

3 Besides reviews, a test check of records of Statutory corporations disclosed the following cases of loss of revenue, extra expenditure etc.

- The Board paid Rs. 0.41 crore (after adjustment of liquidated damages) as price variation due to non-specifying supply schedule in purchase orders.

  (Paragraph 4B.1.2)

- The Board did not recover Rs. 0.47 crore on account of infringement charges of peak load restrictions.

  (Paragraph 4B.1.3)

- Faulty planning led to avoidable repair charges of Rs. 1.71 crore and generation loss of Rs. 6.63 crore.

  (Paragraph 4B.1.4)

- Non-commissioning of Micro Processor Based Sequence Control and Data Logger (SCADA System) resulted in idle investment of Rs. 1.01 crore and loss of interest of Rs. 0.96 crore.

  (Paragraph 4B.1.5)

- The Board made excess payment of Rs. 2.39 crore on account of purchase of power without considering appropriate meter readings. This resulted in loss of interest of Rs. 0.37 crore.

  (Paragraph 4B.1.6)

- The Board made payment of Rs. 0.57 crore as danger allowance and Rs. 0.30 crore as risk allowance in deviation of Punjab State Electricity Board pattern adopted by the Board.

  (Paragraph 4B.1.7)

- The Board incurred avoidable loss of interest of Rs. 1.96 crore and front-end charges of Rs. 0.65 crore due to injudicious decision.

  (Paragraph 4B.1.9)

CHAPTER 1

1 General view of Government companies and Statutory corporations

1.1 Introduction

As on 31 March 2000, there were 18 Government companies (including one subsidiary) and three Statutory corporations as against 16 Government companies (including one subsidiary) and three Statutory corporations as on 31 March 1999, under the control of the State Government. Two companies viz. Himachal Pradesh Road and Other Infrastructure Development Corporation Limited and Himachal Pradesh Health Systems Corporation Limited were incorporated during 1999-2000. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by Government of India on the advice of Comptroller and Auditor General of India (CAG) as per provision of Section 619(2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit of the Statutory corporations are conducted under the provisions of the respective Acts as detailed below:

Name of the Corporation	Authority for audit by the CAG	Audit arrangement
Himachal Pradesh State Electricity Board (HPSEB)	Section 69(2) of the Electricity (Supply) Act, 1948	Sole audit by CAG
Himachal Road Transport Corporation (HRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
Himachal Pradesh Financial Corporation (HPFC)	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and Supplementary Audit by CAG

1.2 Investment in Public Sector Undertakings (PSUs)

As on 31 March 2000, the total investment in 21 Public Sector Undertakings (18 Government companies including one subsidiary and three Statutory corporations) was Rs. 3142.87 crore (equity: Rs. 614.37 crore, long term loans*: Rs. 2526.34 crore and share application money: Rs. 2.16 crore) as

* *Long term loans mentioned in paragraphs 1.2, 1.2.1 and 1.2.2 are excluding interest accrued and due on such loans.*

against a total investment of Rs. 2754.26 crore (equity: Rs. 594.33 crore, long term loans: Rs. 2159.27 crore and share application money: Rs. 0.66 crore) in PSUs (16 Government companies including one subsidiary and three Statutory corporations) as on 31 March 1999. The analysis of investment in PSUs is given in the following paragraphs.

1.2.1 Government companies

Total investment in 18 companies (including one subsidiary) as on 31 March 2000 was Rs. 1150.77 crore (equity: Rs. 132.26 crore, long- term loans: Rs. 1017.01 crore and share application money: Rs. 1.50 crore) against total investment of Rs. 658.87 crore (equity: Rs. 126.41 crore, long term loans: Rs. 532.46 crore) as on 31 March 1999 in 16 Government companies (including one subsidiary).

The classification of the Government companies was as under:

Status of Companies	Number of companies	Investment (Rupees in crore)	
		Paid up capital	Long term loans
(a) Working companies	16 (14)	128.97 (121.62)	1013.71 (527.53)
(b) Non-working companies			
(i) Under liquidation	1[A] (1)	0.92 (0.92)	2.76 (2.76)
(ii) Under closure	1[B] (1)	3.87 (3.87)	0.54 (2.17)
(iii) Under merger	-	-	-
(iv) Others	-	-	-
Total	**18 (16)**	**133.76 (126.41)**	**1017.01 (532.46)**

(A-Serial No 5, B-Serial No 7 of Annexure-1). Figures in brackets are for previous year.

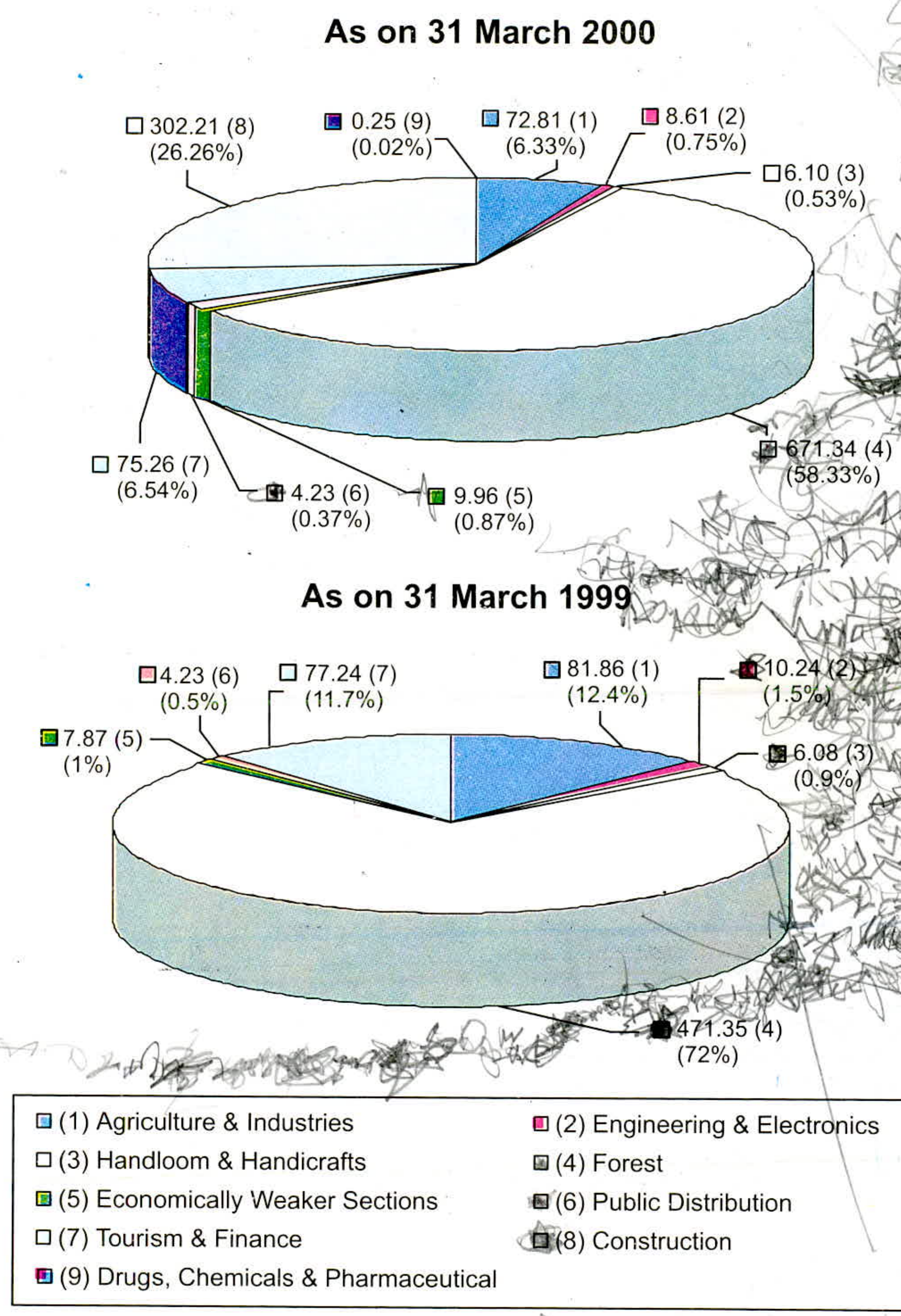
As two companies were non-working or under process of liquidation/closure under Section 560 of the Companies Act for 8 to 11 years and substantial investment of Rs. 8.09 crore was involved in these companies, effective steps need to be taken for their expeditious liquidation or revival.

The summarised financial results of Government companies are detailed in Annexure-2. Due to significant increase in long-term loans in the Himachal Pradesh State Forest Corporation Limited (Rs. 200 crore) and Himachal Pradesh Road and Other Infrastructure Development Corporation Limited (Rs. 297.21 crore), the debt equity ratio of Government companies as a whole increased from 4.21:1 in 1998-99 to 7.60:1 in 1999-2000.

As on 31 March 2000, of total investment in Government companies, 11.62 *per cent* comprised equity capital and 88.38 *per cent* comprised loans compared to 19.19 *per cent* and 80.81 *per cent* respectively as on 31 March 1999.

- Sector-wise investment (equity including share application money and long term loans) in Government companies as at the end of 1998-99 and 1999-2000 is given in the pie diagram.

Sector-wise investment in Government companies (Rupees in crore)



1.2.2 *Statutory corporations*

The total investment in three Statutory corporations at the end of March 2000 and March 1999 was as follows:

(Rupees in crore)

Name of corporation	1998-99		1999-2000	
	Capital	Loan	Capital	Loan
Himachal Pradesh State Electricity Board (HPSEB)	274.00	1477.04	276.00	1355.89
Himachal Road Transport Corporation (HRTC)	166.41	34.82	178.60	39.03
Himachal Pradesh Financial Corporation (HPFC)	28.17	114.95	28.17	114.41
Total	**468.58**	**1626.81**	**482.77**	**1509.33**

The summarised financial results of all the Statutory corporations as per their latest finalised accounts are given in Annexure-2 and financial position and working results of individual Statutory corporation for the three years up to 1999-2000 are given in Annexures-4 and 5 respectively.

As on 31 March 2000, of total investment in Statutory corporations, 24.24 *per cent* comprised equity capital and 75.76 *per cent* comprised loans compared to 22.36 *per cent* and 77.64 *per cent* respectively as on 31 March 1999.

1.3 Budgetary outgo, Subsidies, Guarantees, and Waiver of dues

The details of budgetary outgo, subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to Government companies and Statutory corporations are given in Annexures-1 & 3.

The budgetary outgo from the State Government to Government companies and Statutory corporations for the three years up to 1999-2000 in the form of equity capital, loans, grants and subsidy is given below:

(Amount: Rupees in crore)

	1997-98				1998-99				1999-2000			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	9	1.18	2	10.00	6	0.83	3	51.49	6	5.81	2	14.19
Loans	-	-	1	59.36	-	-	1	48.95	1	0.09	1	2.21
Grants	3	3.95	-	-	1	0.34	-	-	2	2.89	-	-
Subsidy towards												
(i) Projects/ Progra-mmes/ Schemes	-	-	-	-	-	-	-	-	-	-	-	-
(ii) Other subsidy	3	3.69	3	54.76	5	6.21	1	42.33	3	24.51	1	27.00
Total subsidy	**3**	**3.69**	**3**	**54.76**	**5**	**6.21**	**1**	**42.33**	**3**	**24.51**	**1**	**27.00**
Total outgo	**11***	**8.82**	**3***	**124.12**	**9***	**7.38**	**3***	**142.77**	**11***	**33.30**	**3***	**43.40**

During the year 1999-2000 the Government had guaranteed the loans aggregating Rs. 1063.13 crore obtained by eight Government companies (Rs. 895.43 crore) and three Statutory corporations (Rs. 167.70 crore). At the end of the year guarantees amounting to Rs. 1623.62 crore against ten Government companies (Rs. 1058.56 crore) and three Statutory corporations (Rs. 565.06 crore) were outstanding. There was no case of default in repayment of guaranteed loans during the year. Government had not forgone any amount by way of loans written off or interest waived or giving moratorium on loan repayment. The Government had converted its loan amounting to Rs. 1.50 crore into equity capital in one company during the year. The guarantee commission (pertaining to previous years) still lying outstanding and payable to Government by three Government companies during 1999-2000 was Rs. 0.11 crore.

1.4 Finalisation of accounts by PSUs

1.4.1 The accounts of the companies for every financial year are required to

* *These are actual number of companies/corporations which have received budgetary support in the form of equity, loans, grants and subsidy from the State Government during respective year.*

be finalised within six months from the end of relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as could be noticed from Annexure-2, out of 18 Government companies, only six* companies and all the three Statutory corporations had finalised their accounts for the year 1999-2000, within the stipulated period. During the period from October 1999 to September 2000, 12 Government companies finalised 16 accounts for the year 1999-2000 or previous years. The accounts of 12 Government companies were in arrears for periods ranging from one year to four years as on 30 September 2000 as detailed below:

Sr. No.	Year from which accounts are in arrears	Number of years for which accounts are in arrears	No. of Companies/Corporations		Reference to serial No. of Annexure-2	
			Government companies	Statutory corporations	Government companies	Statutory corporations
1	1996-97	4	1	-	10	-
2	1997-98	3	1	-	13	-
3	1998-99	2	2	-	12 and 14	-
4	1999-2000	1	8	-	1, 2, 3, 8, 9, 11, 16 and 17	-

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures had been taken by the Government and as a result, the investments made in these PSUs could not be assessed in audit.

1.4.2 Status of placement of Separate Audit Reports of Statutory corporations in Legislature

The following table indicates the status of placement of various Separate

* *Companies at Sr. No. 4, 5, 6, 7, 15 and 18 of Annexure-2*

Audit Reports (SARs) on the accounts of Statutory corporations issued by the Comptroller and Auditor General of India in the Legislature by the Government:

Sr. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1	Himachal Pradesh State Electricity Board	1998-99	1999-2000	24.11.2000	The SAR is likely to be placed in ensuing session of the Legislature
2	Himachal Road Transport Corporation	1998-99	1999-2000	20.12.2000	-do-
3	Himachal Pradesh Financial Corporation	1998-99	1999-2000	16.11.2000	-do-

1.5 Working results of Public Sector Undertakings

According to latest finalised accounts of 16* Government companies and three Statutory corporations, nine companies and three corporations had incurred an aggregate loss of Rs. 7.43 crore and Rs. 158.85 crore, respectively, and the remaining seven companies earned an aggregate profit of Rs. 1.06 crore.

The summarised financial results of Government companies and Statutory corporations as per latest financial accounts are given in Annexure-2. Besides, working results of individual corporations for the latest three years for which accounts are finalised are given in Annexure-5.

* *Two companies (Sr. No. 11 & 17 of Annexure-2) were incorporated during the year 1999-2000. Their first accounts were awaited.*

1.5.1 Government companies

1.5.1.1 Profit earning companies and dividend

Out of six companies which finalised their accounts for 1999-2000 by September 2000, only one company (Sr. No. 15 of Annexure-2) earned an aggregate profit of Rs. 0.20 crore and declared dividend aggregating Rs. 0.12 crore (3.50 *per cent* of the paid-up capital of the company) as against the State Government's dividend policy (August 1982) of 3 *per cent* (minimum dividend). The total return by way of dividend of Rs. 0.12 crore, worked out to 0.10 *per cent* in 1999-2000 on total equity investment of Rs. 122.06 crore by the State Government in all Government companies which was also the same during 1998-99.

Similarly, out of 10 companies, which finalised their accounts for previous years by September 2000, six companies earned an aggregate profit of Rs. 0.86 crore and only five companies earned profit for two or more successive years.

1.5.1.2 Loss incurring companies

Out of 13 companies having accumulated losses as per latest finalised accounts, in case of seven companies (Sr. No. 2, 3, 4, 5, 7, 9 and 10 of Annexure-2) accumulated losses aggregating Rs. 92.69 crore had far exceeded their aggregate paid-up capital of Rs. 58.97 crore.

In spite of poor performance relating to complete erosion of paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, conversion of loans into equity, subsidy, etc. According to available information the total financial support so provided by the State Government by way of equity, conversion of loan into equity and subsidy during 1999-2000 to three companies (Sr. No. 2,3 and 9 of Annexure-2), out of these seven companies amounted to Rs. 24.52 crore.

1.5.2 Statutory corporations

1.5.2.1 Loss incurring Statutory corporations

All three corporations for the year 1999-2000 incurred losses totalling Rs. 158.85 crore. Himachal Road Transport Corporation and Himachal Pradesh Financial Corporation had negative net worth of Rs. 55.61 crore. Despite this poor performance State Government assisted Himachal Road Transport Corporation through equity and subsidy of Rs. 39.19 crore during 1999-2000.

1.5.2.2 Operational performance of Statutory corporations

The operational performance of the Statutory corporations is given in Annexure-6.

(a) Himachal Pradesh State Electricity Board

(i) The percentage of transmission and distribution losses to total power available for sale was 19.20, 18.11 and 21.52 during 1997-98, 1998-99 and 1999-2000 respectively which was on higher side as against the norms of 15.5 *per cent* as fixed by Central Electricity Authority (CEA).

(ii) There was shortfall in generation compared to actual demand. The percentage of power purchased from outside agencies to its own generation decreased from 175.61 in 1997-98 to 150.46 in 1998-99 but it increased to 231.84 in 1999-2000.

(b) Himachal Road Transport Corporation

The actual occupancy ratio was 66 *per cent*, 67 *per cent* and 52 *per cent* against the breakeven occupancy ratio of 69 *per cent*, 73 *per cent* and 76 *per cent* during the period 1997-98, 1998-99 and 1999-2000 respectively.

(c) Himachal Pradesh Financial Corporation

The percentage of overdue to total amount of outstanding which was 86.44 *per cent* in 1998-99 has decreased to 82.87 *per cent* in 1999-2000. The recovery was still very poor.

1.6 Return on Capital Employed

As per the latest finalised accounts (up to September 2000) the capital employed* worked out to Rs. 143.81 crore in 16** companies and total return+ thereon amounted to Rs. 13.12 crore which is 9.12 *per cent* as compared to total return of Rs. 16.55 crore (10.27 *per cent*) in the previous

---

* *Capital employed represents net fixed assets (including capital works-in-progress)* plus *working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves and borrowings (including refinance).*

** *Two companies (Sr. No. 11 & 17 of Annexure-2) were incorporated during the year 1999-2000. Their first accounts were awaited.*

\+ *For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.*

year (accounts finalised up to September 1999). Similarly, during 1999-2000, the capital employed in case of Statutory corporations amounted to Rs. 2046.04 crore and the total return on capital employed was negative against the total return of Rs. 37.42 crore (1.98 *per cent*) for 1998-99. The details of capital employed and total return on capital employed in case of Government companies and corporations are given in Annexure-2.

1.7 Results of audit by Comptroller and Auditor General of India

The summarised financial results of all the 16* Government companies and three Statutory corporations based on the latest available accounts are given in Annexure-2. During the period from October 1999 to September 2000, the audit of accounts of 10 companies and three corporations were selected for review. The net impact of the important audit observations as a result of review of the PSUs was as follows:

Details		No. of accounts		Rupees in crore	
		Government companies	Statutory corporations	Government companies	Statutory corporations
(i)	Decrease in profit	1 (Sr.No.10 of Annexure-2)	-	1.50	-
(ii)	Increase in profit	-	-	-	-
(iii)	Increase in losses	2 (Sr. No. 3 of Annexure-2)	3 (Sr. No. 19, 20 & 21 of Annexure-2)	0.21	441.88
(iv)	Decrease in losses	-	-	-	-
(v)	Non-disclosure of material facts	1 (Sr. No 3 of Annexure-2)	-	1.68	-
(vi)	Errors of classification	4 (Sr. No. 3, 4, 6 and 10 of Annexure-2)	-	1.05	-

Some of the major errors and omissions noticed in the course of review of

* *Two companies (Sr. No. 11 & 17 of Annexure-2) were incorporated during the year 1999-2000. Their first accounts were awaited.*

annual accounts of some of the above companies and corporations are mentioned below:

A Errors and omissions noticed in case of Government companies

(i) Himachal Pradesh State Forest Corporation Limited

(Accounts for the year 1995-96)

(a) Fixed assets have been overstated by Rs. 14.80 lakh due to inclusion of value of a boiler which had not been installed up to 31 March 1996.

(b) Current assets, loans and advances as well as current liabilities and provisions have been overstated by Rs. 52.60 lakh due to non-adjustment of premiums paid (up to 31 March 1993) to Life Insurance Corporation for gratuity liability against the provision for gratuity created up to 31 March 1993.

premium LIC

(c) Profit before tax (Rs. 71.07 lakh) for the year 1995-96 has been overstated by Rs. 1.50 crore due to non-writing off the deposit with Himachal Worsted Mills Limited (under liquidation) and interest accrued thereon which was not recoverable (Rs. 8.46 lakh), inclusion of value of timber which was not in existence (lost in fire/flood, found short and missing) in the closing balance of work-in-progress (Rs. 62.38 lakh), non-provision for the debts, considered by the Management as doubtful of recovery (Rs. 2.32 lakh), non-provision for work advance which was not recoverable (Rs. 1.27 lakh), inclusion of value of fuelwood in the closing balance of work-in-progress, which was not in existence (Rs. 78.27 lakh), non-provision for advances outstanding against Nahan Foundry Limited (closed since 1988), which were not recoverable (Rs. 1.52 lakh), non-provision of liability on account of salary payable to the employees of the Company (Rs. 5.74 lakh) and non-provision of liability on account of royalty payable to private tree owners (Rs. 47.25 lakh). The profit has been understated due to under-valuation of closing stocks of bamboo (Rs. 12.19 lakh) and inclusion of interest on belated payments of royalty in the expenses of the Company, which was not payable (Rs. 44.19 lakh).

(ii) Agro Industrial Packaging India Limited

(a) (Accounts for the year 1997-98)

'Current Assets, Loans and Advances' have been overstated by Rs. 5.41 lakh due to inclusion of packaging cartons rejected by the customers due to manufacturing defects and were not saleable in the market. As market value of these cartoons was 'Nil', necessary provision for loss has not been made in the accounts resulting in understatement of loss.

(b) (Accounts for the year 1998-99)

(i) Secured loans have been overstated by Rs. 92.78 lakh due to inclusion of interest accrued but not due and current liabilities have been understated to that extent.

(ii) The fixed assets (Plant and machinery) have been overstated by Rs. 75.02 lakh due to non-provision of extra depreciation on account of double/triple shifts operated during the year.

(iii) Net loss (Rs. 3.24 crore) has been understated by Rs. 15.94 lakh due to short provision of depreciation on plant and machinery.

(iv) An expenditure of Rs. 9.28 lakh has been incurred on repairs of plant and machinery during the year out of revenue grant received from the State Government for this purpose. Neither the grant received nor the expenditure incurred has been accounted for in the profit and loss account.

(iii) Himachal Pradesh General Industries Corporation Limited

(Accounts for the year 1999-2000)

An amount of Rs. 40.40 lakh paid to its employees under 'Voluntary Retirement Scheme' which was to be reimbursed by the State Government has not been routed through the Profit and Loss account.

B Errors and omissions noticed in case of Statutory corporations

(i) Himachal Pradesh State Electricity Board

(Accounts for 1999-2000)

Net deficit (Rs. 106.22 crore) has been understated to the extent of Rs. 439.73 crore due to incorrect adjustment (Rs. 0.96 crore) which should have been shown as payable to Himachal Pradesh Government, non-inclusion of expenditure incurred on payment of salaries and wages of the staff (Rs. 3.08 crore), depreciation on assets completed but not capitalised though put to use (Rs. 5.17 crore), non-inclusion of interest on Government loans (Rs. 154.43 crore) excess capitalisation of interest and finance charges (Rs. 0.30 crore), non-writing off the bad debts (Rs. 0.18 crore), non-inclusion of full amount of the loss of assets due to natural calamities (Rs. 5.78 crore), short provision of purchase of power and free share of power (Rs. 270.96 crore) and non-provision of staff related and other expenses

(Rs. 1.04 crore). The net deficit was overstated to the extent of Rs. 2.17 crore on account of non-inclusion of sale proceeds of condemned vehicles and copper scrap (Rs. 0.08 crore), inclusion of depreciation on employees cost (Rs. 0.12 crore) and excess provision of bonus (Rs. 1.97 crore).

(ii) Himachal Road Transport Corporation

(Accounts for 1999-2000)

Loss (Rs. 48.54 crore) for the year has been understated to the extent of Rs. 1.13 crore due to non-charging of expenditure on repairs (Rs. 0.93 lakh), non-accountal of expenditure for supply of tyres (Rs. 2.81 lakh), non-provision of liabilities on account of (i) municipal taxes (Rs. 23.71 lakh), (ii) 'Minimum No Fault Liability' (Rs. 20.00 lakh) in accidental cases, (iii) interest (Rs. 4.70 lakh) payable in compensation cases, (iv) guarantee fee and commitment charges (Rs. 24.00 lakh), (v) interest and penalty on belated payment of passenger tax and surcharge (Rs. 28.58 lakh) and (vi) additional demand of passenger tax (Rs. 15.27 lakh). Loss has been overstated by Rs. 7.16 lakh due to non-accountal of income (Rs. 4.49 lakh), short accountal of income (Rs. 1.06 lakh) and excess accountal of expenditure on supply of fuel (Rs. 1.61 lakh).

(iii) Himachal Pradesh Financial Corporation

(Accounts for 1999-2000)

(a) Net loss (Rs. 4.08 crore) for the year has been understated to the extent of Rs. 1.02 crore due to inclusion of interest not actually realised in the income of the corporation (Rs. 5.00 lakh), non-provision of liabilities of sales tax arrears payable to Himachal Pradesh Excise and Taxation Department in respect of units taken over and sold by the Corporation (Rs. 81.01 lakh), non-accountal of travelling and other expenses incurred by the employees of the Corporation and legal expenses (Rs. 1.65 lakh) and inclusion of up-front fee collected from loanees and payable to SIDBI, in the miscellaneous income of the Corporation (Rs. 17.07 lakh). Net loss has been overstated due to non-accountal of stock of stationery in hand (Rs. 2.32 lakh).

(b) As per guidelines prescribed by the Industrial Development Bank of India, provision for non-performing assets, which should have been provided in accounts as on 31 March 2000 worked out to Rs. 47.75 crore whereas the Corporation had provided Rs. 46.88 crore in its accounts resulting in understatement of provisions for non-performing assets and accumulated loss by Rs. 87.43 lakh.

B.1 Audit assessment of the working results of State Electricity Board

Based on the audit assessment of the working results of the Board for three years up to 1999-2000 and taking into consideration the major irregularities and omissions pointed out in the Separate Audit Reports (SARs) on the annual accounts of the Board and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed of the Board is as given below:

(Rupees in crore)

Sr. No.	Particulars	1997-98	1998-99	1999-2000
1	Net surplus/(-) deficit as per books of accounts	29.45	(-)6.27	(-)106.22
2	Subsidy from the State Government	0.02	Nil	Nil
3	Net surplus/(-) deficit before subsidy from the State Government (1-2)	29.43	(-)6.27	(-)106.22
4	Net increase/decrease in net surplus/ (-) deficit on account of audit comments on the annual accounts of the Board	(-)432.94	(-)548.46	(-)439.73
5	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)403.51	(-)554.73	(-)545.95
6	Total return on capital employed*	(-)360.56	(-)511.65	(-)494.85
7	Percentage of total return on capital employed	-	-	-

C Persistent irregularities and system deficiencies in financial matters of PSUs

The following persistent irregularities and system deficiencies in the financial matters of PSUs had been repeatedly pointed out during the course of audit of

* *Total return on capital employed represents net surplus (+)/deficit (-) plus total interest charged to profit and loss account (less interest capitalised).*

their accounts but no corrective action taken by these PSUs so far:

Statutory corporations:

(a) Himachal Pradesh State Electricity Board

(i) Register of fixed assets had not been completed by various units of the Board.

(ii) Consolidated statement showing year wise break-up of sundry debtors and further segregating them into good, bad and doubtful debts was not maintained.

(iii) Year wise break up of figures of sundry creditors for supply of equipment and materials was not available with the Head Office of the Board.

(iv) Prior period adjustments of Rs. 2.62 crore were not carried out regularly. As a result, some items, as old as of 1989-90 are still outstanding on this account.

(b) Himachal Pradesh Financial Corporation

As per Supreme Court judgement when a first charge was created by operation of law over any property that charge would have precedence over existing mortgage. At the time of sale of taken over units the State Excise and Taxation Department intimated the Corporation about the dues of sales tax outstanding against those units and claimed first charge over the property in view of provision of Section 16 (B) of Himachal Pradesh General Sales Tax Act. During the years 1997-98, 1998-99 and 1999-2000, out of the sale proceeds of taken over units, the Corporation, instead of making a provision of liability of the said dues amounting to Rs. 1.88 crore (1997-98: Rs. 0.48 crore, 1998-99: Rs. 0.59 crore and 1999-2000: Rs. 0.81 crore), treated the same as its income on account of realisation of interest and miscellaneous expenses incurred on behalf of these loanees. This had resulted in understatement of liability during these years to that extent.

D Closure of Government companies

The Government companies viz. Agro Industrial Packaging India Limited (AIPIL) and Himachal Pradesh Horticulture Produce Marketing and Processing Corporation Limited (HPMC) have been incurring losses for five consecutive years ended 1998-99 leading to a negative/declining net worth. In spite of overall poor performance of these companies, the State Government did not consider any action for improvement in their working or liquidation.

1.8 Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings

The position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings as on 30 September 2000 was as under:

Period of Audit Report	Number of Reviews and Paragraphs			
	Appeared in the Audit Report		Pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1994-95	4	19	-	10
1995-96	4	16	3	2
1996-97	5	13	3	10
1997-98	4	18	4	17
1998-99	5	18	5	18
Total	22	84	15	57

During the year 1999-2000, the COPU met seven times and discussed two reviews and 16 paragraphs. As on 30 September 2000, recommendations in respect of 64 paragraphs/reviews were awaited though the COPU have held discussions and 56 action taken notes (ATNs) were pending for finalisation by the COPU.

1.9 619-B Companies

Some non-Government companies are deemed to be Government companies under Section 619-B of the Companies Act, 1956 for the limited purpose of extending to them the provisions relating to audit of Government companies contained in Section 619 of the Act. There was one company covered under Section 619-B of the Companies Act, 1956. The table given below indicates the details of paid-up capital and working results of this company based on the latest available accounts:

(Rupees in crore)

Name of company	Year of accounts	Paid-up capital	Investment by			Profit(+)/ Loss(-)	Accu-mulated profit
			State Government	Government companies	Others		
Himachal Pradesh Electronics Systems Corporation Limited	1998-99	0.72	0.12	0.31	0.29	(+) 0.04	0.01

The Company was incorporated in January 1987 for manufacturing professional electronics equipment. The Company had not commenced commercial production till September 2000.

1.10 Companies not subject to audit by Comptroller and Auditor General of India

The State Government had invested Rs. 10 lakh in 14 companies which were not subject to audit by the CAG as the aggregate amount of investment made by the State Government was less than 51 *per cent* of the equity capital of respective companies. There was no company in which the investment of State Government was more than Rs. 10 lakh.

CHAPTER 2

2A Review on the working of Himachal Pradesh Agro Industries Corporation Limited

Highlights

The Company was incorporated in September 1970 to promote agro based industries in the State and to accelerate agricultural production and availability of food. It has been concentrating more on its trading activities and has done little to promote its main objectives.

(Paragraphs 2A.1 and 2A.2)

Accumulated loss of Rs. 12.85 crore (31 March 1995) of the Company decreased to Rs. 2.69 crore (31 March 1999) on account of non-operating income of Rs. 15.57 crore received as grants and subsidies from State Government. The Company suffered operating loss of Rs. 5.28 crore during last five years up to 1998-99 after excluding the impact of grants and subsidies received.

(Paragraphs 2A.7.1 (a) and 2A.7.2))

The Company neither utilised nor refunded the unspent grants-in-aid/subsidies of Rs. 0.40 crore received between 1990-91 and 1994-95.

(Paragraph 2A.7.1 (b))

Funds of Rs. 0.50 crore provided (July 1997) by the State Government for implementation of 'Potato Support Price Scheme' were diverted by the Company for payment of salary and wages and discharge of liabilities.

(Paragraph 2A.7.1 (c))

Against budgeted profit of Rs. 0.25 crore, Pesticide Formulation Plant suffered a loss of Rs. 0.43 crore during five years up to 1999-2000 mainly on account of low production for want of demand from the State Government departments.

(Paragraphs 2A.8.1 (i) (a))

Implements Factory of the Company sustained losses (Rs. 2.18 crore) since inception (October 1982) to March 2000 due to low utilisation of

machines, non-receipt of supply orders from Government departments, payment of idle wages and increase in salary structure.

(Paragraph 2A.8.1 (iii)(a))

As against projected profit of Rs. 0.61 crore, the Honey Processing Plant of the Company incurred loss of Rs. 0.46 crore during last four years up to 1999-2000 mainly on account of inadequate marketing arrangement.

(Paragraph 2A.8.1 (iv)(a))

The Government departments purchased only 7.9 *per cent* of their requirements of pesticides and insecticides from the Company which resulted in under utilisation of its plant. 10-15 of the Company's 23 trading centres (March 1995) for sale of cement, iron and steel, tyres and tubes, agricultural implements and bitumen etc. incurred losses of Rs. 1.31 crore during last five years up to 1998-99 mainly on account of low turnover.

(Paragraphs 2A.8(i) (a), 2A.9 and 2A.9.1)

Company procured bitumen from Mathura instead of nearest refinery at Panipat resulting in extra expenditure of Rs. 0.45 crore on transportation.

(Paragraph 2A.9.3 (c))

Non-execution of agreement and absence of authenticated records deprived the Company of increase in rent of godowns resulting in loss of rental income of Rs. 0.19 crore.

(Paragraph 2A.12.1)

As against effective strength of 331 officials in the Company, 97 were in excess of requirement during 1998-99 with annual salary incidence of Rs. 0.54 crore.

(Paragraph 2A.13.1)

Lack of timely follow up action to recover debts resulted in accumulation of Rs. 2.21 crore as on 31 March 1999 out of which Rs. 0.49 crore pertaining to period ranging from 3 to 15 years.

(Paragraph 2A.14)

2A.1 Introduction

The Himachal Pradesh Agro Industries Corporation Limited was incorporated in September 1970 with a view to promote agro-based industries in the State.

2A.2 Objectives

The main objectives of the Company are to:

- accelerate and increase agricultural production ;
- contribute to the production of subsidiary and supplementary foods ;
- increase the availability of supplies of food ; and
- contribute to the development of agro industries in Himachal Pradesh.

In pursuance of its objectives, the Company was operating five production units, one each for manufacturing pesticides and insecticides, agricultural implements, honey processing and two for cattle and poultry feed. Besides, 22 units as on 31 March 2000 are engaged in trading of cement, iron and steel, bitumen and tyres and tubes etc which are not covered by the object clause. The sale of items, which are not covered by the object clause constituted 35.33, 33.91, 34.20, 49.00 and 57.56 *per cent* of the total sale during the last five years ending 31 March 1999. The Company has been concentrating more on trading activities, which had resulted in lack of overall focus in achievement of main objects of the Company. Though the trading activities not covered in object clause were approved (June 1995) by Board of Directors of Company formal amendment was yet to be carried out (June 2000).

In addition to the Company's normal activities, the State Government allocated the work relating to procurement of citrus fruits and potatoes under market intervention scheme.

The Management stated (August 2000) that the amendments proposed to be incorporated in the Memorandum and Articles of Association of the Company are being examined by the Management.

2A.3 Organisational set-up

The Management of the Company is vested in a Board of Directors consisting of 13 members (March 2000) inclusive of Chairman appointed by the State Government. Chief Executive of the Company is the Managing Director who is assisted by General Manager, Chief Accounts Officer and Chief Purchase Officer in his day to day working. Each of the production and the trading unit is headed by one Production Manager and Manager respectively.

Even though Committee on Public Undertakings (8th Vidhan Sabha) in its 71st Report had recommended a fixed tenure of three years for Managing Director of the Company, six incumbents had a tenure ranging from 57 days to 21 months during the last five years ending 31 March 2000. Frequent changes in top management deprived the Company of the benefit of continuous leadership on a sustained basis.

2A.4 Scope of Audit

The performance of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1994-95 (Commercial), Government of Himachal Pradesh. The recommendations of the Committee on Public Undertakings are contained in their 71st Report (8th Vidhan Sabha) presented to the State Legislature on 12 December 1997.

The present review conducted during the period from December 1999 to April 2000 covers the activities of all the five production units and 10 out of 22 trading units of the Company for last five years ending 31 March 2000.

2A.5 Capital structure

Against the authorised capital of Rs. 15.00 crore consisting of 15 lakh shares of Rs. 100 each, the paid up capital of the Company as on 31 March 2000 was Rs. 11.80 crore, subscribed by Government of Himachal Pradesh (Rs. 9.84 crore) and Government of India (Rs. 1.96 crore).

2A.5.1 Disinvestment Scheme of Government of India

Inaction on the part of the Company deprived the share holder (State Govt.) of the benefit of Rs. 1.96 crore under the disinvestment scheme of the Govt. of India

In accordance with the scheme for disinvestment, the Government of India communicated (March 1994) the terms and conditions of the scheme and asked the State Government to buy its shares. According to the scheme, the Government of India was to pass on its shares (Rs. 1.96 crore) for a token consideration (Rs. 1000) to the State Government in case a Company had negative net worth. In case of positive net worth on the basis of latest available accounts it was to offer its shares at a price 25 *per cent* less than the book value. As the net worth of the Company was negative during 1993-94 and 1994-95, the Board of Directors approved (June 1994) in principle the disinvestment proposal of the Government of India in favour of the State Government for a token consideration of Rs. 1000 against their shareholding of Rs. 1.96 crore. No follow up action was taken to avail benefit under the scheme which deprived the shareholder (State Government) of the benefit of acquiring share capital of Rs. 1.96 crore of the Central Government for a token consideration of Rs. 1000 under the scheme.

2A.6 Borrowings

Long-term and short-term loans of Rs. 2.11 crore and Rs. 1.77 crore including interest of Rs. 1.00 crore and Rs. 66.72 lakh were overdue to State Government since 1983-84 and 1990-91 respectively at the end of March 1999. Besides, an amount of Rs. 1.03 crore (including interest of Rs. 0.97 lakh) borrowed from Ministry of Food Processing Industries, Government of India (Rs. 70 lakh) and National Horticulture Board (Rs. 33.00 lakh) was also outstanding as on 31 March 1999.

2A.7 Financial Position and Working Results

2A.7.1 Financial Position

The financial position of the Company for the five years period ended 31 March 1999 is given in Annexure-7.

(a) It would be seen from the Annexure-7 that accumulated loss of Rs. 12.85 crore (31 March 1995) decreased to Rs. 2.69 crore (31 March 1999) on account of receipt of non-operating income such as grants etc. amounting to Rs. 15.57 crore during the last five years.

(b) Unutilised Grants/Subsidies

Company neither utilised nor refunded unutilised grant-in-aid/ subsidies of Rs. 0.40 crore

The Company had not utilised grants aggregating Rs. 39.77 lakh (31 March 2000) received for the scheme of Poultry development (Rs. 9.97 lakh), National Programme of improved *Chulhas* (Rs. 3.11 lakh), Green house and drip irrigation scheme (Rs. 14.84 lakh) and for Voluntary Retirement Scheme (Rs. 11.85 lakh). The grants received between 1990-91 and 1994-95 was neither utilised nor refunded as required.

In its reply (August 2000) the Management stated that balance amount of Rs. 14.84 lakh pertaining to Green house and drip irrigation scheme still lying with the Company shall be released as per the directions of the Director of Horticulture. The Management also proposed to utilise/refund the balance amount of other grants in future.

(c) Diversion of funds

In order to provide remunerative prices to agriculturists, State Government formulated a `Potato Support Price Scheme' for the period from 7 to 23 July 1997. To procure potatoes from the farmers, the Company received Rs. 50.00 lakh (July 1997) from the Government. The Company neither procured potatoes nor refunded the amount to Government and diverted the amount for payment of salary and wages (Rs. 2.42 lakh) and discharge of liabilities (Rs. 47.58 lakh) in contravention of the terms of the scheme. The Director of Agriculture, Himachal Pradesh has now demanded (October 1999) the return of the amount of Rs. 50.00 lakh along with interest of Rs. 19.50 lakh as the Company instead of procuring potatoes under the scheme, utilised the amount for purposes for which it was not sanctioned.

(d) Company had invested (up to 31 March 2000) a sum of Rs. 7.04 crore as equity in Agro Industrial Packaging India Limited (Rs. 97.00 lakh) and H.P. Horticultural Produce Marketing and Processing Corporation Limited (Rs. 6.07 crore) respectively. These Companies are incurring losses continuously. In addition, the Company had also invested Rs.40.00 lakh in the equity of Himalayan Vegefruit Limited, Parwanoo and Rs. 0.37 lakh in Himachal Consultancy Organisation Limited (March 1999). No dividend was declared by the Himalayan Vegefruit Limited for the last five years despite profit made by it.

2A.7.2 Working results

The working results of the Company for the five years up to 1998-99 are given in Annexure-8.

It would be seen from Annexure-8 that the Company had incurred operating losses of Rs. 5.28 crore during the last five years ended 31 March 1999. Audit analyses revealed that the operating losses were mainly due to under-utilisation of installed capacity of plants, surplus manpower, low volume of sales, payment of idle wages, and idle assets etc as discussed in the succeeding paragraphs.

2A.8 Appraisal of activities

2A.8.1 Manufacturing activities

(i) Pesticides Formulation Plant

(a) Production performance

The installed/licensed capacity of the plant established (November 1985) and utilisation during last six years up-to 1999-2000 is given below:

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Licensed capacity						
Liquid (Litres)	250000	250000	250000	250000	250000	250000
Dust and wettable dry powder (WDP) (qtls)	11500	11500	11500	11500	11500	11500
Actual production						
Liquid (Litres)	1288	105055	23767	1900	1823	2006
Dust and wettable dry powder (WDP) (qtls)	2873	1276	582	858	992	1242
Percentage utilisation						
Liquid	0.52	42.02	9.51	0.76	0.73	0.80
Dust and wettable dry powder (WDP)	24.98	11.10	5.06	7.46	8.63	10.80

Utilisation of pesticides formulation plant remained below installed capacity of the plant

The plant remained idle for 819 days resulting in payment of idle wages

From the above, it would be seen that the capacity utilisation of the plant during six years up to 1999-2000 ranged between 0.52 and 42.02 *per cent* in respect of liquid formulation and from 5.06 to 24.98 *per cent* in respect of dust and wettable dry powder due to lack of patronage by State Government departments. During the last four years ended 31 March 2000 capacity utilisation was less than 11 *per cent* for both products. Further, the plant remained without work for 819 days during six years ending 1999-2000 resulting in payment of idle wages of Rs. 12.94 lakh.

As against the budgeted sales and profit of Rs. 16.14 crore and Rs. 24.93 lakh respectively, the plant's sales amounted to Rs. 5.73 crore only and instead of making profit, it incurred loss of Rs. 42.97 lakh during the last five years up to 1999-2000. This was mainly on account of low production and poor marketability including demand from the State Government departments. Despite consistently poor performance the Management has not taken steps to make the unit viable. Even the State Government procured only 7.9 *per cent* of its requirement of pesticides and insecticides from the Company as has also been discussed in paragraph 2A.9 infra.

The Management stated (August 2000) that the Company has made arrangements for the sale of pesticides to Hindustan Antibiotic Limited (HAL), Pune and the sales are picking up.

(b) Expired pesticides

Despite recommendations of the COPU in its 71st Report (8th Vidhan Sabha) on paragraph 2A.9.1.2 of the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 1995, expired pesticides and medicines valued at Rs. 5.84 lakh lying in stock since July 1987 were not written off (March 2000).

In reply (August 2000) the Management stated that the recommendations of the Committee are being placed before the Board of Directors.

(ii) Cattle and Poultry Feed Plants

(a) Production performance

The installed capacities of Company's two cattle and poultry feed plants, actual production and utilisation percentage for the six years ending March 2000 is indicated below:

Utilisation of cattle and poultry feed plants of the Company remained below installed capacity

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Parwanoo	**(In quintals)**					
Installed capacity (Single shift)	48000	48000	48000	48000	48000	48000
Actual production	13254	20037	25620	34196	33065	29235
Utilisation percentage	27.62	41.74	53.37	71.24	68.89	60.91
Jachh						
Installed capacity (Single shift)	24000	24000	24000	24000	24000	24000
Actual production	2941	2109	4238	6327	5040	3290
Utilisation percentage	12.25	8.79	17.66	26.36	21.00	13.71

From the above it would be seen that utilisation percentage was 27.62 to 71.24 *per cent* in respect of Parwanoo unit and from 8.79 to 26.36 *per cent* in respect of Jachh unit during six years ended 1999-2000. The Company has depended mainly on orders from Government departments and sales in the open market were less than 10 *per cent* of the total sales.

Despite recommendations of COPU in its 71st Report on paragraph 2A.9.3.1 of the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 1995 to approach Himachal Pradesh State Civil Supplies Corporation Limited and Himachal Pradesh Co-operative Milk Federation to keep Company's product at their key outlets to boost the sales, arrangements for sales through these agencies had not been made (March 2000).

The Management stated (August 2000) that the capacity utilisation of Cattle Feed Plant, Parwanoo has increased after modernization. The capacity utilisation of Feed Plant, Jachh could not be improved due to inherent problems in plant and machinery which has become very old and lack of orders from Government departments.

(b) Infructuous expenditure on machinery

Acceptance of plant having lower output resulted in infructuous expenditure

A reference is invited to paragraph 4A.1.2. of the Report of Comptroller and Auditor General of India (Commercial) for year ended 31 March 1998, wherein idle investment of Rs. 20.32 lakh on modernisation of Feed Plant, Parwanoo was pointed out. The Company took over (July 1996) the plant giving actual output of 1.2 MT per hour instead of stipulated out put of 2 MT per hour. Management stated (July 1997) that the supplier had been asked to refund 40 *per cent* of cost of plant on account of output at lower than stipulated capacity. The supplier subsequently agreed (March 1998) to increase the capacity of the plant.

It was noticed (February 2000) that the supplier was unable to increase the capacity of the pellet mill of the plant. The plant started (July 1998) operation of pellet mill with lower capacity which was operated only during trial run and for six days during July and August 1998. Moreover, the cost of production of pellet feed was also higher because a separate boiler had to run specifically for production of pellet feed. In view of the high cost of production of old mill the Company installed (July 1999), a new pellet mill at a cost of Rs. 1.56 lakh from M/s B.K. Industries, Khanna, thereby parts of old plant valued at Rs. 3.49 lakh was rendered idle.

The Management stated (August 2000) that the matter regarding recovery of 40 *per cent* cost of plant has been taken up with M/s Precision Product Ahmedabad, the supplier of the machinery. It further stated that the Company has already approached Hon'ble High Court, Himachal Pradesh for the appointment of an arbitrator in this case.

(c) Inordinate delay in surrender of extra power load

Delay in surrendering extra load resulted in avoidable payment of electricity charges

The Company's sanctioned (April 1979) power load of 120.710 KW for the Cattle and Poultry Feed Unit, Jachh was got reduced (August 1998) to 50.302 KW. This decision was taken very late even though the capacity utilisation ranged between 9 and 32 *per cent* from 1989-90 to 1998-99 and the electricity consumption was between zero and 1030 units per month. The Himachal Pradesh State Electricity Board continued to charge monthly minimum charges between Rs. 4105 and Rs. 9704 per month based on sanctioned load of 120.710 KW for over eight years before the Company decided (November 1997) to surrender extra load of 70.408 KW. Delay in surrendering extra load resulted in avoidable payment of Rs. 4.44 lakh from April 1989 to July 1998.

In reply the Company stated (August 2000) that it did not take much time to surrender extra power load. The reply is not tenable since the Company took over ten years to get extra load reduced by the Himachal Pradesh State Electricity Board.

(iii) Implements Factory

(a) Utilisation of machines

The Company caters to demands for implements from departments, private parties and the Company's own sale centres by manufacturing implements and tools at its implements factory at Jachh.

Under utilisation of machines due to non-receipt of orders from Government Departments resulted in accumulated losses since inception

The utilisation of machines (14) ranged between zero and 64.13 *per cent* in 1995-96, zero and 59.84 *per cent* in 1996-97, zero and 69.73 *per cent* in 1997-98, zero and 36.99 *per cent* in 1998-99 and zero and 54.39 *per cent* during 1999-2000 after adjusting 25 *per cent* of the available machine hours for maintenance work. The unit has incurred accumulated losses (Rs. 2.18 crore) since inception (October 1982 to 1999-2000). The loss was mainly due to non-receipt of supply orders from Government departments resulting in under-utilisation of machines, payment to idle staff and increase in salaries.

The Company in its reply (August 2000) stated that recently a study for rehabilitation was got conducted through Himachal Pradesh Consultancy Organisation (HIMCON) and the recommendations have been submitted to the Government for consideration. It further stated that in view of ever increasing losses, the matter is also being placed before the Board of Directors.

(b) Sales performance

The targeted and actual sales during the last six years ending 31 March 2000 are given below:

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Sales	**(Rupees in lakh)**					
Targeted	46.44	81.47	50.00	70.00	70.00	60.00
Actual	45.92	48.31	49.19	71.02	43.66	18.28
Sales						
Government	40.80	42.77	45.32	65.55	39.01	13.93
Private	5.12	5.54	3.87	5.47	4.65	4.35

It would be seen that even though the targeted sales were achieved excepting 1995-96, 1998-99 and 1999-2000 the unit incurred continuous loss of Rs. 87.15 lakh during the last six years. The high incidence of loss was on account of poor capacity utilisation, low demand, high operating cost and competition from private parties. The Company had taken no steps either to diversify its activities or to persuade the State Government to enforce purchases from the Company by all concerned Government departments so as to make it viable.

(iv) Honey Processing Plant

(a) Performance of Plant

The Company engaged HIMCON (March 1995) for a Techno Economic-Feasibility Report (TEFR) for setting up the Plant and set up (March 1996) a honey processing plant at Kandrori in Kangra district at a cost of Rs. 31.76 lakh. The TEFR was revised (March 1997) to provide for additional machinery for hand touch free packing line and steel storage tanks. Revised TEFR envisaged plant utilisation of 60, 70 and 80 *per cent* of installed capacity during first, second and third year of operation respectively and 80 *per cent* of installed capacity thereafter. Projected vis-à-vis actual production, sales and profit during the last four years ending 31 March 2000 are given in Annexure-9.

Against the projected profit of Rs. 0.61 crore, the unit incurred loss of Rs. 0.46 crore

It would be seen from Annexure-9 that against the projected profit of Rs. 60.66 lakh on sales of Rs. 3.83 crore, the plant incurred loss of Rs. 46.38 lakh on sales of Rs. 19.60 lakh during the last four years ending 31 March 2000. It was mainly on account of inadequate marketing arrangement. Plant utilisation was very low and ranged between 3.40 and 5.34 *per cent* against installed capacity during the last four years up to 31 March 2000.

The actual loss ranged between 8.06 and 9.56 *per cent* against the projected loss of three *per cent*

The Company has not been able to make any firm tie up arrangement to market honey so as to ensure increased plant utilisation. The Company purchased (March 2000) additional machinery costing Rs. 15.58 lakh from three firms* to provide for hand touch free automatic packing line and storage tanks without approval of the Board of Directors. The action of the Company in making additional investment in a unit without first improving marketing was not a sound decision as these machines may not be fully utilised.

As against three *per cent* process loss envisaged in TEFR, actual loss ranged between 8.06 and 9.56 *per cent* resulting in honey loss valued at Rs. 0.64 lakh during March 1996 to March 2000.

(b) Purchase of Honey Processing Plant

An agreement with M/s S.S.P. (Pvt) Limited, Faridabad was executed (September 1995) on turn-key basis for supply, erection and commissioning of Honey processing plant with processing capacity of 400 Kgs. honey per shift at a cost of Rs. 11.00 lakh. The Company did not obtain performance guarantee of Rs. 1.51 lakh as per stipulations in the agreement to safeguard its interest.

---

* *(1) Sangam Engineering Works, Yamunanagar*

(2) Master Mechanical Works, Bombay

(3) Gardener Corporation, Bombay

Plant with lower capacity was accepted

The plant was commissioned (March 1996) without successful trial run. As the stipulated production of 400 Kgs. was not achieved another trial run of the plant was done (May 1999) after lapse of more than three years of commissioning during which output of only 250 Kgs. of processed honey could be achieved. Action of the Company to start commercial production without insisting on successful trial run has resulted in acceptance of plant with lower capacity for which no action has been taken against the supplier (March 2000) though balance payment of Rs. 1.91 lakh was pending.

It was further noticed that the plant was commissioned (March 1996) after a delay of ten weeks for which liquidated damages of Rs. 1.10 lakh were not levied in terms of agreement (March 2000).

In its reply (August 2000) the Management stated that payment to the contractor will be released after deducting liquidated damages and after having performance guarantee from the supplier.

2A.9 Trading Activities

Agriculture and Horticulture departments purchased only 7.9 *per cent* of their requirements from the Company

Manufacturing units of the Company were catering mainly to the demand of Government departments and the capacity utilisation of the manufacturing units was very low due to non-procurement of products from the Company by State Government departments. The Committee on Public Undertakings in their 71st Report (8th Vidhan Sabha) on paragraphs 2A.3, 2A.9.1.1 (b) and 2A.9.2 of the Report of the Comptroller and Auditor General of India (Commercial) for the year 1994-95 did not appreciate this tendency of the Government departments. It recommended that it should be binding on the Government departments to effect purchases from the Company only. Purchases from open market should be allowed only after obtaining no objection certificate from the Company. However, the State Government had not laid down any firm policy to give preference to the products of the Company.

A test check (April 2000) revealed that as against total purchases of Rs. 24.13 crore of pesticides and insecticides made by the Horticulture and the Agriculture departments during the last five years ending 1998-99, purchases from the Company amounted to Rs. 1.91 crore (7.9 *per cent*) only. Thus, the very purpose of setting up the manufacturing units in Public Sector was defeated.

The Company has also not been able to establish/sell its products in the open market due to lack of marketing efforts and non-fixation of sales related targets for marketing managers/officers. Poor market awareness resulted in uneconomical purchases (refer paragraph 9.3 (c) and (d) supra).

The Management stated (August 2000) that the recommendations of COPU have been brought to the notice of Government.

In addition to this the following irregularities were noticed:

2A.9.1 Un-economic trading centres

10-15 of the Company's 23 trading centres (March 1995) for sale of cement, iron and steel, tyres and tubes, agricultural implements and bitumen etc. incurred losses of Rs. 1.31 crore during last five years up to 1998-99 mainly on account of low turnover. The Company decided to close down the sale centres located at Theog, Narkanda (June 1996) and Kandrori (March 1997). Sale centres at Kumarsain and Indora opened during 1995-96 were also incurring losses since inception and loss amounted to Rs. 8.70 lakh and Rs. 4.03 lakh up to 1998-99 respectively. Out of 22 sales centres (March 1999) eight sale centres were running in losses (Rs. 63.73 lakh) for more than three to five years. The Company had neither taken remedial measures to make them viable nor took action to close loss making centres.

In its reply (August 2000) the Management stated that the financial results of Chowari centre are being watched carefully and the centre at Kumarsain is being relocated at Kotkhai. A decision to close down the centre at Bhoranj is also being taken up.

2A.9.2 Injudicious decision of opening sale centres

The Board of Directors decided (June 1995) to shift the existing sale centre at Kandrori, six kilometres away to Indora and directed that Kandrori centre may function as one man sale centre. Sale centre at Indora started functioning (January 1996). The decision of the Board was not implemented in toto as the staff consisting of eight employees continued to work at Kandrori (up to January 1997). This resulted in payment of idle wages of Rs. 1.63 lakh to surplus staff whereas the sale of the centre was Rs. 0.98 lakh only during 1996-97. Thus, non-implementation of the decision of the Board resulted in payment of idle wages of Rs. 1.63 lakh. Kandrori centre was finally closed during 1996-97 after sustaining a further loss of Rs. 3.91 lakh and Indora centre was shifted to Chowari in December 1999 after sustaining loss of Rs. 4.03 lakh. The decision to open sale centre at Indora, in close proximity to Kandrori lacked justification.

2A.9.3 (a) Procurement and transportation of Bitumen

The Company took up the activity of procurement and distribution of bitumen for Public Works Department since 1997-98. The Company lacked expertise in this activity which was unconnected with the objectives of the Company. As discussed in subsequent paragraphs, the Company made errors of judgement while undertaking this activity. The sale of bitumen during 1997-98, 1998-99 and 1999-2000 (up-to January 2000) was Rs. 5.19 crore, Rs. 11.08 crore and Rs. 7.09 crore for which freight of Rs. 37.36 lakh, Rs. 1.13

Tenders were not invited for transportation of bitumen and no agreement was entered into with the transporter

crore and Rs. 1.10 crore respectively was paid. Tenders were not invited through press so as to have benefit of competitive rates and engaged (September 1997) M/s Ashoka Transport Corporation for the work of transportation based on quotations collected (August 1997) at Mathura without executing agreement laying down the terms and conditions for this work. No security has been obtained from the transporter to safeguard the financial interest of the Company.

In its reply (August 2000) the Management stated that a sum of Rs. 5 lakh has been transferred (July 2000) to security account of the transporter on 1 July 2000 and press note inviting fresh rates have also been inserted (March 2000) in the news papers.

(b) Avoidable payment of transportation charges

Instead of taking delivery of bitumen ex-Chandigarh the Company took delivery ex-Mathura, resulting in avoidable extra transportation charges

The Company advanced (April 1999) Rs. 1.20 crore to Bharat Petroleum Corporation Limited for supply of a rake load of 8620 drums bitumen ex-Mathura. The Company incurred liability of Rs. 1.64 lakh on account of handling, loading, unloading and transportation of bitumen from Railway siding to warehouse of the transporter, M/s Ashoka Transport Corporation, Mathura before transportation to various destinations in Himachal Pradesh. The road transportation charges paid for 8,620 drums from Mathura to Chandigarh worked out to Rs. 10.05 lakh against rail freight of Rs. 5.33 lakh only. Mathura refinery could have been asked for delivery ex-Chandigarh to avoid handling charges at Mathura and its further transportation through contractor upto Chandigarh. The action of the Company in taking delivery of rake load ex-Mathura instead of ex-Chandigarh resulted in avoidable extra expenditure of Rs. 6.36 lakh and undue favour to the transporter.

In its reply (August 2000) the Management stated that it took supplies at Mathura as there were lot of formalities to be completed before getting supplies at Chandigarh. The plea of the Company is not tenable as it is for the Company to make necessary arrangements to receive supplies at Chandigarh to save extra cost of transportation.

(c) Non-procurement of bitumen from nearest refinery

Extra burden of Rs. 0.45 crore due to non-procurement of bitumen from nearest refinery

The Company has been procuring packed bitumen from Oil Companies ex-Mathura since 1994-95. Indian Oil Corporation's Refinery at Panipat started supply of packed bitumen to consumers from May 1999. It was observed in audit (February 2000) that the distance between Mathura and Panipat is 270 Kms and procurement of supplies from Panipat, a nearer place, would have saved freight charges to various destinations within Himachal Pradesh. During the period from May 1999 to March 2000, the Company procured 61,946 drums of bitumen for Government departments which resulted in extra burden of transportation charges of Rs. 45.16 lakh at the rate of Re. 0.27 per drum per Km for 270 Kms. The Company has since decided (April 2000) to secure supplies of Bitumen from Panipat as well.

(d) Non-availing of benefit of bulk purchase

Purchase arrangements of the Company lacked availing of benefit of bulk purchases

With the process of deregulation of Administered Price Mechanism, in the Petroleum Sector, bitumen came under the category of 'Free Trade Product' from April 1999. Despite large volume of business, the Company neither invited tenders to get competitive rates from oil companies nor entered into any long-term arrangement for supplies to avail of benefit of bulk purchase. As a result of inquiries made by the Company at the instance of Audit (February 2000), Indian Oil Corporation Limited and Hindustan Petroleum Corporation Limited offered (February 2000), discount of Rs. 90 and Rs. 80 per MT respectively. Thus, laxity on the part of the Company deprived it from availing of the benefit of discount of Rs. 7.21 lakh on purchase of 9,011 MT bitumen (@ Rs. 80 per MT) from April 1999 to February 2000.

In its reply the Management stated (August 2000) that the benefit of bulk purchases could not be availed of as there was no fixed demand for bitumen with the Company. The plea of the Company is not tenable in view of its trading activities in bitumen since 1994-95.

(e) Non recovery of shortages

No action was taken to recover the shortages of bitumen

The Company executed (May 1998) an agreement with M/s Gian Chand Yash Pal of Tapri, District Kinnaur for handling and transportation of rake load of packed bitumen at Chandigarh. As per clause 4 of the agreement no shortage was admissible to contractor except normal leakage as verified by the Company or the Insurance Company up to the end destination in Himachal Pradesh. The contractor delivered (May and June 1998) 9,101 drums out of 9,240 drums at various destinations. A Committee of officers of the Company during joint inspection (30 May 1999) attributed the shortage of 139 drums valued at Rs. 1.93 lakh to lack of scientific and systematic storage of drums in dump of contractor and also to unregulated/delayed lifting from the dump. As no proof of shortage of drums was obtained from Railway, shortage/leakage was attributable to contractor. However, no action to recover the amount of Rs. 1.93 lakh for shortages has been taken by the Company (March 2000).

The Management stated (August 2000) that a Committee constituted for the purpose was examining the matter.

2A.10 Joint ventures

2A.10.1 Participation in Joint Ventures

Keeping in view the assistance provided by Government of India for promotion of 'Joint venture's engaged in the promotion of agro based activities, the Board of Directors of the Company authorised (June 1994), the

Out of ten MOUs signed, only one project has come up and one is in the process of implementation

Managing Director to choose only reputed entrepreneurs for entering into joint ventures. During the period from 1994-95 to 1999-2000, the Company signed ten* Memorandums of Understanding (MOUs) for promotion of joint ventures. Six MOUs were terminated by the Company for non-compliance of terms of MOUs and in respect of two MOUs (Sr. No 6 & 9), the State Government and National Horticulture Board showed their inability to finance the projects. Out of ten only one** project has come up and one*** is in the process of implementation. Thus, the activity to promote joint venture did not prove successful.

With a view to ensure that the collaborator makes sincere efforts for implementation of project, a clause for security deposit was incorporated in the MOUs. However, even though collaborators failed to perform their obligation, the security amount of Rs. one lakh of M/s Aditi Agriculture and Drugs Limited could not be forfeited for want of forfeiture clause in the MOU. In another case of M/s Himachal Agriexpo Limited the collaborator was unduly favoured by adjusting security amount of Rs. one lakh against dues of M/s Himalayan Vegefruit Limited, another venture of the same collaborator. The security deposit in three cases was forfeited and in other three cases the same was refunded.

In its reply (August 2000) the Management stated that despite picking up best entrepreneurs and bankable projects reasons for non-successful projects could be many.

2A.10.2 Himalayan Vegefruit Limited

The Company entered (December 1994) into a joint venture with M/s Himalayan Vegefruit Limited, Parwanoo to set up an export oriented fruit and vegetables processing unit at a projected cost of Rs. 6.35 crore. Although Board of Directors had stressed (June 1994) the need to avoid overlapping of activities, investment was made in the joint venture, whose activities overlapped those of the Himachal Pradesh Horticultural Produce and Marketing Corporation Limited.

Out of the Company's investment of Rs. 40.00 lakh (March 1999) in equity under buy back arrangement, Rs. 20.00 lakh invested up to June 1995 was due for dis-investment in April 1998. Neither the Company received any dividend nor it received any response (August 2000) from the assisted Company to its initiative for buy back even though the latter has been making profits since inception.

* *(1) Himalayan Vegefruit Limited, (2) Agro Gold (India) Limited, (3) Aditi Agriculture and Drugs Limited, (4) Western Super Horticulture Market Limited, (5) Dujodwala Udyog Limited, (6) Jageribag Phool Private Limited, (7) Everest Agriculture Products Limited, (8) Himachal Agriexpo Limited, (9) SPR Sugar and Chemicals Limited (10) Aromatrix Flora Private Limited.*

** *Himalayan Vegefruit Limited*

*** *Aromatrix Flora Private Limited*

As per terms of agreement between the Company and the Collaborator, the Company was entitled to appoint a nominee director in the assisted Company. However, the Company could not get its nominee inducted into the Board of Directors of Himalayan Vegefruit Limited despite assurances given by the collaborator.

2.A.10.3 Agro Gold India Limited

The Company signed (August 1994) a Memorandum of Understanding with M/s Agro Gold India Limited, New Delhi for setting up a mushroom processing project at an outlay of Rs. 7.50 crore. Company's land and buildings at Nalagarh having assessed value of Rs. 29.02 lakh were handed over (October 1994) to collaborator without laying down any terms and conditions. Later the Company decided (August 1995) to charge rent for land and buildings. Since the project did not come up in line with projections, the MOU was terminated (April 1998). The Collaborator was asked (April 1998) to hand over the possession of land and buildings and to pay Rs. 5.51 lakh on account of rent and electricity charges (October 1994 to April 1998) of the premises. He neither handed over the premises (land and buildings) nor paid the dues of Rs. 5.51 lakh. The matter was referred (September 1998) to Arbitrator whose decision was awaited (March 2000). Non-incorporation of clause of charging rent and electricity charges in the Memorandum of Understanding resulted in non-recovery of dues of Rs. 5.51 lakh from M/s Agro Gold India Limited.

In its reply (August 2000) the Management stated that it approached the Sub Divisional Magistrate, Nalagarh and deposited Rs. 1500 towards cost of advertisement for ex-parte proceedings as the summons could not be served on the Collaborator.

2A.10.4 Poor Planning

(a) The Company purchased (March 1995) four plots measuring 10,920 square metres from the Himachal Pradesh State Industrial Development Corporation Limited (HPSIDC) at Baddi @ Rs. 200 per square metre for Rs. 22.70 lakh to establish and promote joint venture in agro based industries. The Company contrary to Board's decision to sell the property, surrendered (July 1997) these plots to HPSIDC who refunded (October 1997 and January 1999) Rs. 26.31 lakh inclusive of interest of Rs. 3.61 lakh @ 7 *per cent* per annum. The Company sustained loss of Rs. 5.95 lakh (Rs. 9.56 lakh – Rs. 3.61 lakh) after adjustment of 50 *per cent* increase payable to HPSIDC in surrendering rather than selling the plots at the revised rate of Rs. 375 per square metre.

Poor planning in surrendering and repurchase of plots resulted in extra expenditure/loss

Against surrender value (October 1997) of Rs. 200 per square metre, the Company again purchased (May 1999) another plot (1,017 square metres) at the rate of Rs. 930 per square metre at the same place for the same purpose thereby incurring extra expenditure of Rs. 7.42 lakh.

Thus, the decision of the Company to surrender available plots and repurchase another plot shows poor planning.

(b) The Company took possession (October 1998) of a plot (539.50 square metres) at Gurgaon for establishing an office for joint venture and paid Rs. 12.81 lakh from July 1995 to July 1997 to Haryana Urban Development Authority (HUDA) for this plot. The Company without identification of potential joint venture project, approved a building plan with an estimated cost of Rs. 1.50 crore but it had failed to mobilise funds for construction purpose so far (March 2000). The Company in disregard of its accumulated losses of Rs. 12.97 crore (March 1994) had decided to purchase the plot and thus made idle investment of Rs. 12.81 lakh with consequential interest loss of Rs. 7.41 lakh up to March 2000 on investment @ 15 *per cent* per annum. The decision to proceed with land acquisition shows poor planning and forecasting of its land requirement.

The Management stated that (August 2000) the Company is exploring the possibilities of disinvestment of its plot at Gurgaon and a sub-committee has been constituted for the purpose.

2A.11 Utilisation of godowns

2A.11.1 Non revision of rent of godowns

In the absence of agreement the Company could not enforce increase in rent resulting in loss of rental income

Company's godown area measuring 32,946 square feet at Parwanoo was rented out (May 1976) at a monthly rent of Re. 0.50 per square feet to FCI without executing agreement or lease deed containing terms and conditions for rent. The rent was further increased (April 1984) to Re. 0.80 and Re. 1.00 per square feet for two years with effect from April 1989 as mutually agreed. The Company did not pursue the matter for increase of rent till January 1994. At the meeting (7 April 1994) of the Managing Director of the Company with the Senior Regional Manager, FCI, Shimla (proceedings not recorded), it was mutually agreed to increase rent to Rs. 1.80 per square feet from April 1994 but the latter did not pay the enhanced rent. In the absence of authenticated records the Company could not enforce the agreed increase in the rent, resulting in loss of rental income amounting to Rs. 18.98 lakh from April 1994 to March 2000.

It is relevant to mention that the rental value of property at Parwanoo has increased manifold and ranged between Rs. 5.50 and Rs. 10.00 per square feet during 1996 to 1999.

The Management stated (August 2000) that the Food Corporation Of India has finally increased the rates to Rs. 1.50 per square feet from 31 May 2000.

2A.11.2 Non-renting out of spare premises

In response to a request of M/s MRF Limited, Shimla, the Company offered (April 1996) to rent out 2,000 square feet built up area at the rate of Rs. 5.50 per square feet per month for three years at its premises at Parwanoo. Lease deed for this purpose was also accepted (May 1996) by the party, but the Company, in view of proposed construction of commercial complex declined (June 1996) to rent out the premises.

The proposal to construct commercial complex did not materialise due to non-vacation of godowns by the Food Corporation of India. The premises proposed to be rented out was located in Administrative block of Feed plant, Parwanoo and not in commercial complex. The Company had not taken action to rent out the vacant premises so far (March 2000).

Thus, the action of the Company to back out from renting out the premises to M/s MRF Limited resulted in loss of potential income of Rs. 3.96 lakh for a period of three years up to May 1999.

The Management stated (August 2000) that it had no extra space to rent out. The plea of the Company is not tenable as it had itself offered (April 1996) to rent out 2,000 square feet area for three years to M/s MRF Limited, Shimla.

2A.11.3 Idle godowns

The Company constructed (1977-78) four godowns measuring 5,025 square feet each costing Rs. 12.53 lakh at Jachh. These godowns were rented out to FCI @ Re. 0.50 square feet per month from April 1978 without executing any agreement. FCI vacated these godowns during May 1992 to December 1992 when it was paying rent @ Re. 1.00 per square feet per month.

Four godown remained vacant for more than five to six years which resulted in loss of rental income

The efforts made by the Company to rent out or sell the godowns to other Government departments did not yield result. Three of the four godowns remained vacant for more than five to six years and were later rented out to Government departments during October 1997 to November 1999 at a rate of Rs. 2.00 per square feet. One godown is still vacant (March 2000).

The Company's loss @ Re. 1.00 per square feet for the vacant godowns worked out to Rs. 15.93 lakh.

2A.12 Manpower

2A.12.1 Manpower management

The Company has not fixed norms for deployment of staff with reference to actual workload in various units as well as in the Head Office. During

Out of 331 posts 97 were surplus with annual salary incidence of Rs. 0.54 crore

1994-95, out of 360, 164 posts with annual minimum salary incidence of Rs. 29.52 lakh were declared surplus. Thereafter, the Company did not review the staff strength on regular basis to determine extent of surplus staff. After four years during 1998-99, the Company declared 97 (out of 331) posts with annual minimum salary incidence of Rs. 54.30 lakh as surplus.

Although, the Company had surplus staff yet it recruited 34 daily wage persons in different cadres without State Government approval during 1995-96 and 1996-97 in violation of Government directions (July 1995). Out of these, services of 22 were terminated (January 1997) and re-engaged (December 1997) without the approval of the Government. Re-engagement of services of these employees had annual financial burden of Rs. 3.70 lakh on account of wages. As regards remaining 12 daily wage persons, no information was available on records.

2A.13 Sundry debtors

As per credit policy of the Company, credit sale to Government departments is permissible subject to the condition that amount is recovered in the same financial year and for credit sale to private parties, officers allowing such credit would be responsible for recovery of the dues.

Age-wise analysis of the book debts as on 31 March 1999 is given below:

	Amount (Rupees in lakh)
Less than one year	167.96
More than one and less than three years.	3.34
More than three years	49.43
Total:	**220.73***
***(Government : Rs. 188.07 lakh, Private: Rs. 32.66 lakh)**	

Company's sundry debtors accumulated to Rs. 2.21 crore due to lack of timely follow up action for recovery

Sundry debtors which stood at Rs. 1.50 crore as on 31 March 1995 increased (46.81 *per cent*) to Rs. 2.21 crore as on 31 March 1999. Out of this, credit sales of Rs. 32.66 lakh pertained to private parties. Debtors for Rs. 49.43 lakh were outstanding for over 3 to 15 years, out of which debtors of Rs. 15.31 lakh were considered doubtful of recovery and Rs. 16.84 lakh was under litigation. The Company has not received the confirmation from debtors about outstanding balances at the end of each year.

It was noticed in audit (March 2000) that out of credit sales of Rs. 43.18 lakh pertaining to pesticide division, credit of Rs. 26.39 lakh was allowed by an

Ex-Marketing Manager (repatriated to Agriculture Department in July 1994) prior to 1991-92. The departmental inquiry against the officer was pending (March 2000). The Company was not diligent in realising outstandings even at a time it was borrowing funds from outside by paying interest.

The Management stated (August 2000) that the Company is trying to cut down the average recovery period and debts are consistently reviewed in Head Office. It also stated that the debts created by Ex-Marketing Manager are before an inquiry officer and inquiry proceedings are on.

The above matters were reported to the Government in May 2000; their replies had not been received (September 2000).

Conclusion

The Company has not drawn any long-term plan for achievement of objects as laid down in the Memorandum of Association. The Company is engaged in activities unconnected with its core areas of operation since it is trading in items not covered in its object clause.

Out of five production units, three units were incurring losses continuously due to low capacity utilisation which ranged between 0.73 and 26.36 *per cent* during the last four years up to 1999-2000. This was on account of lack of demand from State Government Departments and Company's inability to market products in the open market. In addition, surplus staff, vacant godowns and uneconomic operating of trading centres also contributed to accumulated losses of the Company.

The efforts of the Company to promote joint venture in agro based industries also proved unsuccessful.

To improve the working of the Company, it should focus on core areas and improve capacity utilisation of plants, rent out the spare/vacant godowns to derive the benefit of rental income. Sincere efforts should be made to obtain orders from the Government departments as recommended by the COPU and marketing arrangements for sale of its products in the open market should be strengthened. The Company should also initiate effective measures to reduce surplus manpower and make operation of trading centres profitable.

2B Review on Management of Funds in Himachal Pradesh State Forest Corporation Limited

Highlights

The Company raised funds through the issue of Non-SLR Bonds amounting to Rs. 659.63 crore during the period 1996-97 to 1999-2000 under directions of the State Government for payment of advance royalty. Instead of depositing the same as advance royalty, the amount remained locked up as deposit with the State Government and at the same time the Company also paid royalty of Rs. 111.04 crore during this period. However, an amount of Rs. 656.04 crore was credited as advance royalty to forest remittances on 27 March 2000.

(Paragraph 2B.4.1)

The Company had to pay of Rs. 2.72 crore as interest and penalty on income tax as the income tax was being paid on estimate basis since the accounts of the Company were in arrears.

(Paragraph 2B.4.2)

The Company had average surplus funds of Rs. 0.92 crore and Rs. 2.44 crore in current accounts during period from 1995-96 to 1996-97. However, it continued to avail of cash credit facility during the period which resulted in avoidable payment of interest of Rs. 0.55 crore during these years.

(Paragraph 2B.8)

Funds ranging between Rs. 3.00 lakh and Rs. 3.00 crore remained idle in Escrow Account for 24 to 155 days. Loss of interest for the period works out to Rs. 1.17 crore.

(Paragraph 2B.9)

Due to non-reconciliation of payments due for the fuel wood supplied to tribal areas and royalty paid in excess by Forest Working Division, Kullu, Company incurred interest loss of Rs. 1.99 crore.

(Paragraph 2B.10 (i) and (ii))

The Company passed on undue benefit of Rs. 1.25 crore to the purchasers and Market Committees during April 1995 to December 1999 due to defective system of determining the elements of TDS and market fee on gross sales of timber.

(Paragraph 2B.11.1)

Non-recovery of market fee from the purchasers of timber as per auction conditions, resulted in short realisation of timber sales by Rs. 2.01 crore during the period from June 1994 to September 1995.

(Paragraph 2B.11.3)

The Company deposited a sum of Rs. 0.86 crore as surcharge on TDS which was not payable as per Finance Act, 1997.

(Paragraph 2B.11.4)

The Company deposited surcharge and interest amounting to Rs. 0.36 crore on the interest paid to Bond holders against due amount of Rs 0.09 crore.

(Paragraph 2B.11.5)

2B.1 Introduction

The Himachal Pradesh State Forest Corporation Limited was incorporated in March 1974 with a view to nationalise operations of extraction of resin and timber, which hither to were being done by private forest lessees.

Management of funds involves control and management of inflows and outflows of funds keeping in view financing needs of the Company. Management of funds aims at establishing a sound system for efficient management of available funds and availing of limited cash credit.

The cash inflow of the Company comprises revenue from the sale of timber, resin, rosin, fuel wood and charcoal etc. and the cash outflow comprises of expenditure on payment of royalty and sales tax on forest produce and pay and allowances etc.

2B.2 Scope of Audit

A review of management of funds received from sale of timber, resin, rosin etc. and other sources including loans raised through issue of Non-Statutory Liquidity Ratio (Non-SLR) Bonds* (Private placement) during the years from 1996-97 to 1999-2000 was conducted from December 1999 to March 2000. The results thereof are discussed in succeeding paragraphs.

2B.3 Organisational set up

The Management of the Company is vested in a Board of Directors, consisting of eight directors including two non-official Directors as on 31 March 2000. The Managing Director is the Chief Executive who is assisted by a Financial Adviser & Chief Accounts Officer, (a Chartered Accountant) and three Directors to look after day to day affairs. The Company has 15 Forest Working Divisions, five Sale depots, two Rosin and Turpentine factories and a Fibre Board factory. An officer on special duty (a State Forest Service Officer) is looking after the work relating to financial management at the Head Office.

The Accounting Manual of Himachal Pradesh State Forest Corporation Limited provided that the qualified accounts staff shall be posted in each unit under the charge of the Divisional Manager. It further provided that the Financial Adviser at Head Office was responsible for efficient cash management and to exercise budgetary control. It was, however, noticed in audit that out of 92 officials working in accounts branches of various units and Head Office, only 12 officials were commerce graduates, 14 were arts graduate and the remaining were having only high school qualification.

The posting of non-qualified accounting staff in Accounts Branches has led to the deficiencies in management of funds as mentioned in the succeeding paragraphs.

2B.4 Budget and Planning

2B.4.1 Raising of funds on behalf of State Government

Funds raised through Non-SLR Bonds which were lying as deposit with the State Government, were credited as receipts at the year end

The Budget and Planning section is responsible for preparation of annual budget estimates taking into account the work to be undertaken for the extraction of timber and resin etc from the trees purchased from the State Forest Department and private forest owners. This enables the Accounts Wing to arrange finances for making timely payment of royalty and taxes. The

* *Non-SLR Bond is a bond in respect of which no statutory deposit is required to be kept with the bank before issue of bond*

Company raised funds of Rs. 659.63 crore through issues of Non-Statutory Liquidity Ratio (SLR) Bonds (1996-97 to 1999-2000) for payment of advance royalty as directed by the State Government. The Government paid interest thereon to the Company at the rates at which the Company had raised these funds from the capital market. These funds were kept with the Government as deposit (non-interest bearing) to boost its ways and means position. The Company also paid Rs. 111.04 crore (1996-97: Rs. 37.90 crore, 1997-98: Rs. 33.30 crore and 1998-99: Rs. 39.84 crore) as royalty to the State Government. Thus, the funds were not utilised for the purpose for which these were raised. Out of Rs. 659.63 crore an amount of Rs. 656.04 crore was credited to forest remittances as advance royalty on 27 March 2000 to be adjusted against royalty payable in future. The remaining amount of Rs. 3.59 crore paid as upfront discount to the subscribers of the Bonds was recoverable from the Government.

The deposit of funds of Rs. 656.04 crore (secured against State budgetary support) as advance royalty was without identification/details of forest lots to which the royalty pertained.

2B.4.2 Avoidable payment of interest and penalty

Though the Forest department and the units of the Company being the seller and the purchaser respectively were aware about the amount of royalty and sales tax payable, the Company made payments centrally at Head Office level on *ad hoc* basis due to non-reconciliation of figures with the Forest department.

The Company being purchaser was liable to pay royalty for the timber/resin lots purchased from the Forest department. Payment of interest on belated payment of royalty was the responsibility of the Company where as the responsibility for the payment of sales tax, interest and penalties on belated payment of sales tax was of the Forest department being a seller under the Himachal Pradesh General Sales Tax Act, 1969. However, the Company on the basis of an informal understanding with the Forest department agreed to pay interest on belated payments and penalties so levied on the latter. Thus, the Company took upon itself the liability of payment of sales tax and the amount of interest payable by the Forest department.

Accounts of the Company being in arrears since 1996-97, Income tax is being paid on the basis of estimates in advance which was found short of the tax due at the time of final assessment by the Income Tax department.

Due to these factors, the Company was forced to pay a sum of Rs. 30.68 crore towards interest and penalty as given below:

	1995-96	1996-97	1997-98	1998-99	1999-2000	Total
	(Rupees in lakh)					
Interest on royalty	91.63	591.96	1458.59	90.86	35.02	2268.06
Interest and penalty on sales tax	6.01	259.28	22.45	74.76	165.17	527.67
Interest and penalty on income tax	-	131.06	-	141.00	-	272.06
Total	**97.64**	**982.30**	**1481.04**	**306.62**	**200.19**	**3067.79**

The Management stated (August 2000) that the accounts of the Company are in arrears and the returns of sales tax etc are filed on the basis of un-audited accounts. The returns are revised after audit of accounts and the amount of differential tax and interest thereon is paid. It also stated that the rates of royalty are fixed by high level pricing committee constituted by the Government and as such anomaly of belated payment of interest and sales tax occur.

2B.5 Cash budget

Although the Company has been receiving monthly cash flow statements from the various field units depicting the actual figures and forecast, it has no system of consolidating them at the Head Office, which only prepares annual cash flow statement for budgetary purposes based on estimates. However, wide variations between the figures as per budget document and figures as per books of accounts, as discussed in succeeding paragraph reveals the inadequacy of the cash budgeting system of the Company.

In its reply (August 2000) the Company stated that it proposed to make further improvements in the above system for effective MIS.

2B.6 Receipts and payments

The accounts of the Company are in arrears since 1996-97. The receipts and payments as depicted in the budget estimates for the four years ending

1998- 99 were as under:

Year	Receipts	Payments	Surplus	Deficit
	(Rupees in lakh)			
1995-96	12095.00	12937.00	-	842.00
1996-97	15532.40	14899.28	633.12	-
1997-98	62426.00	60065.00	2361.00	-
1998-99	15036.00	14136.00	900.00	-

Final accounts for the year 1995-96 prepared during 1999-2000 shows the actual receipt and expenditure of Rs. 151.66 crore and Rs. 150.95 crore respectively with surplus of Rs. 71.07 lakh instead of deficit as projected in budget estimates. This was due to delay in finalization of accounts. Similarly, wide variations were noticed between the figures shown in the budget estimates and the figures as per books of accounts for the subsequent years as per details given below:

Figures shown in budget varies from figures recorded in the books of accounts

Year	Figures as per cash flow statement			Figures as per books of accounts			Difference in two sets of figures		
	Sale of Timber	Sale of Rosin & T. Oil	Interest	Sale of Timber	Sale of Rosin & T. Oil	Interest	Sale of Timber	Sale of Rosin & T. Oil	Interest
	(Rupees in lakh)								
1996-97	9956.52	3734.59	444.29	9897.34	4614.64	309.96	(+)59.63	(-)880.05	(+)134.30
1997-98	9757.82	3440.00	35.00	10717.21	4013.60	33.46	(-)959.39	(-)673.60	(+)1.54
1998-99	7607.43	3107.87	-	7296.55	3755.57	-	(+)310.93	(-)647.70	-

Since the figures shown in the cash flow statements did not tally with the books of accounts of sales depots of the Company, the assessment of funds requirement and investment of surplus funds estimated by the management could not be analysed in audit.

The Management in its reply (August 2000) agreed that there had been substantial variations in the figures projected in the budget as pointed out by Audit. It was also stated that these figures were based on un-audited accounts and now instructions have been issued to cross check the figures in Head Office.

2B.7 Mobilisation of funds

The Company operates current account with 20 banks, cash credit with four banks (Shimla and Dharamsala) and term loan account with one bank (Dharamsala). The Company has made arrangements with the banks for mobilisation of its revenue from the sale of timber and other forest produce collected through field offices. The revenue is deposited in non-operating accounts on day to day basis with the specified banks located at divisional level. The banks are required to transfer the amount the following day to the Head Office account at Shimla. Scrutiny of funds collected through sale by field level offices, their transfer to Head Office and the funds deposited by Head Office revealed the following deficiencies:

2B.7.1 Delay in affording credit

Loss of interest amounting to Rs. 0.27 crore due to delay in affording credit by a bank

(a) The Head Office of the Company deposited (1 March 1997) Rs. 1 crore in its cash credit account with the Kangra Central Co-operative Bank, Dharamsala but the bank afforded the credit on 23 July 1999. It was noticed in audit (March 2000) that for the period of delay, the bank allowed interest of Rs. 25.34 lakh against due interest of Rs. 45.62 lakh charged on cash credit @ 16 *per cent* per annum (compounded quarterly) during the same period. The Management had neither worked out the short payment of interest received nor lodged formal claim with the bank.

On being pointed out by audit the Management has filed (August 2000) a claim for recovery with the bank.

(b) Test check of 178 cases in four Sale Depots (Baddi, Bhadroya, Dhanotu and Mantaruwala) revealed that the delay in transferring the credits amounting to Rs. 18.13 crore during the period between May 1995 and February 2000 to Company's Head Office account ranged between 5 and 65 days. This resulted in interest loss of Rs. 6.46 lakh for which the Company has not lodged claims with the banks.

The Company in its reply (August 2000) stated that instructions were being issued to banks/field units to transfer the amount to its main account at Head Office and to file claims for recovery of interest with the concerned banks.

2B.7.2 Deficiencies in maintenance of Cash Book

Misappropriation was facilitated due to non exercising the checks prescribed for Cash Book

(a) Accounting Manual of the Company provides that the cash book should be credited/debited with cash received, cash sales and cash withdrawn from the banks and payment of expenses, it should be closed daily, balances worked out and counting of cash in hand recorded. The cash book should be signed daily by the cashier and the supervisory officer e.g. Divisional /General Manager. It was noticed in audit that the laid down procedure was not being followed. Taking advantage of the lapse, two officials of Himkashth Sale Depot, Dhanotu misappropriated an amount of Rs. 0.49 lakh and Rs. 0.50 lakh during 1997-98 and 1998-99, respectively. Though the embezzled amount has since been recovered (February 1998) action against the delinquent officials was awaited (March 2000).

The Management stated (August 2000) that disciplinary proceedings against the delinquent officials were in the process of initiation. It is evident from the reply that disciplinary proceedings have not been started even after lapse of over two years of the embezzlements.

(b) The Company relied upon the balances shown in the bank statements which were un-reconciled as the General Ledger for recording daily entries of cash deposit and withdrawal were in arrears for the past three years ending 31 March 2000. Consequently the cash credit availed of from four banks vis-à-vis credit balances in 20 current accounts in various banks could not be ascertained.

2B.8 Cash management

2B.8.1 Cash credit

Interest amounting to Rs. 0.55 crore was paid on cash credit availed of during 1995-96 and 1996-97 despite surplus funds

The Company availed of cash credit facility sanctioned by the Consortium of two nationalised and two co-operative banks with a limit up to Rs. 31 crore in order to meet its working capital requirements. As the Company had not evolved any system to ascertain availability of surplus funds in its current accounts, it had to rely more on Cash Credit during 1995-96 and 1996-97 to make payments of royalty and taxes to the Forest and the Excise and Taxation departments. An amount of Rs. 1.50 crore and Rs. 71.64 lakh was paid as interest on Cash Credit during 1995-96 and 1996-97 respectively. It was noticed in audit (February 2000) that the Company had average surplus funds of Rs. 91.53 lakh and Rs. 2.44 crore in its current accounts during the same period. The Company could have saved interest payment of Rs. 15.10 lakh and Rs. 40.19 lakh during 1995-96 and 1996-97, respectively by utilising its own funds.

As the Company was having surplus funds it did not avail of Cash Credit facility during 1997-98 and 1998-99. However, the State Government guarantee was got extended for 1997-98 on payment of guarantee fee of Rs. 21 lakh. In addition during 1999-2000 one (State Bank of Patiala, Shimla) of the banks also charged Rs. 1.25 lakh as processing charges for cash credit limit which otherwise was not payable.

The Management stated (August 2000) that the cash credit facility was got extended as a matter of precaution as at times huge amount of royalty and sales tax are to be paid within stipulated period. The plea of the Company was not tenable since it had not availed of cash credit during 1997-98 and 1998-99.

2B.8.2 Improper management of current accounts

Idle funds in current accounts could have earned interest income amounting to Rs.1.68 crore during three years

(a) The Company's funds amounting to Rs. 6.92 crore, Rs. 5.85 crore and Rs. 4.39 crore remained idle in current accounts during 1997-98, 1998-99 and 1999-2000 respectively. Had these funds been invested even in Short Term Deposits, the Company could have earned an amount of Rs. 69.18 lakh, Rs. 58.49 lakh and Rs. 40.28 lakh @ 10 *per cent* per annum respectively.

The Company has noted the audit observations for compliance (August 2000).

(b) The Company realises sale of timber by obtaining two bank drafts separately for the sale value and the taxes (income tax deducted at source, sales tax and market fee). The drafts for sale value are deposited in collection account of the Managing Director and the drafts for the amount of taxes are deposited in separate current accounts maintained at Sale Depots level. The amount representing income tax is required to be paid within seven days and that representing market fee and sales tax, every month and every quarter respectively as prescribed. Thus, the amount remains available for the Company's use for a period from seven days to three months. The amount kept in these accounts remained idle and unproductive.

Test check of current accounts of taxes maintained by Himkashth Sale Depots, Baddi and Dhanotu revealed that the Company had lost interest of Rs. 14.47 lakh @ 10 *per cent* per annum on the daily average balance of idle funds in current accounts from April 1995 to October 1999. The Company failed to invest the funds in short-term deposits.

The Company stated (August 2000) it has issued instructions to keep these funds in short-term deposits to avoid loss of interest.

(c) The Head Office of the Company transferred a sum of Rs. 28 lakh to Forest Working Division, Hamirpur in September 1998 to meet day to day expenses of the Division. The Division deposited the amount in current account where it remained unutilised till September 1999. Thus due to poor monitoring of funds flow by the Accounts Wing of the Head Office, the Company lost interest of Rs. 4.90 lakh (@ 16.5 *per cent*) on these idle funds.

The Management stated (August 2000) that an inquiry in the matter is under way.

2B.8.3 Irregular payment of bank charges

The Company, on behalf of the Agriculture Marketing Board of the State, had been recovering market fee @ 1 *per cent* on the sale value of timber from the purchasers and remitting the same to the respective Market Committee. During audit, it was noticed (March 2000) that the Company's Sale Depot at Bhadroya had borne bank charges of Rs. 1.65 lakh on remitting the collected market fee during April to December 1999, which was otherwise deductible from the payments due to the Market Committee.

In its reply the Company stated (August 2000) that the Divisional Manager, Bhadroya has been directed to recover the amount from future payments of market fee payable to the Agriculture Marketing Board.

2B.8.4 Fixed deposits

The Company had no system to monitor and anticipate its funds requirements, surplus funds and investment thereof. It has not maintained any record or data bank with regard to details of short-term deposits indicating date of maturity, amount invested and rate of interest etc. As a result, the Company failed to monitor maturity period etc of its short-term deposits.

Company was deprived of additional revenue Rs. 0.30 crore due to poor monitoring of funds requirement in absence of any system of assessing funds requirement

Test check of nine cases revealed that the Company made investment of Rs. 9.71 crore initially for 18 days and it continued to be extended for a period ranging between 180 and 360 days. Had there been proper monitoring of funds requirement, these funds could have been invested for over 90 days in the first instance to earn interest at higher rate. The Company could have earned interest of Rs. 1.37 crore against Rs. 1.07 crore through investment at higher rate during July 1997 to January 1999 resulting in additional interest income Rs. 29.83 lakh.

In its reply (August 2000) the Management has noted the observations of Audit for future.

2B.9 Maintenance of Escrow accounts

With a view to ensure prompt and timely payment of principal and interest of Non-SLR Bonds (Rs. 659.63 crore) raised during 1996-97 to 1999-2000 by the Company for payment of advance royalty, the Company, the State Government and the banks entered into a tripartite agreement for maintaining Escrow account. The amount received against Bond issue was to be routed through this account. As a matter of financial prudence, any surplus funds in this account should have been invested in term deposit to earn additional income.

Interest loss of Rs. 1.17 crore due to non-investment of idle funds available in Escrow Account

It was, however, noticed that the Company allowed the funds ranging between Rs. 3.00 lakh and Rs. 3.00 crore to remain idle in the Escrow account for 24 to 155 days. Thus, the idle funds suffered interest loss of Rs. 1.17 crore, which could have been earned by way of short-term investments at varied rates applicable for different periods of duration.

In its reply (August 2000) the Management stated that they had kept the amount in term deposit till the amount was payable to the Bond holders. The reply of Management is not tenable since the funds remained idle from the date of receipt to the last date of the Bond's issue. Thereafter this amount was kept as deposit (non-interest bearing) with the Government.

2B.10 Delay in reconciliation of balances

(i) Reconciliation is essential for the verification of all receipts and payments by all the drawing and disbursing officers. The Company has neither any system of reconciliation with the banks for the amount paid into the collection accounts nor for the withdrawals made from the current accounts by various drawing and disbursing officers. Similarly, it has also not evolved any system for periodical reconciliation of payments of royalty and sales tax due and paid with the Forest Department. Such reconciliation with the Forest Department has been pending since 1995-96.

Avoidable payment of interest of Rs. 1.99 crore due to non reconciliation of various accounts with departmental agencies

The Forest Working Division, Kullu had paid a sum of Rs. 20.16 lakh towards royalty during 1981-82, which was detected as paid in excess during reconciliation in October 1999. Due to delay in reconciliation, the Company lost interest income of Rs. 63.99 lakh (March 2000) @ 15 *per cent* up-to 1990-91 and @ 16.5 *per cent* thereafter.

(ii) The Company is responsible for the supply of fuel wood to Sale Depots of the State Forest Department in tribal areas of the State. Fuel wood supplied, received by the Forest Department in Lahaul and Spiti District and payments made thereagainst remained unreconciled. After reconciliation (November 1999) it was found that a sum of Rs. 24.43 lakh being cost of fuel wood pertaining to the period from 1982-83 to 1997-98 and Rs. 1.09 crore being carriage charges were recoverable for the period from 1992-93 to 1997-98 respectively from the Forest Department. Had this amount been adjusted against royalty, the Company could have saved an amount of Rs. 1.35 crore paid as interest on belated payments @ 15 *per cent* up-to 1990-91 and @ 16.5 *per cent* thereafter.

Excess deposit of income tax and market fee was made due to non-devising any system to reconcile monthly realisation of sale from timber with ingredients

(iii) The Company has not devised any system to reconcile monthly realisation of sale from timber with ingredients such as sale price, sales tax, income tax deducted at source and market fee. Non-determination of amount realised against these ingredients resulted in excess deposit of Rs. 16.32 lakh towards income tax deducted at source by Himkashth Sale Depot, Bhadroya during 1996-97 to 1998-99.

Similarly, Market fee was also deposited in excess by Rs. 6.35 lakh with the Market Committee, Nurpur during 1997-98. Besides, the Depot had also deposited twice a sum of Rs. 4.30 lakh towards sales tax during April 1995 and April 1996. The Company has not claimed refund of the amount deposited in excess so far (March 2000).

The Management stated (August 2000) that it was not a case of double payment instead it was posting of wrong entry in the books which had been rectified now. The reply of the Management is not tenable as the payment was made twice as verified by Audit from the books of accounts.

2B.11 Cases affecting adversely cash and financial management

2B.11.1 Undue favour to purchaser

Unintended benefit of TDS and market fee of Rs. 1.25 crore allowed to purchasers and Market Committees

With the introduction of income tax deduction at source on the sale value of timber under Section 206 C of the Income Tax Act, 1961, the Company changed the conditions of sale allowing purchasers to offer bids inclusive of taxes and market fee. The sale price of timber was worked out after reducing the elements of taxes and fee. Rebate of 5 *per cent*, 4 *per cent* and 3 *per cent* for payment within 15, 30 and 45 days, from the date of sanction, respectively is admissible as per terms and conditions of sale. The Company worked out the elements of taxes (income tax and market fee) on the gross bids rather than on net sales after rebate. Thus, the purchasers and Market Committees got unintended and undue excess credit of income tax deducted at source and excess credit of market fee respectively.

The Company, in this way had afforded undue benefit of Rs. 1.25 crore to purchasers and Market Committees during the period from April 1995 to December 1999 and resultant loss to the Company.

2B.11.2 Earnest money short realised

Total price

Conditions for sale of timber provided that the purchase price of timber shall be the bid inclusive of taxes offered by the bidders. It also provided for earnest money deposit equal to 10 *per cent* of the total purchase price. The conditions, *inter-alia*, provide that the earnest money is liable to be forfeited in case price of timber is not paid within 55 days, further extendable by 30 days.

During audit of Sale Depots it was noticed (March 2000) that the Company realised earnest money with reference to net price of timber (exclusive of taxes) instead of gross price (inclusive of taxes). In 1412 cases of forfeiture of earnest money, test checked in audit, the Company short realised earnest money of Rs. 5.87 lakh during April 1995 to December 1999.

The Management stated (August 2000) that the 10 *per cent* earnest money deposit of the term 'Total price' in the conditions of sale was confusing and is being clarified.

2B.11.3 Short realisation of sale amount

Short realisation of sales by Rs. 2.01 crore due to reduction of sales on account of market fee instead of recovery of market fee paid to Market Committees

The bid price offered by the purchasers of timber in open auction consisted of three elements viz. purchase price, income tax (TDS) @ 5.75 *per cent* including surcharge and sales tax as applicable as per clause 4 of the conditions of auction. Accordingly while working out the sale consideration the bid price was to be reduced by the elements of income tax and sales tax. In addition, clause 4 (a) *ibid* provided that market fee @ one *per cent* of sale consideration shall be recovered on sale to the purchaser who would have no claim to it whatsoever.

During audit, it was noticed that from June 1994 to September 1995 the purchasers were allowed to offer their bids inclusive of taxes as per above condition. However, while working out the sale consideration the Management reduced the bid offer by income tax deducted at source @ 5 *per cent* plus surcharge @ 15 *per cent* on tax deducted at source and also by market fee @ one *per cent.*

Thus, reduction of bid offer by one *per cent* on account of market fee together with non-recovery of market fee @ one *per cent* in addition resulted in short realisation of Rs. 2.01 crore (@ two *per cent*) on the sales of Rs. 100.52 crore effected during June 1994 to September 1995.

2B.11.4 Undue favour

Company deposited surcharge on TDS which was not leviable resulting in undue benefit amounting to Rs. 0.86 crore to the purchasers

The purchasers offer bids inclusive of all taxes (income tax including surcharge) in all auctions for timber. No surcharge on income tax was leviable during the year 1997-98 as per Finance Act, 1997. The Company, however, deposited an amount of Rs. 86.20 lakh as surcharge (@ .75 *per cent*) on timber sales of Rs. 114.93 crore during 1997-98 with the Income Tax department as tax deducted at source. This resulted in passing on undue benefit of Rs. 86.20 lakh to the purchasers and resultant loss to the Company as the timber sales got reduced to that extent.

2B.11.5 Inadmissible payment of surcharge on TDS

According to the provisions of Section 193 of the Act, no surcharge was deductible from any assessee for the assessment year 1999-2000. The Joint Commissioner of Income Tax (TDS), Solan visited (December 1999) Company's office and advised to deposit amount of surcharge of Rs. 32.64 lakh due on the interest payable for securities Series-I and Series II, amount of advertisement, fee and rent by 20 December 1999. The Tax Consultant of the Company also opined for deposit of surcharge of Rs. 32.56 lakh even though it had not deducted surcharge on income tax amount of Rs. 3.26 crore deducted at source. In addition, the Company was also held to be liable to pay interest of Rs. 3.38 lakh leviable under the Act. Accordingly the Company paid the amount of Rs. 35.95 lakh on 20 December 1999.

2.73

2.575

The Company, which was following the mercantile system of accounting was to make provisions for interest receivable and payable on the amount of Non-SLR bonds for the period 1998-99 as such surcharge was neither leviable nor payable on the interest payable to bond holders. However, surcharge on the tax deducted at source for the period from April 1999 to July 1999 in respect of Series-I and 1 April to 15 April 1999 for Series-II, which worked out to Rs. 8.48 lakh, was payable out of the amount deposited.

Deposit on account of surcharge of Rs. 0.27 crore including interest on TDS on interest payable to Bond holders was not leviable

Thus, payment of surcharge of Rs. 24.08 lakh and interest of Rs. 2.69 lakh on this amount was neither leviable nor deducted from the interest paid to the holders of bonds for the year 1998-99. It was also not payable to the Income Tax department in view of the provisions of the Act. The Company has not claimed refund of the surcharge and interest amount of Rs. 26.77 lakh.

In its reply the Management stated (August 2000) that an appeal has been filed with the Commissioner of Income Tax (Appeals) to claim refund.

2B.12 Management Information System

Management Information System (MIS) is a systematic collection of data relating to the working of organisation so as to facilitate informal decision making. It enables the management avoid taking decisions on *ad hoc* basis in isolation and in an arbitrary manner. It also helps the management to measure its efficiency from time to time and to take suitable corrective measures. MIS thus plays a crucial role in enabling the Management to take correct decisions which are in the best financial interest of the organisation.

The Board of Directors did not have an effective Management information system though the Head Office of the Company obtained voluminous information technical, financial and non-financial from the Zonal Offices and other subordinate offices through various periodical returns or one time collection of information etc. These returns were received by various sections of the Company and were not put to effective use due to lack of MIS. No master data base was developed either at Zonal or Head Office level with the result that a lot of piecemeal information was being obtained by the various sections of Head Office on phones from field offices from time to time. Lack of consolidation and analysis of data and ineffective monitoring at the Head Office often resulted in duplication of work in field offices entailing extra expenditure which cannot be spelled out in clear financial terms but the inference is that this state of affairs deprived the BOD of an opportunity to utilise the information for its effective functioning.

The matters were reported to Government in May 2000; their replies had not been received (September 2000).

Conclusion

To sum up, following deficiencies were noticed in management of funds by the Company:

- **The annual accounts of the Company are in arrears since 1996-97. In the absence of complete information, regular reconciliation and delay in finalisation of accounts, the possibility of cash fraud can not be ruled out.**

- **The system of preparation of cash budgeting was found to be inadequate as wide variations were noticed in figures as per budget and actuals year after year.**

- **In the absence of any monitoring system of cash and bank balances the funds remained idle in current accounts which attributed to interest liability on availing of cash credit.**

- **The practice of making payments on account of royalty, sales tax etc. on *ad hoc* basis attracted interest liability and penalty.**

- **There was no system of ascertaining availability of surplus funds in the accounts of the Company.**

- **The Company did not have an effective Management information system.**

To have an efficient and effective system of management of funds, the Company must prepare true and realistic cash statements. The Company should also have a system for regular reconciliation of the figures of royalty, sales tax, etc with the Forest Department and bank balances to avoid levy of interest, penalty and loss of interest on deposits etc. The Company should also devise system of monthly reconciliation with the banks.

Since the Company has widespread operation as is evident in organisational structure, amount of sale, its transmission, cash and bank balances as on particular date is not immediately available at the Headquarters. Effective steps need to be taken to ascertain surplus amount held in its bank accounts on regular basis and invest the same to earn interest thereon. On line information flow has to be adopted so that it can be used for ascertaining availability of cash balances on day to day basis from the banks as well as from field units. There is need to improve management information system so as to facilitate accurate decisions. Effective steps need to be taken to liquidate the arrears in finalisation of annual accounts of the Company. To overcome all these deficiencies, the Company should switch over to computerisation without delay.

CHAPTER 3

3A Review on 'Procurement, Performance, Maintenance and Repair of Transformers' in Himachal Pradesh State Electricity Board

Highlights

The power transformation capacity per MW of connected load had decreased from 0.8126 MVA in 1995-96 to 0.7876 MVA in 1998-99 indicating increased overloading of power sub-stations.

(Paragraph 3A.4)

515 number transformers (475 Single phase and 40 Failsafe) valued at Rs. 0.74 crore were procured without studying techno-economic parameters.

(Paragraph 3A.6.1.1 (i) & (ii))

Procurement of 40/50 MVA, 220 KV Single phase power transformers from L-2 by ignoring L-1 firm resulted in extra expenditure of Rs. 0.15 crore.

(Paragraph 3A.6.2.1)

Procurement of CTs/PTs without assessing firm requirement resulted in locking up of Board's funds of Rs. 0.16 crore for over five years and interest loss of Rs. 0.14 crore.

(Paragraph 3A.6.2.3)

Delay in procurement and providing auto reclosers on the sub-stations commissioned with HRC fuses rendered six transformers and other material valued at Rs. 0.28 crore unproductive for a period ranging from one year to three years.

(Paragraph 3A.7.1.4)

Excess transformation losses in four sub-stations resulted in energy loss of 7.88 MUs valued at Rs. 1.49 crore.

(Paragraph 3A.7.2.3 (i))

Non-monitoring of actual transformation losses vis-à-vis guaranteed

losses as quoted by the suppliers in their offer resulted in non-levy of penalty amounting to Rs. 1.29 crore.

(Paragraph 3A.7.2.3 (ii))

Seventeen power transformers costing Rs. 1.86 crore were lying idle for a period ranging from one year to 19 years.

(Paragraph 3A.7.2.4)

The cost of repair of transformers in HPSEB workshops was higher than the cost of new transformers resulting in an extra expenditure of Rs. 3.37 crore on the repair of 2888 transformers during the period from 1995-96 to 1999-2000.

(Paragraph 3A.8.2)

3A.1 Introduction

Transformer is a static equipment used for stepping up and stepping down voltage for transmission and distribution of electricity. Power is usually generated at very low voltage (11 KV to 15.75 KV) and then stepped up to higher voltage (33 KV to 400 KV) by using 'step-up' transformers for transmission to load centres. The voltage is brought down at the receiving sub-stations with the help of 'step down' transformers (Power transformers) for supply to the consumers. The transformers used at the generating stations and in the high voltage sub-stations are called power transformers. The transformers used to bring down energy below 11 KV for distribution to consumers are called distribution transformers.

3A.2 Organisational set-up

The Chief Engineer (Material Management) and Dy. Chief Engineer Design (Sub-station) are responsible for procurement of distribution and power transformers respectively. They work under the overall guidance of the Whole Time Members (WTMs) of the Board. Three Chief Engineers (Operation) in the three Zones (North, South and Central) are responsible for the maintenance of transformers in their respective Zones. Repair of transformers is under the control of the Chief Engineer (Central Zone). Besides, there are 13 Circles (Operation Circles-12 and M&T Cirlce-1) each headed by Superintending Engineer and 54 divisions (Operation Divisions-51 and M&T Divisions-3) each headed by Executive Engineer.

3A.3 Scope of Audit

A review on purchase, performance and utilisation of transformers was last included in the report of the Comptroller and Auditor General of India (Commercial) for the year 1993-94, Government of Himachal Pradesh. The review has been discussed (June 2000) by the Committee on Public Undertakings (COPU). However, recommendations of the Committee are awaited (July 2000). The present review covers the period from 1995-96 to 1999-2000 based on examination of records of five operation circles, one M & T circle, twelve operation divisions, one M&T division, Chief Engineer (Material Management), Deputy Chief Engineer, Design (Sub-station), Chief Engineers (Operation) South and North.

3A.4 Growth of transformation capacity

The following table indicates the growth of transformation capacity vis-a-vis connected load at the end of four years up to 1998-1999:

Sr. No.	Particulars	1995-96	1996-97	1997-98	1998-99
1.	Power transformers (Nos.)	253	262	276	277
	Capacity (MVA)	1392	1444	1592	1661
	Capacity (MW)	1183	1227	1353	1412
2.	Distribution transformers (Nos.)	9139	10070	10935	11896
	Capacity (MVA)	658	715	771	842
	Capacity (MW)	559	608	655	716
4.	Connected Load (MW)	1713	1828	1975	2109
5.	Connected load in excess of distribution capacity (MW)	1154	1220	1320	1393
6.	Excess load in percentage	206.44	200.66	201.53	194.55
7.	Power transformation capacity per MW of connected load (MVA)	0.8126	0.7899	0.8061	0.7876
8.	Distribution transformation capacity per MW of connected load (MVA)	0.3841	0.3911	0.3904	0.3992

From above it would be seen that against the increase of 23.12 *per cent* in the connected load, the increase in power and distribution transformation capacity was 19.32 *per cent* and 27.96 *per cent* respectively during the period from 1995-96 to 1998-99. The power transformation capacity per MW of connected load had decreased from 0.8126 MVA in 1995-96 to 0.7876 MVA in 1998-99 indicating increased overloading of power sub-stations.

3A.5 Inventory of Distribution transformers

The table given below indicates the inventory of distribution transformers (including the transformers lying in workshops for repairs) during the years 1995-96 to 1999-2000:

Year	Opening stock	Received from the suppliers	Repaired by M&T wing	Total	Transformers issued for replacement/ installation (5-7)	Balance in stock *	Total transformers in system	Percentage of useable transformers lying in stock to total transformers installed in the system	Transformers lying unrepaired in workshops
1995-96	157	586	751	1494	1124	370	9139	3.57	291
1996-97	370	1379	742	2491	2021	470	10070	4.23	216
1997-98	470	890	735	2095	1720	375	10935	3.03	259
1998-99	375	953	796	2124	1809	315	11896	2.28	335
1999-2000 (December 1999)	315	839	590	1744	1250	494	12111	3.72	449

The Board had not fixed any norm for transformers to be kept as stand-by. Test check of records of 12 out of 51 divisions revealed that the rate of damage of transformers ranged between 5.10 *per cent* and 6.98 *per cent* during 1995-96 to 1999-2000 (Paragraph 3A.7.1 infra) against the percentage of useable transformers of the Board ranged between 2.28 and 4.23. The inventory was thus not adequate to offset the damage to transformers. Consequently, overloading is increasing and the stock of damaged transformers was also increasing year after year in the M&T workshops. In one (Solan) of the three Workshops test checked, 174 transformers were awaiting repairs for a period ranging from one month to 48 months.

* *Includes 44 damaged transformers value of which was not available but lying in stock of Rajgarh and Shimla divisions for a period from 13 to 20 years.*

3A.6 Procurement of transformers

3A.6.1 Distribution transformers

Transformers are procured centrally by the Chief Engineer (MM) on the basis of annual requirements received from the Chief Engineers (Operation) based on targets for release of connections and other system improvement works. These tentative requirements are consolidated and finalised by the Chief Engineer (MM) after taking into account the stock position, supplies in pipe line and expected availability of repaired transformers. Purchase orders are placed on firms approved by the Store Purchase Committee after inviting tenders and considering financial and technical parameters. A review of purchases effected during 1995-96 to 1999-2000 revealed the following irregularities.

3A.6.1.1 Unjustified purchase of distribution transformers of innovative technology

(i) Single phase transformers

Based on the requirement received from the Chief Engineer (North), the Board without assessing the suitability of transformers decided (March 1995) to install Single phase distribution transformers to overcome problems of low voltage and to reduce T & D losses in Himachal Pradesh on a trial basis. This type of transformer was already in use in Andhra Pradesh State Electricity Board (APSEB) at that point of time. The Chief Engineer (MM) placed (October 1995 and March 1996) two purchase orders for procurement of 281 distribution transformers of 6.3 KVA (Rs. 37.61 lakh) 119 transformers of 10 KVA (Rs. 10.40 lakh), 75 transformers of 16 KVA (Rs. 12.75 lakh) on M/s PM Electronics Limited, Ghaziabad.

Utilisation records of these transformers test checked in six divisions revealed the following:

Most of the transformers were lying unused or had to be replaced by three phase transformers within a short period

(a) 102 transformers costing Rs. 14.52 lakh were lying unutilised (March 2000) in stock/material at site since their procurement and their warranty period had already expired.

(b) 41 transformers costing Rs. 5.67 lakh were damaged within a period ranging from one month to thirty months of their installation. Of these, 27 transformers costing Rs. 3.82 lakh, damaged within warranty period were repaired by the firm and the remaining 14 transformers costing Rs. 1.85 lakh were still lying unrepaired at the store/workshops.

(c) 14 single phase transformers were replaced by three phase transformers within a short period of one year to two years.

(d) Seven sub-stations were made operative by installing two to four single phase transformers of 10 and 16 KVA capacity (costing Rs. 2.93 lakh) which could have been made operative by installing one three phase transformer of 25 KVA capacity in each sub-station at a cost of Rs. 1.34 lakh. It was noticed that Board subsequently (June 1996) stopped procurement on the plea that techno-economic study was required to be conducted for these transformers.

(ii) Failsafe transformers

The Board procured (January 1992) five failsafe transformers at a cost of Rs. 1.85 lakh on experimental basis to overcome frequent failure of distribution transformers. The failsafe transformers were costlier than the conventional transformers. It was noticed in audit that without waiting for their performance results, the Board placed (July 1992) two supply orders for 25 (25 KVA) and 15 (63 KVA) failsafe transformers costing Rs. 12.97 lakh. Supply was to be completed by September 1992. The supplier failed to supply the transformers within the stipulated delivery period as the Electronic Control Units (ECUs), required to make the transformers failsafe, were not available in the market. In the meantime, the performance of failsafe transformers already procured in January 1992 on experimental basis was reported unsatisfactory by the field units in December 1993. Though the supply of failsafe transformers (40 Nos.) was still awaited even after expiry of delivery schedule but the Board did not cancel the orders. Supplies were received during October 1995 and July 1996. However, further procurement of failsafe transformers was dropped in the subsequent years (1996-97) as it was an innovative technology and gave discouraging performance. Further scrutiny of records of 22 failsafe transformers in seven divisions revealed that seven transformers costing Rs. 3.50 lakh were damaged within one to two years of their energisation and the failsafe mechanism in five transformers costing Rs. 2.08 lakh did not work.

475 single phase and 40 failsafe transformers costing Rs. 0.74 crore were procured without studying techno-economic parameters

Thus, bulk purchase of 515 transformers (475 single phase and 40 failsafe) valued at Rs. 73.73 lakh without studying the techno-economic parameters lacked justification.

3A.6.1.2 Injudicious reduction in ordered quantity of distribution transformers resulted in extra expenditure in subsequent purchase

Based on tentative requirement for the year 1995-96, a supply order was placed (September 1995) on M/s P.M. Electronics, Noida for procurement of 660 distribution transformers of 25 to 250 KVA capacity costing Rs. 2.08 crore. During audit it was noticed that the ordered quantity was reduced (October 1995) from 660 to 433 transformers after assessing the final requirement. The Board did not take into account the rising trend in market price of distribution transformers as was evident from the Indian Electrical and Electronic Manufacturers Association (IEEMA) circulars available with the Board. Besides, the Board also did not take into account the requirement of field units for the next year due to be received during the same month (October 1995).

Reduction in ordered quantity resulted in extra expenditure in subsequent purchase of 283 transformers

Subsequently, the Board placed (March 1996) additional order for 109 transformers at tendered rates of the firm as per Clause-18 of the purchase order. Had the original ordered quantity of 660 transformers not been reduced, 227 transformers of this order (valued at Rs. 73.89 lakh) and 25 *per cent* additional quantity (56 transformers valued at Rs. 15.63 lakh) would have been ordered accordingly and extra expenditure of Rs. 9.81 lakh due to price increase in the subsequent purchase (July 1996) of 283 transformers could have been saved.

3A.6.1.3 Avoidable expenditure

The Board placed (June 1997) supply orders on two firms for the procurement of 25 to 400 KVA distribution transformers at rates ranging between Rs. 0.24 lakh and Rs. 1.43 lakh per transformer. During audit it was noticed that the supply of 102 transformers costing Rs. 1.07 crore was made between March and July 1998 against stipulated delivery schedule of December 1997. Meanwhile, based on tenders for 1998-99 opened during January and February 1998 the accepted rate of transformers of the same capacity ranged between Rs. 0.22 lakh and Rs. 1.39 lakh per transformer. Supply orders were placed (July 1998) with stipulated period of delivery up to February 1999 while the supply of 14 transformers (250 KVA) at the rate of Rs. 0.71 lakh per transformer was in progress, tenders for the year 1999-2000 were opened (January 1999) wherein the accepted rate for 250 KVA transformer was Rs. 0.65 lakh per transformer. Thus, the Board was aware of the decreasing trend in prices of transformers and should have cancelled the delayed supplies by invoking cancellation clause of the purchase orders. The Board accepted the supply of 102 transformers in 1998-99 and 14 transformers in 1999-2000 after expiry of delivery schedule on higher rates resulting in avoidable expenditure of Rs. 6.68 lakh.

Board accepted delayed supplies of transformers which resulted in avoidable expenditure despite cancellation clause in the purchase order

3A.6.1.4 Extra expenditure on carriage of transformers

Purchased material is required to be consigned to the nearest central store as per requirement of the field units dependent on that central store. Test check of records of Nurpur, Una and Jogindernagar divisions revealed that 378 distribution transformers were shifted between June 1995 and March 1999 from one central store to another resulting in extra expenditure of Rs. 5.27 lakh on transportation.

3A.6.2 Power Transformers

The transmission works to be executed are planned by the Chief Engineer (System Planning) under the overall guidance of the Board. The Chief Engineer (Transmission) assesses the annual requirement of power transformers on the basis of new sub-stations to be installed/augmented at various places. The Deputy Chief Engineer (Sub-stations) with the approval of the competent authority (SPC/WTMs) places orders for power transformers on firms. Test check of the purchase of power transformers revealed the following points.

3A.6.2.1 Extra expenditure due to purchase on higher rate

Out of eight firms who participated in tender (June 1996) for procurement of four 40/50 MVA, (220 KV Class) single phase power transformers, offer of M/s Apex Electricals Limited (AEL), Baroda at the rate of Rs. 72.00 lakh per transformer was found the lowest and technically acceptable. The Board called the second lowest firm M/s BHEL for negotiation who agreed (April 1997) to supply at firm rate (against variable) of Rs. 77.70 lakh and reduce the freight charges to Rs. 1.70 lakh per transformer. Even after the reduction the status of M/s BHEL remained the second lowest. As a result of subsequent negotiations with both parties, BHEL reduced their rates to Rs. 74.60 lakh per transformer and AEL reduced their rates to Rs. 70.80 lakh per transformer. The Board ignoring the lowest offer of AEL, placed order (September 1997) on BHEL at the rate of Rs. 74.60 lakh per transformer on the plea that AEL had no proven experience of 150 MVA capacity transformer though it had executed a number of orders from various SEBs. The plea of the Board about lack of proven experience of executing 150 MVA rated transformers of L-1 was not tenable because the requirement of the Board was for 40/50 MVA rated capacity transformers which the firm had already supplied to various SEBs (Maharashtra, Gujrat and Rajasthan). Thus, by not placing order on AEL the Board had incurred extra expenditure of Rs. 15.20 lakh.

Transformers were purchased by ignoring the lowest firms resulting in extra expenditure

3A.6.2.2 Non-procurement from lowest recommended firms

(a) A supply order (Rs. 94.02 lakh) for purchase of eight 5 MVA power transformers was placed on M/s Uttam Bharat Electricals Limited, Jaipur in July 1997 at the rate of Rs. 11.44 lakh per transformer (inclusive of ED and CST) on the basis of requirements from field offices received in May 1996. While the purchase case was in process, further requirement of two power transformers of the same rated capacity were received (December 1996). The Board neither included this quantity in the purchase order nor provisions of clause of placing of orders for additional quantity of 25 *per cent* were invoked. Fresh tenders were invited (September 1997) for two power transformers and supply order was placed (November 1998) on M/s Danish Limited, Jaipur at the rate of Rs. 13.15 lakh per transformer.

Additional quantity of four transformers purchased at higher rates resulted in avoidable extra expenditure

(b) Similarly, in another case while the placement of order for supply of two number transformers of 3.15 MVA (33/11 KV) power transformers on lowest tenderer (M/s Mirjapur Electricals Limited) at the rate of Rs. 7.22 lakh was in process, an additional requirement of two power transformers of the same class and rated capacity was received (February 1996). The Board, however, did not include the additional requirement in the purchase proposal despite recommendation (April 1996) of Chief Engineer (Transmission). Fresh tenders were floated (August 1996) and order was placed (July 1997) on M/s Uttam Bharat Electricals for additional requirement at the rate of Rs. 9.10 lakh per transformer (inclusive of ED and CST).

Thus, non-inclusion of the additional quantity of power transformers in the purchase orders which were under process and non-invoking the provisions of the clauses of purchase order for additional quantity, the Board incurred an extra expenditure of Rs. 7.18 lakh in the both cases.

3A.6.2.3 Procurement of CTs/PTs without assessing firm requirement

CTs/PTs were lying un-utilised since their procurement between September 1993 and May 1994

In anticipation of release of load on 66 KV to ten prospective consumers in the industrial area of Baddi, Barotiwala and Nalagarh, 21 Nos. Current Transformers (CTs) and 30 Nos. Voltage Transformers (PTs) costing Rs. 19.56 lakh were procured between September 1993 and May 1994 by the Executive Engineer, Electrical Division, Parwanoo from M/s Kapco Electricals Private Limited, New Delhi. Test check (December 1999) of records revealed that out of these, 6 CTs and 3 PTs were used for releasing two 66 KV connections between May 1996 and December 1996 and the remaining 15 CTs and 27 PTs valued at Rs. 16.32 lakh were declared (August 1999) surplus to the requirement of the division. These CTs/PTs were still lying in the store (March 2000). Procurement of material without assessing firm requirement resulted in locking up of Board's funds of Rs. 16.32 lakh over five years and consequent interest loss of Rs. 13.80 lakh calculated at average rate of interest of 14.5 *per cent* per annum.

3A.7 Utilisation, performance and maintenance

3A.7.1 Distribution transformers

Percentage of failure of transformers ranged between 5.10 and 6.98

The Board has no records distinguishing clearly the new and repaired transformers installed at distribution sub-stations. In absence of the same, percentage of failure of new and repaired transformers could not be ascertained. The Board had not fixed norms of damage to distribution transformers. However, the Superintending Engineer (Operation) Circle, Shimla had fixed (August 1996) norm of three *per cent* as percentage failure for a year for operation divisions under his administrative control. The table below shows the percentage of failure of distribution transformers between 5.10 and 6.98 in 12 divisions for the period from 1995-96 to 1999-2000 (December 1999):

Years	Transformers installed in the system	Transformers failed			Percentage of failure
		New	Repaired	Total	
1995-96	2985	40	127	167	5.59
1996-97	3323	45	153	198	5.96
1997-98	3496	81	163	244	6.98
1998-99	3871	67	168	235	6.07
1999-2000	4037	66	140	206	5.10

However, in the individual divisions, the percentage of damage ranged between 1.66 (Shimla) and 10.28 *per cent* (Nalagarh) during the last five years ended March 2000.

The Board did not analyse reasons for failure of transformers. Scrutiny of initial records in 12 divisions revealed that failure in 1050 cases was attributed to internal fault (510), lightning (460) and others (57). Causes of failure in 23 cases were not available on the record.

Real cause of failure could not be known as the M & T staff was not associated in investigation

As per the instructions (September 1994) of the Board the causes of failure were required to be investigated by a Committee nominated by the Superintending Engineer of the respective Circle in association with M & T staff, who are authorised to open the damaged transformers. Test check revealed that out of 1050 transformers damaged in twelve divisions, investigation of failure was carried out in 365 transformers only without associating M & T staff. Reasons for not carrying out investigation by the Committee in 685 cases were not found on records. The Committee identified probable causes of failure such as internal fault (195 cases), lightning (159 cases) and others (11 cases) on the basis of damage reports and transformer maintenance registers. The real causes of failure did not come to light due to non-association of the M & T staff in the investigating Committee.

Following points noticed during audit also attributed towards failure:

Standard maintenance schedule of overhauling of transformers was not being followed in the Board

(i) As per Central Board of Irrigation and Power (CBIP) maintenance schedule for transformer of capacities less than 1000 KVA, filteration of oil after two years and washing of core and coils by hosing down with clean dry oil after five years is required. Scrutiny of records in twelve division revealed that these maintenance works were not carried out and thus standard norms for maintenance were not followed in the Board. Reasons for not carrying maintenance work as per norms were not found on record.

(ii) Forty-one transformers were found overloaded before their failure, lightning arrestors were not provided on forty transformers and in case of eighty transformers maintenance schedule prescribed by the respective Chief Engineers/Superintending Engineers was not adhered to.

3A.7.1.2 Premature failure

As per Schedule VII of the Electricity Supply Act (1948), prescribed normal life of transformer having capacity of not less than 100 KVA is 35 years and for others normal active prescribed life is 25 years. In order to assess the performance of transformers, the Board is required to maintain Transformer Movement Cards (TMCs) or history cards *inter-alia*, showing complete details of transformers about dates of receipt, installation, maintenance, failure, repair and movement etc. It has been observed that no such record was maintained in any of the operation division test checked in audit. However, transformers maintenance registers are being maintained in the sub-divisions and entries are recorded at the time of first receipt of the transformer for

Board was not maintaining transformers movement card to keep a track of performance of distribution transformers

installation/energisation and the date of its damage. Test check of records pertaining to 1050 transformers damaged in 12 divisions revealed that the name of the supplier (89 cases), date of energisation (54 cases) and particulars about transformer being new or repaired one (22 cases) were not found recorded. Due to non-maintenance of TMCs/history cards and incomplete information in maintenance registers, identification of transformers, details of defects etc. could not be ascertained to keep track of the performance of a particular transformer.

Age-wise failure of 1050 transformers was as under:

Period of failure	Number of cases of failure of transformer		
	New	Repaired	Total
Within one year	59	141	200
Between 1 to 2 years	29	80	109
Between 2 to 3 years	26	77	103
Between 3 to 5 years	38	127	165
Between 5 to 10 years	57	171	228
Between 10 to 15 years	46	74	120
Between 15 to 20 years	15	24	39
Between 20 to 25 years	4	12	16
After 25 years	8	8	16
Date of commissioning not available in records	14	40	54
Total	**296**	**754**	**1050**

Out of these transformers 19.05 *per cent* (new-5.62 *per cent* and repaired – 13.43 *per cent*) failed within one year of their installation indicating poor quality of repair in M&T workshops.

3A.7.1.3 Premature scrapping of transformers

As per extant practice in the Board, the cost of repair of transformer should not exceed 70 *per cent* (after allowing 30 *per cent* salvage value) of the cost of new transformers. In case the estimated cost of repair exceeds this limit, the transformers are considered uneconomical for repair and proposed for condemnation.

Test check of records, revealed that 102 distribution transformers considered irreparable were condemned during the last five years ended March 2000. Out of these, only 24 transformers had completed the prescribed life of 25/35 years, other 73 transformers were scrapped before completion of prescribed life as tabulated below and five transformers were scrapped without indicating the period of their performance;

Premature scrapping of transformers resulted in loss

Sr. No	No. of transformers scrapped	No. of years transformers remained in service	Replacement cost for balance period of prescribed life *(Rs. in lakh)*
1.	6	1-5	1.43
2.	15	5-10	2.14
3.	25	10-15	2.26
4.	20	15-20	1.40
5.	7	20-25	0.10
Total	73		7.33

As shown above premature scrapping of transformers resulted in loss of Rs. 7.33 lakh worked out on the basis of proportionate replacement cost for the balance period of prescribed life span of transformers.

3A.7.1.4 Unproductive installation of transformers in unmanned sub-stations

In order to overcome low voltage problem in the identified area of North Zone and also to utilise 1 MVA power transformers dismantled from various 33/11 KV sub-stations, a proposal for construction of low cost 1 MVA 33/11 KV un-manned sub-station by providing protection through HRC fuses on HV and LV side was approved (February 1996) by the Sub-Transmission Committee (STC) of the Board. Accordingly, eight such sub-stations were established between 1996-97 and 1998-99 after incurring an expenditure of Rs. 41.29 lakh (cost of transformers Rs. 10.77 lakh and other equipment/material Rs. 30.52 lakh). During audit it was noticed that only two sub-stations were provided with breakers/auto re-closures which was necessary in terms of Indian Electricity Rules, 1956. As such, the Chief Electrical Inspector of Himachal Pradesh Government, approved only these two, leaving the remaining six sub-stations. Further scrutiny of records revealed that the performance of these six sub-stations were not found satisfactory by the field units as any fault occurring on 11 KV feeders, resulted in tripping feeding sub-stations also. As such, these transformers were to be kept either on no load or on meagre load. Later on, the Board decided (February 1998) that auto-re-closures be provided on the sub-stations commissioned with HRC fuses and further establishment of 33/11 KV unmanned sub-stations in the Board be stopped forthwith. The auto-reclosures were still to be procured (March 2000). Thus, the delay in taking decision for providing and procurement of requisite equipment rendered six transformers (Rs. 7.93 lakh) and other material valued at Rs. 20.16 lakh unproductive for a period ranging from one year to three years.

Six number 1 MVA transformers were commissioned without providing adequate protection system

3A.7.2 Power transformers

3A.7.2.1 Failure of power transformers

Exact causes of failure of power transformers were not analysed by the Board

The Board has created facilities for repairs of power transformers up to 2.5 MVA capacity only at its workshop at Sundernagar. Repairs of power transformers above 2.5 MVA capacity are also carried out at site by making special arrangements or through private firms. Twenty eight damaged power transformers of 1 to 31.5 MVA capacity were repaired at a cost of Rs. 83.11 lakh in the Board during the last five years ended March 2000. Probable causes of the failure of transformers were recorded as internal fault. The exact causes of premature failure were not analysed. However, during scrutiny of records pertaining to damaged transformers, it was observed that the recommended maintenance schedule of CBIP and the manufacturers envisaging overall inspection including lifting of core and coil of transformers for washing by hosing down with dry oil after five years in case transformers of 1 to 3 MVA and seven to ten years for the transformers having capacity above 3 MVA was not followed. The Dy. Chief Engineer (Operation) circle, Solan while investigating the causes of damage of 10.5 MVA power transformers (three Nos.) repaired at the cost of Rs. 60.77 lakh also recommended (July 1999) strengthening of M&T wing so as to follow the prescriptions of CBIP manual. The recommendations are still to be approved by the Board. It was further observed that the deficiency in the maintenance of power transformers pointed out by the Periodical Testing wing of the Board were not attended to by the operation divisions in respect of eight power transformers which failed subsequently and were repaired at a cost of Rs. 6.29 lakh between the year 1995-96 and 1999-2000. Reasons for non-compliance of the observations of the Periodical Testing wing by the operation divisions were not available on record.

3A.7.2.2 Failure of bank of transformers

Non-provision of stand by transformer resulted in idle investment of Rs. 0.47 crore

Three single phase power transformers, each of 5.33 MVA capacity costing Rs. 46.80 lakh (inclusive ED and CST) were purchased from M/s Apex Electricals Limited in December 1993 for forming a bank of 16 MVA capacity to work as a combined unit at 132/33 KV sub-station at Hamirpur. The bank was commissioned in March 1995 but one transformer showed abnormal rise in oil temperature which remained between 74 degree centigrade and 92 degree centigrade during July 1995 to April 1999 against the guaranteed norm of 55 degree centigrade. Though, the defect developed during the warranty period, yet the matter was neither reported to the manufacturers nor brought to the notice of Director Design (Sub-Stations) for rectification. Ultimately, the transformer failed (October 1999) after operational period of four and half years against prescribed life span of 35 years. The damaged transformer was still lying unrepaired (March 2000). In the instant case, no spare transformer was procured as stand by arrangement as per existing practice which resulted in failure of the sub stations and the investment of Rs. 46.80 lakh was rendered idle. No reasons for non-procurement of stand by transformer were available on record.

3A.7.2.3 Excess transformation losses

Transformation losses in EHV sub-stations were not monitored by the Board which resulted in loss of Rs. 1.49 crore

(i) The Central Electricity Authority had recommended (May 1986) the permissible limit of transformation losses for EHV system from 0.5 to 1 *per cent*. Test check of 26 sub-stations revealed that the transformation losses in four sub-stations were in excess of the maximum limit and in other four sub-stations losses could not be ascertained in audit as the metering system was not provided. The excess energy loss of 7.88 MUs in four sub-stations as detailed below amounted to Rs. 1.49 crore (calculated at average sale rate of Re 1.89 per unit):

Sr. No	Name of sub- station	No. of transfor mers installed	Date of insta- llation	Period	Energy receipt (MUs)	Energy available after transfor- mation (MUs)	Loss (MUs)	%age of trans- forma- tion loss	Excess loss (in MUs)
1.	66/11 KV Nalagarh	2 x 10 MVA	-	1995-96 to 1997-98	217.70	212.75	4.95	2.27	2.76
2.	66/11 KV Parwanoo	2 x 10 MVA	-	1997-98 & 1998-99	200.54	196.87	3.67	1.83	1.66
3.	132/33 KV Kandrori	2 x 16 MVA	August 1996	1997-98 to 1999-2000	139.98	136.84	3.13	2.24	1.74
4.	132/33 KV Dehar	2 x 16 MVA	March 1997	1997-98 to 1999-2000	164.76	161.40	3.36	2.04	1.72
	Total								**7.88**

Reasons for the excess transformation losses were not investigated by the Board.

Penalty of Rs. 1.29 crore was not levied in terms of clause of the purchase order for excess transformation losses

(ii) Director Design (Sub-station) placed (September 1997) a purchase order for procurement of four power transformers of 50 MVA 220/132 KV on M/S BHEL. As per tender specifications forming part of purchase orders, the Board has the power to impose penalty in case the actual transformation losses exceed the quoted losses. The Board did not monitor the losses after the installation of power transformers procured from BHEL. These transformers were energised (November 1998) at 220/132 KV Sub-station, Jassore. During scrutiny of records it was noticed that the actual transformation losses ranged between 0.20 and 1.40 *per cent* during December 1998 to December 1999 against the guaranteed loss of 0.35 *per cent*. This resulted in non-levy of penalty of Rs. 1.29 crore in terms of clause of the purchase order.

3A.7.2.4 Idle transformers

Test check of records in eight divisions revealed that seventeen power transformers of various capacities ranging from 0.5 MVA to 25/31.5 MVA costing Rs. 1.86 crore were lying idle for the period ranging from one year to

19 years. It was seen that:

(i) One transformer costing Rs. 4.49 lakh was lying in store of Kangra division since its procurement in January 1981 and four transformers costing Rs. 4.90 lakh were lying at sites/stores since their dismentlement from the works during May 1993 and October 1999.

Transformers valued at Rs. 1.86 crore remained idle for a period ranging from one year to 19 years

(ii) Nine transformers costing Rs. 90.69 lakh became idle due to augmentation of capacity of the sub-station and one transformer costing Rs. 57.19 lakh due to permanent closure of an industrial unit but alternative utilisation of these transformers had not been envisaged.

(iii) Two transformers costing Rs. 28.99 lakh were awaiting commissioning due to delay in completion of allied works of sub-station since their installation in June 1998.

3A.7.2.5 Damage to transformer during transportation

Insurance claim of damaged transformer remained unsettled even after three years

6.3 MVA power transformer costing Rs. 7.50 lakh installed (November 1993) at 66/11 KV sub-station, Rakkar (Una) was damaged (June 1997) due to internal fault. It was got repaired (October 1997) at M&T workshop Sundernagar for Rs. 3.64 lakh. The private tractor trailer while carrying (November 1997) the repaired transformer from Sundernagar to Una met with an accident again damaging the transformer . The committee investigating the causes of accident concluded that negligence of the driver of the tractor trailer and supervisory errors contributed to the episode. The Board had not taken action for fixing responsibility either of the transporter for negligent driving of the driver or that of the supervisory staff. The Board lodged (March 1998) insurance claim of Rs. 7.50 lakh which remained unsettled for want of report of the loss assessor of the insurance Company. The transformer was still lying unattended in the switch-yard of Hamirpur sub-station over a period of three years (March 2000).

3A.8 Repair of transformers

3A.8.1 Delay in repair

The Committee on Public Undertakings (COPU) in its 58th report (1987-88) recommended that damaged transformers should be repaired immediately after conducting investigation to assess the probable cause of damage. Mention about delay was also made in the Comptroller and Auditor General of India's Report for the year 1993-94 (para 3A.8.1).

Further, scrutiny of records for five years ending 31 March 2000 revealed that the delay in sending the transformer for repair was still persisting. In 12

There was inordinate delay in the repair of transformers

divisions 834 damaged distribution transformers were sent for repair after a period of 1 month to 49 months and 216 damaged transformers were still lying at site/store for a period ranging from 1 month to 59 months since the date of damage. Test check of record in one (out of three) workshop revealed that delay in repair of 105 damaged transformers ranged between 6 and 51 months.

3A.8.2 Cost comparison of new and repaired transformers

Cost of repair of transformers is arrived at by the Board after excluding indirect cost of employees and administrative expenses. Indirect cost being essential for maintaining the workshops; these charges should also be included to arrive at total repair cost of the transformers. An analysis of the cost of repair of damaged transformers (25 KVA to 250 KVA 11 KV class) repaired in the Board's workshops during the years 1995-96 to 1999-2000 vis-à-vis cost of new transformers revealed that it was economical to use new transformers than repaired ones as tabulated below:

Repair cost of damaged transformers was higher than the cost of new transformers resulting in extra expenditure of Rs. 3.37 crore

Sr. No	Particulars	1995-96	1996-97	1997-98	1998-99	1999-2000
1.	Transformers repaired *(Nos.)*	614	563	517	643	551
2.	Direct cost *(Rs. in lakh)*	92.19	93.95	102.76	128.64	128.66
3.	Indirect cost (Employees and Administrative cost) *(Rs. in lakh)*	97.58	96.11	97.62	161.69	136.21
4.	Total repair cost *(Rs. in lakh)*	189.77	190.06	200.38	290.33	264.87
5.	Cost of new transformers *(Rs. in lakh)*	148.39	151.03	159.27	177.76	161.60
6.	Excess repair cost *(Rs. in lakh)*	41.38	39.03	41.11	112.57	103.27

Thus, the Board had incurred extra expenditure of Rs. 3.37 crore on the repair of 2888 transformers during the last five years (March 2000).

3A.8.3 Performance of repaired transformers

Life span of transformers repaired in its workshops was not fixed

The Board has neither fixed the life span of transformers repaired in its workshops nor record of their performance was maintained. A test check of job order registers maintained in M&T workshops, however, revealed that in 80 cases, transformers repaired during the period covered under review at a cost of Rs. 14.58 lakh were damaged within 4 to 70 months. These transformers were again repaired at a cost of Rs. 17.71 lakh. Reasons for damage of these transformers after repairs had not been investigated by the Board.

The above matters were reported to the Government/Board in May 2000; their replies had not been received (July 2000).

Conclusion

The review revealed the following deficiencies in the procurement, maintenance and repairs of the transformers:

- **The distribution transformation capacity was not adequate to cope with the increasing trend in connected load which led to overloading of system and premature failure of transformers.**

- **Transformers were purchased without proven techno-economic parameters by ignoring lowest firms and without assessing proper requirements on long term basis.**

- **The inventory level of the transformers was not adequate to cover up the level of failure of transformers leading to break down in energy supply.**

- **Real cause of failure of transformers could not be analysed due to non-association of M & T staff despite instructions to this effect.**

- **Non-adherence to standard maintenance schedule prescribed by CBIP and poor maintenance also attributed to failure of transformers and higher repair costs.**

- **Performance of transformers could not be monitored due to non-maintenance of transformer movement (history) cards.**

To overcome these deficiencies the Board should purchase transformers with proven efficiency only. Inventory level should be upgraded to make available transformers for installation/replacements as and when necessity arises. This will also help reduce overloading the system and thereby reduce the transformation losses. The Board should enforce schedule of preventive maintenance as per CBIP norms. To avoid the failure of transformers, the Board should exercise close monitoring of the transformers from their purchase to their failure/damage. The Board should ensure proper planning for utilisation of spare transformers so as to get optimum use of its investment made in transformers/transmission systems.

CHAPTER 4

MISCELLANEOUS TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

4A GOVERNMENT COMPANIES

4A.1 Himachal Pradesh General Industries Corporation Limited

4A.1.1 Loss of interest income

The Company had not evolved any system to ascertain availability of surplus funds. Heavy cash balances were retained in current accounts depriving the Company of interest income of Rs. 0.8 crore.

The Company's day to day cash collections and disbursements are made in the current accounts (22) maintained in ten banks at its Head Office, Shimla (10) and at various field offices (12). The Company has evolved no system to transfer daily the funds to Head Office from collection accounts of the units. Resultantly surplus funds remain idle in these accounts.

Non-investment of surplus funds available in current accounts resulted in loss of interest income

A scrutiny (February 2000) of cash balances retained per day in 19 (out of 22) current accounts revealed that against the Company's daily cash requirements of Rs. 10.29 lakh, Rs. 11.61 lakh, Rs. 7.37 lakh and Rs. 8.30 lakh it allowed Rs. 30.05 lakh, Rs. 26.08 lakh, Rs. 33.58 lakh and Rs. 33.29 lakh on an average in excess of the requirements during the years 1996-97, 1997-98, 1998-99 and 1999-2000 respectively. Had the Company kept in view its cash requirements and invested the available surplus funds in short-term deposits even for a minimum period of 30 days, it could have earned an interest income of Rs. 8.23 lakh at rates varying between 5.5 and 8.5 *per cent* per annum during these years.

The matter was reported (March 2000) to the Government/Company; their replies had not been received (September 2000).

4A.1.2 Loss due to short supply of shale

Due to inadequate transport arrangement, the Company could supply only 14262 MT shale against the demand of 64000 MT shale of the Associated Cement Company Limited resulting in loss of profit of Rs. 0.15 crore.

The Mining Project, Bilaspur of the Company is engaged in extraction of shale from the mine sites at Sungal and Delag (Distt. Bilaspur) and supplying the same to M/s Associated Cement Company Limited (ACC), Barmana, District Bilaspur through private transporters. Keeping in view the demand of ACC and the infrastructure available with the Company, it fixed a target of 200000 MT (50000 MT per quarter) for Mining Project, Bilaspur for the year 1999-2000. Actual supply of shale to ACC for the year 1998-99 was 181904 MT.

Inadequate and poor transport arrangements and non-inclusion of risk and cost clause resulted in loss of profit due to short supply

It was noticed (February 2000) in audit that for the transportation of shale for the period from 16 September 1999 to 15 September 2000, the Company invited (August 1999) open tenders through press. A Committee constituted for the finalisation of tenders found M/s Grewal Construction Company, Ludhiana as lowest tenderer who had quoted the rate of Rs. 27.19 per MT. Transportation work of shale for the supply of 8000 to 10000 MT (plus/minus 20 *per cent*) was awarded (4 September 1999) for one year to the firm at the negotiated rate of Rs. 27 per MT (enhanced to Rs. 28.82 per MT w.e.f 2 November 1999 due to hike in diesel prices). Neither formal agreement was entered into nor was a penal clause of risk and cost for non-fulfillment of contractual obligations in transportation work incorporated in the letter of award. The Company further placed (17 December 1999) an additional supply order for 8000 to 10000 MT on the same firm as the second lowest tenderer-M/s Delag Vikas and Gram Sudhar Samiti who was also asked to supply the quantity without obtaining its acceptance had refused (2 October 1999). During the period from October 1999 to January 2000 the firm supplied only 14262 MT against the stipulated supply target of 64000 MT shale to ACC. Due to poor transport performance, the Company terminated (February 2000) the arrangement and forfeited transporter's security deposit of Rs. 0.50 lakh. The Company did not take immediate action to maintain the required supply level after refusal (2 October 1999) by the second lowest tenderer. Due to inadequate and poor transport arrangements and non-inclusion of risk and cost clause, the Company could supply only 14262 MT shale resulting in short supply of 49738 MT. Thus, the Company was put to a loss of profit of Rs. 15.45 lakh (Profit-Rs. 32.07 x 49738- Rs. 50000)) on the short supply of shale.

The matter was reported to the Government/Company in March 2000; replies had not been received (September 2000).

4A.1.3 Excess payment

Against the specified degree of 66^0 OP rectified spirit, the Company had received rectified spirit of lower degree but it did not make deductions on this account from the suppliers bills as required and made payments at the rates specified for 66^0 OP spirit. This resulted in excess payment of Rs. 0.06 crore to the supplier distilleries.

NIT provides procurement of rectified spirit of 66^0 OP and proportionate deductions for lower strength

The Company procures rectified spirit of 66^0 OP for potable purposes for its unit at Mehatpur (District Una) from various distilleries situated in neighbouring States after issue of notice inviting tenders (NIT). Condition No. 2 of the terms and conditions for the supply of rectified spirit for potable purposes provides that it should conform to specification IS: 323-1959 (degrees over proof-66), and for lower strength proportionate deductions will be made by the Company.

Against the specification of 66^0 OP the Company procured 28882 BL (47945 PL) less on account of lower strength

It was however, noticed (January/February 2000) that during the period from 1994-95 to 1999-2000 (upto November 1999), the Company purchased rectified spirit of lower strength ranging between 63.1^0 OP and 65.9^0 OP from eight distilleries against specified degree of 66^0 OP. Thus, the Company received 28882 bulk (47945 proof) litres rectified spirit costing Rs. 6.09 lakh less on account of lower strength of rectified spirit supplied by various distilleries during this period. Although the Company received spirit of lower strength but it took no action to make deductions from the bills of distilleries as per terms and conditions of NIT. Thus, the Company made excess payment of Rs. 6.09 lakh to eight distilleries during the period from 1994-95 to 1999-2000 (up to November 1999).

The Management stated (June 2000) that practically the spirit has been received of higher strength than that specified in the NIT. However, lower strength pointed out is based on the theoretical adoption of two different systems of conversion of strength from one system to another due to measurement of alcoholic strength in terms of *per cent* v/v or measure of alcohol strength in terms of degree proof strength. The reply of the Management is not tenable as the Company was aware of the two systems and accordingly, had placed orders in terms of degree proof strength i.e. for 66^0 OP and paid for this degree proof strength. As for the lower strength, the Company should have deducted proportionate amount.

The matter was reported to the Government in May 2000; reply had not been received (September 2000)

4A.2 Himachal Pradesh Mahila Vikas Nigam

4A.2.1 Undue favour

The Company took no action for recovery of margin/seed money loans against defaulting beneficiaries resulting in non-recovery of Rs. 0.07 crore.

Clause 4 of the bye-laws regulating financial assistance of the Company provided for grant of margin/seed money loan to the extent of 25 *per cent* (of project cost) ranging from Rs. 3001 to Rs. 5 lakh to women or women organisations. According to clause 11 (a) *ibid*, margin/seed money loan is required to be repaid within a period of five to seven years from the date of the unit coming into production or within the period fixed by the Managing Director. Clause 12 *ibid*, further laid down that in case of loanee's failure to repay the principal and interest, entire amount of the financial assistance along with interest @ 12 *per cent* and penal interest @ 2 *per cent* would be recovered in lump sum.

No action for recovery of margin/seed money loan taken against defaulting beneficiaries

Test check (December 1999) in audit revealed that Mahila Vikas Nigam had not maintained beneficiary wise records to watch the recovery of loan. The Company had no system of monitoring and therefore, it had no knowledge about the assisted units coming into production. The Company disbursed Rs. 8.24 lakh to 64 loanees during the period from 1990-91 to 1995-96 against which 13 loanees had repaid the full amount of loan (Rs. 1.38 lakh) during the period up to 1996-97 and the rest had defaulted in repayment. Out of, 51 defaulters, 27 cases were test checked. Of these, 14 loanees did not repay the loan amount of Rs. 2.33 lakh at all and 13 had repaid a meagre amount of Rs. 0.18 lakh only against loan of Rs. 1.37 lakh. The Company did not take any action for recovery against the defaulting loanees under the Himachal Pradesh Public Moneys (Recovery of Dues) Act, 1973 (March 2000).

As such, on 31 March 2000, Rs. 7.44 lakh (Principal: Rs. 3.53 lakh, Interest @ 12 *per cent* : Rs. 3.35 lakh and penal interest @ 2 *per cent* : Rs. 0.56 lakh) was recoverable from 27 defaulting units/loanees.

The Management stated (January 2000) that the Company was proposing to initiate action under the provisions of the Himachal Pradesh Public Moneys (Recovery of Dues) Act, 1973 for recovery of the amount. The Management further stated that the action under the said Act had been delayed due to shortage of staff at the headquarters as well as in the field offices. The reply of the Management is not tenable as the Company had failed to safeguard its interest by taking timely recourse under the Act. As the Company had no contact with the loanees for the period ranging one to 10 years, the possibilities of recovery were remote.

The matter was reported (March 2000) to the Government; their replies had not been received (September 2000).

4A.2.2 Inadmissible payment of interest subsidy

Company made payment of interest subsidy to banks on loan cases sponsored by it even though loanees had defaulted in making repayment of loan rendering them ineligible for subsidy.

Bye-laws of the Company provide that no subsidy would be admissible in case loanee defaulted in repayment of loan money

Clause 5 of Bye-laws provided that the Company would subsidize interest chargeable on loan received by a woman beneficiary from financial institutions for the project sanctioned by the Company and no subsidy would be admissible in case of default in repayment. This clause was amended (April 1995) to incorporate a provision of non-admissibility of subsidy on default in repayment of three consecutive installments by a beneficiary.

During audit (February 2000) it was noted that the Company did not maintain records to indicate loanee-wise recovery data as per repayment schedule fixed by the Company.

The Company neither evolved any system nor maintained records to counter check the claims of subsidy. Thus, the Company paid interest subsidy of Rs. 6.52 lakh (1995-96: Rs. 2.53 lakh, 1996-97: Rs. 0.61 lakh, 1997-98: Rs. 0.63 lakh, 1998-99: Rs. 2.00 lakh and 1999-2000 (up to April 1999: Rs. 0.75 lakh) to the banks though the loanees defaulted in repayments.

Contrary to provisions of bye-laws, the Company paid interest subsidy to defaulters

The Management stated (February 2000) that it was not possible to detect from the subsidy claims preferred by banks that a particular beneficiary had defaulted in repayment of three consecutive installments rendering himself ineligible for interest subsidy. This could be possible only by checking loan ledgers in the concerned banks. The reply of the Management is not tenable since Company had neither evolved any system for this nor maintained records to counter check the claims of interest subsidy. Thus, the payment of Rs. 6.52 lakh as interest subsidy was contrary to the bye-laws of the Company.

The matter was reported to the Government (April 2000); their replies were awaited (September 2000).

4B Statutory Corporations

4B.1 Himachal Pradesh State Electricity Board

4B.1.1 Short assessment of revenue

Failure of the Board to take prompt action as per the directions of the flying squad to install a check meter, non-charging the consumer at higher tariff, non-overhauling consumer's account and non-recovery of the differential amount of energy revenue resulted in short assessment of revenue of Rs. 0.11 crore.

Instruction No. 115 (b) (iii) read with Clause 14 (f) of the 'Abridged Conditions of Supply' of the Sales Manual Part I provide that in cases where the Board, at any time, detects the meter at a consumer's premises to be incorrect, it shall cause a test of the said meter to be carried out and should the meter prove to be incorrect, the consumer's account will be recast with retrospective effect, for a period not exceeding six months immediately preceding the date of such checking.

During audit (January 1999), it was noticed that the Flying Squad unit of the Board, in its surprise inspection found (28/29 August 1997) the meter of M/s Dabur India Limited, Baddi running slow by 35 *per cent* and advised the Sub-Divisional Officer of the Board to install a check meter with a separate Current Transformer/Power Transformer (CT/PT) unit duly tested. The check meter which was installed (5 May 1998) on Low Tension (LT) side after a delay of eight months, ascertained the consumer's meter to be slow by 38 *per cent*. The said slow meter installed on 26 July 1997 (to replace the earlier defective meter), remained dead stop from November 1997 to May 1998 and only the Monthly Minimum Charges (MMC) of Rs. 5.25 lakh were recovered from the consumer for this period. However, after installing an accurate meter (4 June 1998), the actual monthly average consumption of the consumer was higher than the MMC recovered from the consumer. Thus, delay in installing a check meter and subsequently non-charging the correct tariff and non-recovery of differential amount of energy for the period meter remained dead stop deprived the Board of revenue for the extent of Rs. 10.83 lakh during the period from February 1997 to May 1998.

Delayed installation of check meter and non-charging of tariff at higher rate deprived the Board of its revenue

The Chief Engineer (Operation) South stated (June 1999) that the check-meter ascertained the slowness of the defective meter as 28 *per cent* instead of 35 *per cent* and Rs. 2.05 lakh were recovered from the consumer on recasting his account from 26 July 1997 (the date of installing disputed meter). The reply was not tenable as the check meter was installed on LT side after a delay of eight months. The slowness works out to 38 *per cent* instead of 28 *per cent.*

The matter was referred to the Government/Board in March 2000; their replies had not been received (September 2000).

4B.1.2 Loss due to non-specifying of the schedule of supplies

Failure of the Board to specify equated supply schedule in the purchase order for the total delivery period resulted in avoidable payment of escalation charges.

HPSEB placed (February 1993) an order on M/s Transpower Engineering Limited, Bombay for design manufacturing, testing and supply of towers and accessories for 15 numbers 132 KV Single and Double Circuit Transmission Lines at a cost of Rs. 10.05 crore. As per the terms and conditions, prices were variable and were to be calculated as per the price variation formula given in the Contract. The supplies were to be completed within 19 months (i.e. by 15 September 1994) from the date of placement of purchase order starting from the 7th month i.e. September 1993. The firm started supplies in December 1993 and could only supply 1449.685 MT material up to September 1994. The delivery period was extended (May 1997) up to February 1996 after completion of supply, however, the benefit of price variations was restricted up to the original delivery date (September 1994) without the levy of liquidated damages.

The Board paid Rs. 0.41 crore as price variation due to non-specifying supply schedule in purchase order

During audit (February 1998), it was noticed that though the Board had fixed the total delivery period for the commencement and completion of the supplies but the equated phasing of the total quantity over the total delivery period of 12 months was not done. The price index for the raw material depicted a downward trend during the first six months' period from September 1993 to February 1994. The firm did not supply any quantity during first three months and supplied only 36.664 MT (0.76 *per cent*) material (out of 4769.974 MT) in the next three months up to February 1994. The base prices started picking up in March 1994 and the firm, thereafter, completed the supplies. The firm claimed (Rs. 47.83 lakh) on account of price variation in July 1996 and the payment of Rs. 43.88 lakh on this account was released (October 1996) for supplies made up to December 1995. Thus, non-specifying of the equated supply schedule over the total delivery period of 12 months in the purchase order resulted in avoidable payment of Rs. 41.18 lakh (after adjustment of liquidated damages of Rs. 2.70 lakh).

The Chief Engineer (Transmission) stated (March 1999) that the delay in completing supplies was attributed to the unknown reasons such as checking design and testing of towers at the time of placement of purchase order. The reply is not tenable as the reasons were well known to the Board and could have been arranged well in time by both the Board and the firm.

The matter was referred to the Government/Board in March 2000; their replies had not been received (September 2000)

4B.1.3 Peak load infringement charges

The Board did not recover the peak load hour restrictions infringement charges of Rs. 0.47 crore from the consumer.

The Board did not charge Rs. 0.47 crore on account of charges for infringement of peak load restrictions

Clause 18 (c) of the 'Abridged Conditions of Supply of Power' provides that in case of breach of conditions of supply or any restrictions thereunder, by way of infringement of peak load hour restrictions, the monthly energy charges as well as the monthly minimum charges shall be increased by the same ratio as the number of peak load hours in the month bears to the total hours in the month. M/s Associated Cement Companies Limited, Barmana (A/c No. Gaggal-1 LS) was sanctioned a load of 28.500 MW (i.e. 140 Amps.) for peak load hours and the same was further restricted from time to time telephonically by the Power Controller of the Board. For this specific exempted restricted load, Rs. 70 per KVA per month was charged from the consumer as per provisions of Clause-I-General of Notification of Schedule of Tariff.

During audit (October 1999), it was noticed that the consumer did not restrict peak hour load drawal to such restricted load during February and October 1997. For this breach of the restrictions by the consumer, the Board did not increase the energy bills of the consumer in the same ratio as the peak load hours bore to the total hours in the month as per the provisions, *ibid.* This resulted in short recovery on account of the infringement charges of Rs. 46.53 lakh.

In reply (January 2000), the Additional Superintending Engineer (Elect.), Bilaspur stated that the peak load exemption charges were levied on the load restricted from time to time by the Power Controller telephonically. The reply is not tenable as Clause 18 (c) *ibid* being a penalty clause provides for increasing the total bill of the month and not for recovering only for the actual load drawn, otherwise such restrictions would have no meaning.

The matter was reported to the Government/Board in March 2000; their replies had not been received (September 2000).

4B.1.4 Avoidable repair expenses and generation loss

Faulty planning led to avoidable repair charges of Rs. 1.71 crore and generation loss of Rs. 6.63 crore.

The Thirot Hydel Project (4.5 MW) in Lahaul and Spiti District of Himachal Pradesh comprises 2.77 kms long water conductor system (1 km long tunnel, 1.3 km long hydel channel and 475 metres long penstock) for power generation. The strata in the greater part of the project area comprised of thick deposits of hill wash and slide debris. Therefore, the Geological Survey of India in their pre-and-post construction studies of the project suggested (October 1987 and May 1996) for constructing a tunnel as slump cracks, settlement/subsiding and sliding would occur in the power channel in this glacial area. But the Board, instead of following the recommendations of the Geological Survey of India, constructed (1988 to 1995) a channel at a cost of Rs. 93.87 lakh and the project was put to commercial production in October 1995.

Non-construction of tunnel at the initial stage resulted in subsequent expenditure on frequent repairs and generation loss

During audit (December 1996), it was noticed that the channel did not plug the seepage of water and could not withstand the loose strata and a portion of channel in the acute problematic zone settled down (April 1996) just within six months from putting the project into commercial production. The channel was repaired by providing HDPE pipes and the powerhouse was again put to generation (October/November 1996). However, the seepage of water could not be entirely plugged off and the channel was again damaged in May 1998 and was repaired (October 1998). The Board incurred an expenditure of Rs. 1.61 crore on restoration and Rs. 9.71 lakh on plugging/repair of seepage of the channel during the period from April 1996 to January 2000. In addition, the Board also sustained generation loss (ranging between 74 and 99.12 *per cent*) of Rs. 6.63 crore during this period (January 2000). Thus, the expenditure of Rs. 1.71 crore and generation loss of Rs. 6.63 crore could have been avoided, had the Board constructed tunnel instead of channel.

In replies (January 1998/2000), the Chief Engineer, Larji Hydel Project admitted that the tunnel was a permanent solution for water conductor system in a slide/glacial prone area but was a costlier and more time consuming alternative as compared to the water channel. This could not be taken up due to paucity of funds. The reply is not tenable as the very purpose of economy, both in time and funds, was defeated due to frequent heavy repairs and generation loss. Had the tunnel been constructed at the initial stage, subsequent expenditure on frequent repairs, and generation loss could have been avoided.

The matter was reported to the Government/Board in March 2000; their replies had not been received (September 2000).

4B.1.5 Idle equipment

Non-commissioning of Micro Processor Based Sequence Control and Data Logger (SCADA-System) resulted in idle investment of Rs. 1.01 crore and loss of interest of Rs. 0.96 crore.

The Board placed two purchase orders (28 July 1988 and 14 June 1989) on M/s Punjab Power Generating Machines Limited, Chandigarh for designing, manufacturing, testing, erection, supply and commissioning of two sets of Micro Processor Based Sequence Control and Data Logger (SCADA System) for Gaj and Baner Hydro Electric Projects at FOR (site) cost of Rs. 43.12 lakh and Rs. 50.93 lakh respectively. The SCADA System was to be installed for facilitating manual, fully automatic remote sequential control of the machines of power houses and sensing master trip operations etc. Clause 1.10.0 of the Contract Agreements provides that in case the contractor neglects to execute the work, the Board shall be at liberty to take the work wholly or in part out of the contractor's hands and re-contract at a reasonable price with any other person(s) and retain any balance which may be due to the contractor or any other account of the contractor. In case the amount is not sufficient to cover the amount recoverable from the contractor, the Board shall initiate action of law or otherwise against the contractor to recover the whole or balance of such amount from him.

Idle investment due to non-commissioning of Micro Processor Based Sequence Control and Data Logger System

During audit (October 1996), it was noticed that the Gaj Project was commissioned on 22 June 1996 and Baner project on 13 May 1996. The SCADA Systems supplied (September 1993) by the firm were also erected along with other equipment of the projects. However, these systems were not commissioned so far (March 2000). The Board did not initiate any action against the firm in terms of Clause 1.10.0 *ibid* for failure of the contractor to commission the SCADA Systems. The Board paid Rs. 1.01 crore (up to December 1993) to the supplier for these equipment resulting in idle investment to this extent and avoidable payment of interest (@ 14.5 *per cent* per annum) amounting to Rs. 95.60 lakh (January 1994 to June 2000).

In reply (September 1997), the Chief Engineer (Generation) stated that the material of SCADA equipment systems had been received but the machines would be made available to the firm (sub-supplier M/s C.G.L) during the lean season for commissioning of the systems. However, the same had not been commissioned so far (June 2000) and the reasons for the same are not available on record.

The matter was reported to the Government/Board in March 2000; their replies had not been received (September 2000).

77.80

4B.1.6 Excess payment of energy bills

Excess payment of Rs. 2.39 crore on account of purchase of power without considering appropriate meter readings. This resulted in loss of interest of Rs. 0.37 crore.

An Electro Mechanical Sangma Make meter of accuracy class-II i.e., with an admissible error of ± 2 *per cent* on full load with unity power factor had been installed for metering the energy drawn by the Board from M/s Power Grid Corporation of India Limited (NHPC and BBMB) at 220/133/33 KV Sub-station, Jassure. The PGCIL installed (May 1998) a time of day (TOD) meter of accuracy class 0.5 i.e., with an admissible error of ± 0.5 *per cent* on full load with unity power factor as confirmed/tested by the Board's M & T Division, Kangra.

During audit (September 1999), it was noticed that the Electro Mechanical and TOD meters recorded 56,33,16,720 and 55,13,80,000 units respectively during the period from June 1998 to August 1999. The variation in monthly readings of both the meters ranged between 1.10 and 4.48 *per cent* during this period. The Board instead of insisting to make payments on the basis of the readings (55,13,80,000 units) recorded by the TOD meter (of higher accuracy class), made payments on the basis of readings (56,33,16,720 units) recorded by the Electro Mechanical meter. This resulted in excess payment for 1,19,36,720 units valued at Rs. 2.39 crore (@ Rs. 2 per unit) with interest loss of Rs. 36.84 lakh (@ 14.5 *per cent* per annum).

The Board paid Rs. 2.39 crore in excess as it did not take into account the meter readings

The Chief Engineer (Operation) North admitted (March 2000) the audit contention and stated that the matter was under process and would be sorted out by HPSEB, PGCIL, NHPC and BBMB jointly. However, no such joint meeting/decision was taken in this regard so far (April 2000).

The matter was reported to the Government/Board in April 2000; replies had not been received (September 2000).

4B.1.7 Irregular payment of allowance

The Board made payments of danger allowance- Rs. 0.57 crore and risk allowance- Rs. 0.30 crore in deviation of PSEB pattern.

The full Board in its 70th emergent meeting (January 1979) had decided to follow strictly the Punjab State Electricity Board's pay patterns for its employees. Again in 183rd meeting (November 1991), the Board decided that in new cases no deviation from PSEB pattern would be allowed.

During audit (February 2000), it was noticed that the Board following the Punjab State Electricity Board pattern allowed risk allowance to Linemen and

Assistant Linemen @ 100 and 50 PM respectively with effect from 1 September 1998 for performing duties involving risk to life. The Board also allowed the same @ Rs. 30 p.m. to Technical Mates with effect from 1 May 1999 in contravention of its decision (November 1991) and in deviation of PSEB pattern. The duties assigned to Technical Mates were to assist the regular line staff etc. and do not involve risk to life. Again in contravention and deviations of decisions *ibid*, the Board also allowed danger allowance with effect from August 1999 to all the three categories (Linemen, Assistant Linemen and Technical Mates) of staff. As the word danger is synonymous of 'risk', grant of danger allowance to all the three categories and risk allowance to Technical Mates was in contravention to PSEB pattern. Thus, Board's decision was not justified. This resulted in irregular/overpayment of Rs. 56.62 lakh (August 1999 to March 2000) as danger allowance to all the three categories for the same purpose and undue payment of Rs. 29.90 lakh (May 1999 to March 2000) as risk allowance to Technical Mates.

The matter was reported to the Government/Board (May 2000); their replies had not been received (September 2000).

4B.1.8 Loss due to non-disposal of surplus BQ steel plates

Non-disposal of surplus BQ plates resulted in blocking of Board's funds of Rs. 0.24 crore and interest loss of Rs. 0.21 crore.

The Manual of Instruction (No. 27) of the Board provides that material and manufactured articles found surplus on completion of a work should be sold by public auction.

The Board's funds were locked up due to non-disposed of surplus BQ steel plates

During audit (December 1999), it was noticed that the Board had imported/procured Boiler Quality (BQ) steel plates weighing 2132.139 MT for Bhabha (January 1984), 770.702 MT for Baner and 657.850 MT for Gaj (1990) for penstocks of these hydro-electric projects. These BQ plates were simultaneously sent to M/s Indian Hume Pipes Limited, Pune for fabrication work. Bhabha, Gaj and Baner projects were completed in July 1989, June 1996 and August 1996 after utilising 1972.702 MT, 520.343 MT and 573.482 MT of BQ plates respectively. The residual BQ plates weighing 159.437 MT (Bhabha); 79.448 MT (Baner) and 59.506 MT (Gaj) were declared surplus during September 1988; May 1998 and June 1998 respectively. Out of 159.437 MT surplus BQ plates in respect of Bhabha project, 50.105 MT were transferred (upto December 1997) to other on-going projects (Baner and Gaj: 25.408 MT and Gumma and Ghanvi: 24.697 MT). Balance surplus BQ plates weighing 109.332 MT valued at 11.78 lakh (Bhabha), 79.448 MT valued at Rs. 7.65 lakh (Baner) and 59.506 MT valued at Rs. 4.59 lakh (Gaj) were lying in the premises of M/s IHP Limited, Pune since 1988 (Bhabha) and 1996 (Baner and Gaj) respectively. Therefore, surplus material could not be utilised in the ongoing (Ghanvi and Gumma) projects of the Board. The Board could not take effective steps to dispose the surplus BQ plates so far (July 2000). Thus, non-disposal of the surplus BQ plates had resulted in blockade of Board's funds of Rs. 24.02 lakh and interest loss of Rs. 21.44 lakh.

The Member (Civil) admitted the audit contention and stated (April 2000) that the matter regarding disposal of the surplus BQ plates was in progress.

The matter was reported to the Government in May 2000; reply had not been received (September 2000).

4B.1.9 Loss due to injudicious decision

The Board incurred avoidable loss of interest of Rs. 1.96 crore and front-end charges of Rs. 0.65 crore due to injudicious decision.

The full Board in its 122nd meeting decided (27 November 1996) to float 17.5 *per cent* Non-SLR Bond issue of Rs. 75 crore with an option to retain over subscription to the extent of Rs. 50 crore for liquidating dues of the Government of Himachal Pradesh. Against the issue an amount of Rs. 133.03 crore was subscribed by 26 December 1996 i.e., the date of closing of the issue. The Board had been maintaining an escrow account for this issue and the Government was reimbursing the interest and other charges on this account to the Board as interest subsidy. As a result, the Board had not been incurring any extra expenditure on the issue.

The Board could have availed of cash credit at lower interest rate instead of retaining amount raised through bonds at higher rate of interest

During audit (October 1999), it was noticed that the Himachal Pradesh State Cooperative Bank directly deposited (December 1996) Rs. 20 crore in the current account of the Board towards the Bond issue without applying for the bonds. No funds were, however, needed by the Board for investment in any specific project, yet in order to accommodate the Bank, Board decided (8 January 1997) to retain the amount by floating special Bond issue to the extent, exclusively for the Bank on the same terms and conditions except escrow mechanism and arranger fee. The Board utilised the amount to meet out its day-to-day financial requirements which could, however, be met with by operating overdraft limits (Rs. 101.20 crore) on an average interest rate of 14.5 *per cent* per annum during the period (1996-97 to 1999-2000). The Board did not consider this aspect at the time of deciding the issue which resulted in incurring of avoidable payment of front-end-charges of Rs. 65 lakh and interest of Rs. 1.96 crore (from 23 December 1996 to March 2000) calculated at the differential rate of three *per cent* per annum.

The Government replied (July 2000) that the size of the bond issue was enhanced from Rs. 125 crore to Rs. 145 crore in principle in the emergent meeting of full Board held on 21 December 1996 and the effective rate of interest on overdraft was 16.88 *per cent* on that date. The reply was not tenable as the oversubscribed amount of Rs. 8.03 crore was refunded to restrict the size of the issue to Rs. 125 crore. The bonds amounting to Rs. 20 crore should not have been issued to Himachal Pradesh State Co-operative Bank as a special case which was undue favour to the Bank. The action resulted in avoidable payment of front-end-charges and interest. Also the prevailing interest rate on overdraft at that time ranged between 13.82 and 15.5 *per cent* per annum.

4B.1.10 Non recovery under risk and cost clause

The Board executed left over work of tunneling departmentally by incurring extra expenditure of Rs. 0.13 crore.

The Board did not invoke the risk and cost clause against contractor and executed the left over work departmentally

The work "Construction of Diversion, Intake and Tunnel including Adit" of SVP-Bhabha Augmentation Project of the Board was awarded (September 1988) to M/s Asian Tech Limited, Cochin, Kerala and was to be completed by April 1991. Clause 3(d) of the Agreement entered into with the contractor, *inter-alia*, provides for taking over any part of the work out of contractor's hand which in the opinion of the Engineer-in-charge is not being carried out by the contractor with required diligence and efficiency and execute it departmentally or through other agency at the risk and cost of the contractor. The contractor could not complete the work within the specified period and the period was extended further up to December 1995. As the work was not completed within the extended period, the Board decided (November 1996) to take over a part of work of tunneling (RD 1504 to 1870) from the contractor and issued (16 November 1996) final notice under clause *ibid*. The work was executed (March 1999) departmentally at a cost of Rs. 40.42 lakh against the quoted rates of Rs. 27.12 lakh of the contractor. Thus, the Board incurred an extra expenditure of Rs. 13.30 lakh up to March 1999.

In reply (December 1999), the Chief Engineer (Project) stated that an interim bill for the differential cost of Rs. 13.30 lakh was raised (February 1999) against the contractor. Though the bill was raised in February 1999 yet the amount had not been received/adjusted even after a lapse of one and a half-year (July 2000). Despite this, the Board did not initiate legal action against the contractor.

The matter was reported to the Government in May 2000; reply had not been received (September 2000).

4B.2 Himachal Road Transport Corporation

4B.2.1 Avoidable payment of interest

State Government investment in Himachal Road Transport Corporation could not be availed of by the Corporation as it failed to draw the amount from Government account before close of the financial year and incurred interest burden on funds arranged through cash credit from banks.

Himachal Pradesh Government sanctioned capital investment of Rs. 76 lakh (Rs. 32 lakh on 27 March 1998 and Rs. 44 lakh on 31 March 1998) in Himachal Road Transport Corporation (HRTC) for the year 1997-98. The Director Transport after getting the bills passed from the District Treasury (Capital), Shimla on 31 March 1998 endorsed these to HRTC for obtaining payment. HRTC instead of presenting these bills for payment directly to the Government banker (the State Bank of Patiala, Chhota Shimla), approached its banker (the Himachal Pradesh State Co-operative Bank, The Mall, Shimla). The bank sent the bills to the State Bank of India, Shimla who entertained them by mistake. Accordingly the Himachal Pradesh State Co-operative Bank, The Mall, Shimla credited Rs. 76 lakh to the account of HRTC against which it issued (31 March 1998) two term deposit receipts for Rs. 44 lakh and Rs. 32 lakh (both encashed on 7 April 1998) to HRTC.

The Corporation failed to avail of Government grants and thus had to pay interest on funds arranged through cash credit

It was noticed in Audit (March 1999) that on 7 April 1998 the District Treasury (Capital), Shimla pointed out the mistake of not presenting bills to the right bank and thus the Government account could not be debited. On this coming to notice, the Himachal Pradesh State Co-operative Bank unilaterally debited (25 April 1998) Rs. 76 lakh to the cash credit account of HRTC. Thus, due to mistake in presenting and in entertaining the bills at the wrong bank, the Government investment of Rs. 76 lakh for the year 1997-98 lapsed as the amount could not be withdrawn from the Government account before the close of the accounts for the financial year. To meet its requirements, the Corporation availed cash credit on which it paid interest of Rs. 28 lakh (@ 16 *per cent*) during 1998-99. HRTC could have avoided interest burden to the extent of Rs. 11.28 lakh (@ 16 *per cent*) had it received Government investment of Rs. 76 lakh on 31 March 1998. This investment of Rs. 76 lakh (Rs. 32 lakh and Rs. 44 lakh) was received by HRTC after a year on 30 and 31 March 1999.

HRTC took up (1 May 1998) the matter against raising of debit of Rs. 76 lakh with the Himachal Pradesh State Co-operative Bank who referred the matter to the State Bank of India. The SBI admitted mistake in having entertained the bills due to heavy rush of work.

The matter was brought (July 1999) to the notice of the Management who issued (31 August 1999) a legal notice to the Himachal Pradesh State Co-operative Bank, The Mall, Shimla for claiming interest of Rs. 11.28 lakh in addition to legal costs.

The Government stated (April 2000) that a suit for the recovery of interest amounting to Rs. 11.28 lakh besides Rs. 0.55 lakh as compensation and litigation costs has been filed in the Himachal Pradesh State Consumer Dispute Redressal Commission against Himachal Pradesh State Co-operative Bank. The outcome of the case was awaited (September 2000).

4B.2.2 Loss due to non-obtaining of refund of token tax

The Corporation failed to reduce its operating costs by Rs. 0.05 crore due to non-obtaining of refund/non-filing of claims for refund of token tax for the vehicles which remained off the road for complete months.

The Corporation failed to claim refund of token tax for vehicles which remained off the road

Section 10(1) of the Himachal Pradesh Motor Vehicles Taxation Act, 1972 *inter-alia*, lays down that when any person who has paid the tax in respect of a motor vehicle produces before the taxation authority a certificate signed by the registering authority stating that the token tax and the certificate of registration issued in respect of such vehicle have been surrendered on the date specified by the registering authority in his certificate, such person or an application made in that behalf to the taxation authority, be entitled to a refund of token tax for each complete month of the period for which such tax has been paid and which is un-expired on the date on which the tax token and the certificate of registration were surrendered, of an amount of one twelfth of the annual tax payable in respect of such vehicle.

Test check of records of 19 (out of 23) offices of Regional Managers of Himachal Road Transport Corporation revealed that the management failed to deposit the registration certificates with the Registering Authorities for a number of motor vehicles, which remained off the road. Thus, they lost their claims for refund of token tax amounting to Rs. 3.36 lakh. Besides, refund of token tax amounting to Rs. 2.06 lakh was not obtained even though the motor vehicles were kept off the road for complete months. Registration certificates for such vehicles were also deposited with the concerned Registering Authorities as required. This resulted in non-reduction of operating costs by Rs. 5.42 lakh during the period 1989-90 to 1999-2000.

The matter was reported to the Government/Corporation in May 2000; replies had not been received so far (September 2000).

Revathi Bedi

Shimla
The

(REVATHI BEDI)
Accountant General (Audit)
Himachal Pradesh

Countersigned

V. K. Shunglu

New Delhi
The

(V.K. SHUNGLU)
Comptroller and Auditor General of India

ANNEXURES

Annexure-1

Statement showing particulars of capital, loans/equity received out of budget, other loans and loans outstanding as on 31 March 2000 in respect of Government companies and Statutory corporations

(Referred to in paragraph Nos. 1.2.1, and 1.3 pages 2 and 4)

(Figures in columns 3(a) to 4(f) are Rupees in lakh)

Sr. No.	Sector and name of the Company	Paid-up capital as at the end of 1999-2000					Equity/loans received out of Budget during the year		Other loans received during the year@	Loans **Outstanding at the close of 1999-2000			Debt equity ratio for 1999-2000 (Previous year) 4(f)/3(e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total	
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
A	**Government companies**												
	AGRICULTURE AND ALLIED												
1	Himachal Pradesh Agro Industries Corporation Limited	984.08	196.00	-	-	1180.08	-	-	-	199.29	-	199.29	0.17:1 (0.09:1)
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	1023.50	150.00	607.00	-	1780.50	-	-	-	1122.75	100.00	1222.75	0.69:1 (1.34:1)
3	Agro Industrial Packaging India Limited	1675.00	-	-	100.00	1775.00	-	-	-	-	-	-	-
	Total	**3682.58**	**346.00**	**607.00**	**100.00**	**4735.58**	-	-	-	**1322.04**	**100.00**	**1422.04**	**0.30:1 (0.52:1)**
	INDUSTRY												
4	Himachal Pradesh State Small Industries and Export Corporation Limited	**246.08**	-	-	-	**246.08**	-	-	-	-	-	-	-

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
5	Himachal Worsted Mills Limited	-	-	47.00	45.00	92.00	-	-	-	6.00	269.84	275.84	3.00.1 (3.00:1)
6	Himachal Pradesh General Industries Corpo-ration Limited	497.79*	-	-	12.31	510.10*	-	-	-	-	-	-	-
	Total	**743.87**	**-**	**47.00**	**57.31**	**848.18**	**-**	**-**	**-**	**6.00**	**269.84**	**275.84**	**0.33:1 (0.40:1)**
	ENGINEERING												
7	Nahan Foundry Limited	387.00	-	-	-	387.00	-	-	-	54.35	-	54.35	0.14:1 (0.56:1)
	Total	**387.00**	**-**	**-**	**-**	**387.00**	**-**	**-**	**-**	**54.35**	**-**	**54.35**	**0.14:1 (0.56:1)**
	ELECTRONICS												
8	Himachal Pradesh State Electronics Develop-ment Corpo-ration Limited	371.67	-	-	-	371.67	-	9.40	-	48.30	-	48.30	0.13:1 (0.13:1)
	Total	**371.67**	**-**	**-**	**-**	**371.67**	**-**	**9.40**	**-**	**48.30**	**-**	**48.30**	**0.13:1 (0.13:1)**
	HANDLOOM AND HANDICRAFTS												
9	Himachal Pradesh State Handi-crafts and Handloom Corpo-ration Limited	409.16	3.00	-	-	412.16	1.00	-	-	197.61	-	197.61	0.48:1 (0.48:1)
	Total	**409.16**	**3.00**	**-**	**-**	**412.16**	**1.00**	**-**	**-**	**197.61**	**-**	**197.61**	**0.48:1 (0.48:1)**
	FOREST												
10	Himachal Pradesh State Forest Corpo-ration Limited	1171.12	-	-	-	1171.12	-	-	20000.00	-	65963.00	65963.00	56.32:1 (39.25:1)
	Total	**1171.12**	**-**	**-**	**-**	**1171.12**	**-**	**-**	**20000.00**	**-**	**65963.00**	**65963.00**	**56.32:1 (39.25:1)**

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	CONSTRUCTION												
11	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	500.00	-	-	-	500.00	500.00	-	29721.00	-	29721.00	29721.00	59.44:1 (-)
	Total	**500.00**	**-**	**-**	**-**	**500.00**	**500.00**	**-**	**29721.00**	**-**	**29721.00**	**29721.00**	**59.44:1 (-)**
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS												
12	Himachal Pradesh Mahila Vikas Nigam	125.18	9.60	-	-	134.78	5.00	-	-	-	5.00	5.00	0.04:1 (-)
13	Himachal Backward Classes Finance and Development Corporation Limited	174.59	-	-	-	174.59	40.00	-	-	-	461.73	461.73	2.64:1 (2.61:1)
14	Himachal Pradesh Minorities Finance and Development Corporation	75.42	-	-	-	75.42	10.00	-	-	-	144.32	144.32	1.91:1 (1.62:1)
	Total	**375.19**	**9.60**	**-**	**-**	**384.79**	**55.00**	**-**	**-**	**-**	**611.05**	**611.05**	**1.59:1 (1.39:1)**
	PUBLIC DISTRIBUTION												
15	Himachal Pradesh State Civil Supplies Corporation Limited	351.50	-	-	-	351.50	-	-	-	71.23	-	71.23	0.20:1 (0.20:1)
	Total	**351.50**	**-**	**-**	**-**	**351.50**	**-**	**-**	**-**	**71.23**	**-**	**71.23**	**0.20:1 (0.20:1)**

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	TOURISM												
16	Himachal Pradesh Tourism Development Corporation Limited	1229.86	-	-	-	1229.86	-	-	-	-	44.78	44.78	0.04:1 (-)
	Total	**1229.86**	**-**	**-**	**-**	**1229.86**	**-**	**-**	**-**	**-**	**44.78**	**44.78**	**0.04:1 (-)**
	DRUG, CHEMICALS AND PHARMACEUTICALS												
17	Himachal Pradesh Health Systems Corporation Limited	25.00	-	-	-	25.00	25.00	-	-	-	-	-	-
	Total	**25.00**	**-**	**-**	**-**	**25.00**	**25.00**	**-**	**-**	**-**	**-**	**-**	**-**
	FINANCING												
18	Himachal Pradesh State Industrial Development Corporation Limited	2959.40	-	-	-	2959.40	-	-	-	100.00	3191.81	3291.81	1.11:1 (1.19:1)
	Total	**2959.40**	**-**	**-**	**-**	**2959.40**	**-**	**-**	**-**	**100.00**	**3191.81**	**3291.81**	**1.11:1 (1.19:1)**
	Total-A	**12206.35**	**358.60**	**654.00**	**157.31**	**13376.26**	**581.00**	**9.40**	**49721.00**	**1799.53**	**99901.48**	**101701.01**	**7.60:1 (4.21:1)**
B	**Statutory corporations**												
19	Himachal Pradesh State Electricity Board	27600.00	-	-	-	27600.00	200.00	220.58	40414.10	178.81	135410.66	135589.47	4.91:1 (5.39:1)
	Total	**27600.00**	**-**	**-**	**-**	**27600.00**	**200.00**	**220.58**	**40414.10**	**178.81**	**135410.66**	**135589.47**	**4.91:1 (5.39:1)**
	TRANSPORT												
20	Himachal Road Transport Corporation	16315.52	1544.45	-	-	17859.97	1219.00	-	-	-	3902.61	3902.61	0.22:1 (0.21:1)
	Total	**16315.52**	**1544.45**	**-**	**-**	**17859.97**	**1219.00**	**-**	**-**	**-**	**3902.61**	**3902.61**	**0.22:1 (0.21:1)**

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	FINANCING												
21	Himachal Pradesh Financial Corpo-ration	2157.79#	-	-	659.32	2817.11#	-	-	150.00	-	11440.73	11440.73	4.06:1 (4.08:1)
	Total	**2157.79**	**-**	**-**	**659.32**	**2817.11**	**-**	**-**	**150.00**	**-**	**11440.73**	**11440.73**	**4.06:1 (4.08:1)**
	Total-B (All sector-wise Statutory corpora-tions)	**46073.31**	**1544.45**	**-**	**659.32**	**48277.08**	**1419.00**	**220.58**	**40564.10**	**178.81**	**150754.00**	**150932.81**	**3.13:1 (3.63:1)**
	Grand Total (A+B)	**58279.66**	**1903.05**	**654.00**	**816.63**	**61653.34**	**2000.00**	**229.98**	**90285.10**	**1978.34**	**250655.48**	**252633.82**	**4.10:1 (3.63:1)**

Note:- Except in respect of companies and corporations which finalised their accounts for 1999-2000 (Sr. No. 4, 5, 6, 7, 15, 18, 19, 20 & 21)) figures are provisional and as given by the companies/corporations.

* *Includes share application money of Rs. 150.00 lakh.*

@ *Includes bonds, debentures, inter corporate deposits etc.*

** *Loans outstanding at the close of 1999-2000 represents long term loans only.*

\# *Includes share application money of Rs. 66.10 lakh.*

Annexure-2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Referred to in paragraph Nos. 1.2.1, 1.2.2, 1.4.1, 1.5, 1.5.1.1, 1.5.1.2, 1.6 and 1.7 pages 2, 4, 6, 7, 8 and 10)

(Figures in columns 7 to 12 are Rupees in lakh)

Sl. No	Sector and name of Company	Name of Department	Date of incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss(-)	Capital employed (A)	Total Return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Status of the Company/ Corporation
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
A	**Government companies**													
	AGRICULTURE AND ALLIED													
1	Himachal Pradesh Agro Industries Corporation Limited	Horticulture	September 1970	1998-99	1999-2000	(+)21.55	Nil comments	1180.08	(-)268.76	553.54	(+)41.11	7.43	1	Working
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Horticulture	June 1974	1998-99	1999-2000	(-)33.35	Understatement of net loss by Rs. 16.30 lakh	1780.50	(-)2245.09	1480.25	(+)36.29	2.45	1	Working
3	Agro Industrial Packaging India Limited	Horticulture	February 1987	1997-98	1999-2000	(-)352.42	Understatement of loss by Rs. 5.41 lakh	1772.00	(-)3056.48	746.21	(-)49.65	-	-	Working
				1998-99	2000-01	(-)334.52	Understatement of loss by Rs. 15.94 lakh	1772.00	(-)3391.00	350.48	(+)22.51	6.42	1	Working
	Total					**(-)346.32**		**4732.58**	**(-)5904.85**	**2384.27**	**(+)99.91**	**4.19**	**3**	

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	INDUSTRY													
4	Himachal Pradesh State Small Industries and Export Corporation Limited	Industries	October 1966	1998-99	2000-01	(-)14.60	Understatement of current liabilities and provisions by Rs.2.52 lakh	246.08	(-)272.19	78.21	(-)14.60	-	-	Working
				1999-2000	2000-01	(-)3.07	Nil comments	246.08	(-)275.26	75.14	(-)3.07	-	-	Working
5	Himachal Worsted Mills Limited	Industries	October 1974	1998-99	1999-2000	(-)2.12	Nil comments	92.00	(-)542.37	(-)61.85	(-)1.24	-	-	Under-liquidation
				1999-2000	2000-01	(-)1.01	Not reviewed	92.00	(-)543.38	(-)62.87	(-)0.13	-	-	-do
6	Himachal Pradesh General Industries Corporation Limited	Industries	November 1972	1999-2000	2000-01	(-)155.77	General comments	510.10	(-)131.18	(+)697.04	(+)72.41	10.39	-	Working
	Total					**(-)159.85**		**848.18**	**(-)949.82**	**(+)709.31**	**(+)69.21**	**9.76**	**-**	
	ENGINEERING													
7	Nahan Foundry Limited	Industries	October 1952	1998-99	1999-2000	(-)37.49	Nil comments	387.00	(-)784.82	(-)250.78	(+)0.55	-	-	Defunct
				1999-2000	2000-01	(-) 43.55	Not reviewed	387.00	(-) 828.37	(-) 294.11	(-) 1.96	-	-	-do-
	Total					**(-) 43.55**		**387.00**	**(-)828.37**	**(-)294.11**	**(-)1.96**	**-**	**-**	
	ELECTRONICS													
8	Himachal Pradesh State Electronics Development Corporation Limited	Industries	October 1984	1998-99	1999-2000	(-)50.04	Nil comments	371.67	(-)118.40	267.63	(-)50.04	-	1	Working
	Total					**(-)50.04**		**371.67**	**(-)118.40**	**267.63**	**(-)50.04**	-	**1**	
	HANDLOOM AND HANDICRAFTS													
9	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	Industries	March 1974	1998-99	1999-2000	(+)18.62	Nil comments	411.16	(-)571.61	50.75	(+)40.07	78.96	1	Working
	Total					**(+)18.62**		**411.16**	**(-)571.61**	**50.75**	**(+)40.07**	**78.96**	**1**	

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	FOREST													
10	Himachal Pradesh State Forest Corporation Limited	Forest	March 1974	1995-96	2000-01	(+)19.27	Over-statement of profit by Rs. 150.33 lakh	1208.06	(-)1414.25	3359.22	(+)676.78	20.15	4	Working
	Total					**(+)19.27**		**1208.06**	**(-)1414.25**	**3359.22**	**(+)676.78**	**20.15**	**4**	
	CONSTRUCTION													
11	H.P. Road and Other Infrastructure Development Corporation Limited	Public Works	June 1999	**First accounts not received**										
	Total													
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS													
12	Himachal Pradesh Mahila Vikas Nigam	Welfare	April 1989	1997-98	1999-2000	(+)1.43	Not reviewed	117.28	(+)1.43	56.45	(+)1.43	2.53	2	Working
13	Himachal Backward Classes Finance and Development Corporation	Welfare	January 1994	1996-97	1999-2000	(+)7.23	Nil comments	54.99	(+)15.93	163.65	(+)11.50	7.03	3	Working
14	Himachal Pradesh Minorities Finance and Development Corporation	Welfare	September 1996	1997-98	1999-2000	(-)0.20	Understatement of (i) paid up capital by Rs. 36 lakh & (ii) loss by Rs.0.60 lakh	36.00	(-)0.85	50.13	(-)0 14	-	2	Working
	Total					**(+)8.46**		**208.27**	**(+)16.51**	**270.23**	**(+)12.79**	**4.73**	**7**	
	PUBLIC DISTRIBUTION													
15	Himachal Pradesh State Civil Supplies Corporation Limited	Food & Supplies	September 1980	1999-2000	2000-01	(+)19.75	Nil comments	351.50	(+)133.74	1824.61	(+)163.32	8.95	-	Working
	Total					**(+)19.75**		**351.50**	**(+)133.74**	**1824.61**	**(+)163.32**	**8.95**	**-**	

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	TOURISM													
16	Himachal Pradesh Tourism Development Corporation Limited	Tourism and Civil Aviation	September 1972	1998-99	1999-2000	(+)18.12	Nil comments	1229.86	(-)364.58	1740.83	(+)23.47	1.35	1	Working
	Total					**(+)18.12**		**1229.86**	**(-)364.58**	**1740.83**	**(+)23.47**	**1.35**	**1**	
	DRUGS, CHEMICALS AND PHARMACEUTICALS													
17	Himachal Pradesh Health Systems Corporation Limited	Health	November 1999	**First accounts not received**										
	Total													
	FINANCING													
18	Himachal Pradesh State Industrial Development Corporation Limited	Industries	November 1966	1999-2000	2000-01	(-)121.06	Nil comments	2959.40	(-)2093.49	4067.85	(+)278.05	6.84	-	Working
	Total					**(-)121.06**		**2959.40**	**(-)2093.49**	**4067.85**	**(+)278.05**	**6.84**	**-**	
	Total-A (All sector-wise Government companies)					**(-)636.60**		**12707.68**	**(-)12095.12**	**14380.59**	**(+)1311.60**	**9.12**	**17**	
B	**Statutory corporations**													
	POWER													
19	Himachal Pradesh State Electricity Board	MPP & Power	September 1971	1999-2000	2000-01	(-)10622.48	Understatement of net deficit by Rs. 439.73 crore	27600.00	(+)1951.88	188723.88	(-)5512.93	-	-	Working
	Total					**(-)10622.48**		**27600.00**	**(+)1951.88**	**188723.88**	**(-)5512.93**	**-**	**-**	
	TRANSPORT													
20	Himachal Road Transport Corporation	Transport	October 1974	1999-2000	2000-01	(-)4853.88	Understatement of loss by Rs. 1.13 crore	17859.98	(-)21420.16	1022.79	(-) 4174.28	-	-	Working
	Total					**(-)4853.88**		**17859.98**	**(-)21420.16**	**1022.79**	**(-) 4174.28**	**-**	**-**	

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	FINANCING													
21	Himachal Pradesh Financial Corpo-ration	Indus-tries	April 1967	1999-2000	2000-01	(-)408.19	Under-state-ment of net loss by Rs. 102.41 lakh	2817.11	(-)5314.55	14857.43	(+)963.76	6.49	-	Work-ing
	Total					(-)408.19		2817.11	(-)5314.55	14857.43	(+)963.76	6.49	-	
	Total-B (All sector-wise Statutory corpo-rations)					**(-)15884.55**		**48277.09**	**(-) 24782.83**	**204604.10**	**(-) 8723.45**		-	
	Grand Total (A+B)					**(-)16521.15**		**60984.77**	**(-)36877.95**	**218984.69**	**(-)7411.85**		**17**	

(A) Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in cases of finance companies/corporations where the capital employed worked out as a mean of the aggregate of opening and closing balances of paid-up capital, free reserves, bonds and borrowings (including refinance).

Annexure-3

Statement showing subsidy received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2000

(Referred to in paragraph No. 1.3 page 4)

(Figures in columns 3 (a) to 7 are Rupees in lakh

Sl. No	Name of the Public Sector Undertaking	Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year**					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash Credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
A	**Government companies**															
1	Himachal Pradesh Horti-cultural Produce Marketing and Pro-cessing Corporation Limited	-	702.76	-	702.76	- (188.73)	-	-	-	- (188.73)	-	-	-	-	-	-
2	Himachal Pradesh Agro Industries Corporation Limited	-	-	-	-	-	- (88.42)	47.78	-	47.78 (88.42)	-	-	-	-	-	-
3	Agro Industrial Packaging India Limited	-	1680.22	-	1680.22	-	-	-	-	-	-	-	-	-	-	-
4	Himachal Pradesh General Industries Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150.00
5	Nahan Foundry Limited	-	-	-	-	189.67 (189.67)	-	-	-	189.67 (189.67)	-	-	-	-	-	-

** *Figures in brackets indicate guarantees outstanding at the end of year.*

1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
6	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	-	68.17	-	68.17	60.00 (60.00)	-	-	-	60.00 (60.00)	-	-	-	-	-	-
7	Himachal Pradesh State Forest Corporation Limited	-	-	-	-	-	20000.00 (65963.00)	-	-	20000.00 (65963.00)	-	-	-	-	-	-
8	Himachal Pradesh Minorities Finance and Develop-ment Corporation	-	-	-	-	-	245.32 (200.00)	-	-	245.32 (200.00)	-	-	-	-	-	-
9	Himachal Backward Classes Finance and Develop-ment Corporation	-	-	-	-	-	500.00 (461.73)	-	-	500.00 (461.73)	-	-	-	-	-	-
10	Himachal Pradesh State Civil Supplies Corporation Limited	-	-	-	-	1000.00 (825.00)	-	-	-	1000.00 (825.00)	-	-	-	-	-	-
11	Himachal Pradesh State Industrial Develop-ment Corporation Limited	-	-	-	-	-	- (100.00)	-	-	- (100.00)	-	-	-	-	-	-
12	Himachal Pradesh Road and Other Infrastru-cture Develop-ment Corpora-tion Limited.	-	-	-	-	-	67500.00 (37779.00)	-	-	67500.00 (37779.00)	-	-	-	-	-	-
	Total-A	-	**2451.15**	-	**2451.15**	**1249.67** **(1263.40)**	**88245.32** **(104592.15)**	**47.78**	-	**89542.77** **(105855.55)**	-	-	-	-	-	**150.00**

1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
B	**Statutory corporations**															
13	Himachal Pradesh State Electricity Board	-	-	-	-	-	12420.10 (46026.84)	-	-	12420.10 (46026.84)	-	-	-	-	-	-
14	Himachal Road Transport Corporation	-	2700.00	-	2700.00	2000.00 (3902.61)	1600.00	-	-	3600.00 (3902.61)	-	-	-	-	-	-
15	Himachal Pradesh Financial Corporation	-	-	-	-	-	750.00 (6577.28)	-	-	750.00 (6577.28)	-	-	-	-	-	-
	Total-B		**2700.00**	**-**	**2700.00**	**2000.00 (3902.61)**	**14770.10 (52604.12)**	**-**	**-**	**16770.10 (56506.73)**	-	-	-	-	-	-
	Grand Total (A+B)		**5151.15**	**-**	**5151.15**	**3249.67 (5166.01)**	**103015.42 (157196.27)**	**47.78**	**-**	**106312.87 (162362.28)**	-	-	-	-	-	**150.00**

Annexure-4

Statement showing financial position of Statutory corporations
(Referred to in paragraph No. 1.2.2 page 4)

(Rupees in crore)

1	Himachal Pradesh State Electricity Board			
	Particulars	**1997-98**	**1998-99**	**1999-2000**
A	**Liabilities**			
	Equity Capital	234.00	274.00	276.00
	Loans from Government	448.63	496.20	1.78
	Other long-term loans (including bonds)	903.21	980.84	1354.11
	Reserves and surplus	457.22	527.87	492.89
	Current liabilities and provisions	398.95	532.38	661.16
	Total-A	**2442.01**	**2811.29**	**2785.94**
B	**Assets**			
	Gross fixed assets	858.72	940.18	1004.75
	Less: Depreciation	131.55	153.02	176.53
	Net fixed assets	727.17	787.16	828.22
	Capital works-in-progress	761.69	892.70	1058.17
	Deferred cost	26.67	31.96	31.87
	Current assets	744.83	563.96	662.00
	Investments	180.51	529.48	197.99
	Miscellaneous expenditure	1.14	6.03	7.69
	Accumulated losses	-	-	-
	Total-B	**2442.01**	**2811.29**	**2785.94**
C	**Capital employed#**	**1834.74**	**1711.44**	**1887.23**
2	**Himachal Road Transport Corporation**			
	Particulars	**1997-98**	**1998-99**	**1999-2000**
A	**Liabilities**			
	Capital (including capital loan & equity capital)	155.90	166.41	178.60
	Borrowings (Government) (Others)	- 30.98	- 34.82	- 39.17
	Funds=	94.81	-	6.96
	Trade dues and other current liabilities (including provisions)	39.61	28.45	59.98
	Total-A	**321.30**	**229.68**	**284.71**
B	**Assets**			
	Gross block	120.66	130.67	135.42
	Less: Depreciation	70.18	77.24	80.55
	Net fixed assets	50.48	53.43	54.87
	Capital works-in-progress (including cost of chassis)	1.97	1.29	1.80
	Investments	97.48	-	0.30
	Current assets, loans and advances	21.89	9.30	13.54
	Deferred cost	-	-	-
	Accumulated losses	149.48	165.66	214.20
	Total-B	**321.30**	**229.68**	**284.71**
C	**Capital employed***	**34.73**	**35.57**	**10.53**

Capital employed represents net fixed assets (including works-in-progress) plus working capital. While working out working capital the element of deferred cost and investments are excluded from current assets.

= *Excluding depreciation funds.*

* *Capital employed represents net fixed assets (including works-in-progress) plus working capital.*

3	Himachal Pradesh Financial Corporation Particulars	1997-98	1998-99	1999-2000
A	**Liabilities**			
	Paid-up capital	27.51	27.51	27.51
	Share application money	0.44	0.66	0.66
	Reserve funds and other reserves and surplus	4.97	4.97	4.97
	Borrowings:			
	Bonds and debentures	80.02	81.90	76.67
	Fixed deposits	-	-	-
	Industrial Development Bank of India and Small Industries Development Bank of India	28.29	33.05	39.24
	Reserve Bank of India	-	-	-
	Loan in lieu of share capital: (a) State Government (b) Industrial Development Bank of India	-	-	-
	Others (including State Government)	0.79	0.79	0.79
	Other liabilities and provisions	47.10	50.56	51.87
	Total-A	**189.12**	**199.44**	**201.71**
B	**Assets**			
	Cash and Bank balances	2.84	5.95	1.31
	Investments	0.07	0.07	0.07
	Loans and Advances	138.93	141.47	142.30
	Net fixed assets	0.18	0.34	0.33
	Dividend deficit account	0.79	0.79	0.79
	Other assets	2.60	2.74	3.76
	Profit and loss account	43.72	48.09	53.15
	Total-B	**189.12**	**199.44**	**201.71**
C	**Capital employed@**	**140.38**	**144.67**	**148.57**

@ *Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).*

Annexure-5

Statement showing working results of Statutory corporations

(Referred to in paragraph Nos. 1.2.2 and 1.5 pages 4 and 7)

(Rupees in crore)

1	**Himachal Pradesh State Electricity Board**			
	Particulars	**1997-98**	**1998-99**	**1999-2000**
	(a) Revenue receipts (b) Subsidy/Subvention from Government Total	448.52 0.02 448.54	499.48 - 499.48	587.58 -- 587.58
	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	349.69	391.08	577.76
	Gross surplus (+)/deficit (-) for the year (1-2)	98.85	108.40	9.82
	Adjustments relating to previous years	(-)7.93	(-)50.30	(-)41.48
	Final gross surplus(+)/deficit(-) for theyear (3+4)	90.92	58.10	(-)31.66
	Appropriations:			
	(a) Depreciation (less capitalised)	18.52	21.29	23.46
	(b) Interest on Government loans	2.08	1.46	1.46
	(c) Interest on others, bonds, advances etc. and finance charges	62.82	71.33	93.48
	(d) Total interest on loans and finance charges (b+c)	64.90	72.79	94.94
	(e) Less: Interest capitalised	21.95	29.71	43.84
	(f) Net interest charged to revenue (d-e)	42.95	43.08	51.10
	(g) Total appropriations (a+f)	61.47	64.37	74.56
	Surplus(+)/deficit(-) before accounting for subsidy from State Government {5-6 (g)-1(b)}	29.43	(-)6.27	(-)106.22
	Net surplus(+)/deficit(-) {5-6(g)}	29.45	(-)6.27	(-)106.22
	Total return on capital employed*	72.40	36.81	(-)55.12
	Percentage of return on capital employed	3.95	2.15	-
2	**Himachal Road Transport Corporation**			
	Particulars	**1997-98**	**1998-99**	**1999-2000**
	Operating (a) Revenue	 171.34	 176.14	 172.45
	(b) Expenditure	174.75	192.08	215.85
	(c) Surplus(+)/Deficit(-)	(-)3.41	(-)15.94	(-)43.40
	Non-operating (a) Revenue	 1.80	 4.82	 1.66
	(b) Expenditure	5.52	5.06	6.80
	(c) Surplus(+)/Deficit(-)	(-)3.72	(-)0.24	(-)5.14
	Total (a) Revenue	 173.14	 180.96	 174.11
	(b) Expenditure	180.27	197.14	222.65
	(c) Net profit (+)/Loss (-)	(-)7.13	(-)16.18	(-)48.54
	Interest on capital and loans	5.52	5.06	6.70
	Total return on Capital employed	(-)1.61	(-)11.12	(-)41.74

* *Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).*

3	Himachal Pradesh Financial Corporation			
	Particulars	1997-98	1998-99	1999-2000
	Income (a) Interest on Loans	15.75	15.62	15.05
	(b) Other income	0.25	0.11	0.42
	Total-1	**16.00**	**15.73**	**15.47**
	Expenses			
	(a) Interest on long-term and short-term loans	13.18	13.92	14.70
	(b) Other expenses	2.68	3.99	4.85
	Total-2	**15.86**	**17.91**	**19.55**
	Profit before tax and non-performing assets (1-2)	(+)0.14	(-)2.18	(-)4.08
	Prior period adjustments	-	-	-
	Provision for tax	0.03	-	-
	Profit(+)/Loss(-) after tax	(+)0.11	(-)2.18	-
	Provision for non-performing assets	2.01	2.18	-
	Other appropriations (special reserve for the purpose of Section 36 (I) (viii) of the Income Tax Act, 1961 and general reserve)	0.06	-	-
	Amount available for dividend	-	-	-
	Dividend paid/payable	-	-	-
	Total return on Capital employed@	11.28	9.56	9.64
	Percentage of return on Capital employed	8.03	6.61	6.49

@ *Total return on capital employed represents profit (+)/loss (-) after tax and provision for non-performing assets, plus interest on long-term and short-term loans.*

Annexure-6

Statement showing operational performance of Statutory corporations

(Referred to in paragraph No. 1.5.2.2 page 9)

1	Himachal Pradesh State Electricity Board			
	Particulars	**1997-98**	**1998-99**	**1999-2000**
	Installed capacity		(MW)	
	(a) Thermal	-	-	-
	(b) Hydro	299.17	299.17	301.17
	(c) Gas	-	-	-
	(d) Other (Diesel and Micro Hydel)	0.13	0.13	0.13
	Total	**299.30**	**299.30**	**301.30**
	Normal maximum demand	474.00	565.00	566.00
	Power generated:		(MKWH)	
	(a) Thermal	-	-	-
	(b) Hydro	1306.00	1484.49	1201.32
	(c) Gas	-	-	-
	(d) Other	-	-	-
	Total	**1306.00**	**1484.49**	**1201.32**
	Less: Auxiliary consumption			
	(a) Thermal (Percentage)	-	-	-
	(b) Hydro (Percentage)	3.35 (0.26)	3.67 (0.25)	3.06 (0.25)
	(c) Gas (Percentage)	-	-	-
	(d) Other (Percentage)	-	-	-
	Total **(Percentage)**	**3.35** **(0.26)**	**3.67** **(0.25)**	**3.06** **(0.25)**
	Net power generated	1302.65	1480.82	1198.26
	Power purchased:		(MKWH)	
	(a) With in the State			
	-Government:	-	-	-
	-Private:	-	-	-
	(b) Other States (c) Central Grid	2287.60 -	2228.11 -	2777.99 -
	Total power available for sale	3590.25	3708.93	3976.25*

* *Sales and purchase of power includes 258.245 MU which actually was neither purchased nor sold but was wheeled through HPSEB transmission system*

	Particulars	1997-98	1998-99	1999-2000
	Power sold:			
	(a) With in the State	1946.55	2066.02	2181.74*
	(b) Outside the State	954.20	971.55	938.95
	Transmission and distribution losses	689.50	671.56	855.56**
	Load factor (Percentage)	49.81	56.62	45.71
	Percentage of transmission and distribution losses to total power available for sale	19.20	18.11	21.52
	Number of villages/town electrified	16832	16832	16844
	Number of pump sets/wells energised	5098	5392	5762
	Number of sub-stations	-	-	-
	Transmission/distribution lines (in Kms)			
	(a) High/medium voltage	21039.36	22078.93	22700.55
	(b) Low voltage	43883.25	45142.64	46250.84
	Connected load (in MW)	1974.94	2128.30	2248.65
	Number of consumers	1286812	1364684	1408616
	Number of employees	24526	28739	24826
	Consumer/employees ratio	52:1	47:1	57:1
	Particulars	**1997-98**	**1998-99**	**1999-2000**
	Total expenditure on staff during the year (Rs. in crore)	163.09	202.11	266.42
	Percentage of expenditure on staff to total revenue expenditure	40.00	44.38	45.34
	Units sold			
	(a) Agriculture (Percentage share to total units sold)	11.00 (0.57)	12.00 (0.58)	16.54 (0.76)
	(b) Industrial (Percentage share to total units sold)	1182.00 (60.74)	1249.00 (60.45)	1295.42 (59.37)
	(c) Commercial (Percentage share to total units sold)	135.00 (6.94)	140.00 (6.78)	148.88 (6.82)
	(d) Domestic (Percentage share to total units sold)	474.00 (24.35)	539.00 (26.09)	594.59 (27.25)
	(e) Others (Percentage share to total units sold)	144.00 (7.40)	126.00 (6.10)	126.40 (5.80)
	Total	**1946**	**2066**	**2182**

** *Transmission and distribution losses work out to 23.01 per cent instead of 21.52 per cent if the power wheeled on the Board's system is excluded from sale and purchase of power*

	Particulars	1997-98	1998-99	1999-2000
		(Paise per KWH)		
	(a) Revenue (excluding subsidy from Government)	154.62	164.44	188.28
	(b) Expenditure*	122.91	129.30	185.68
	(c) Profit(+)/Loss (-)	(+)31.71	(+)35.14	(+)2.60
	(d) Average subsidy claimed from Government (in Rupees)	-	-	-
	(e) Average interest charges (in Rupees)	14.81	14.18	16.37
2.	**Himachal Road Transport Corporation**			
	Particulars	**1997-98**	**1998-99**	**1999-2000**
	Average number of vehicles held	1742	1780	1734
	Average number of vehicles on road	1696	1738	1697
	Percentage of utilisation of vehicles	97	98	98
	Number of employees	9270	9229	9282
	Employee vehicle ratio	5.3:1	5.2:1	5.4:1
	Number of routes operated at the end of the year	1656	1748	1734
	Route kilometres (in lakh)	2.02	2.08	2.09
	Kilometres operated (in lakh)			
	(a) Gross	1342.94	1380.38	1414.72
	(b) Effective	1329.45	1365.26	1395.96
	(c) Dead	13.49	15.12	18.76
	Percentage of dead kilometres to gross kilometres	1.00	1.10	1.33
	Average kilometres covered per bus per day	217	217	228
	Operating revenue per kilometre (Paise)	1289	1311	1230
	Average expenditure per kilometre (Paise)	1342	1428	1574
	Profit(+)/Loss (-) per kilometre (Paise)	(-)53	(-)117	(-)344
	Number of operating depots	23	23	23
	Average number of break-down per lakh kilometres	0.05	0.06	0.04
	Average number of accidents per lakh kilometres	0.15	0.12	0.12
	Passenger kilometres operated (in crore)	598.25	628.02	642.14
	Occupancy ratio (percentage)	66	67	57
	Kilometres obtained per litre of:			
	(a) Diesel Oil	3.42	3.43	3.47
	(b) Engine Oil	547	591	695

* *Revenue expenditure includes depreciation but excludes interest on long-term loans.*

(Amount: Rupees in crore)

3	Himachal Pradesh Financial Corporation						
	Particulars	**1997-98**		**1998-99**		**1999-2000**	
		Number	Amount	Number	Amount	Number	Amount
	Applications pending at the beginning of the year	29	2.60	45	5.90	41	2.86
	Applications received	242	34.01	215	28.66	189	29.55
	Total	**271**	**36.61**	**260**	**34.56**	**230**	**32.41**
	Applications sanctioned	190	20.06	145	19.34	147	18.06
	Applications cancelled/with-drawn/rejected/reduced	36	10.81	74	12.37	60	10.52
	Applications pending at the close of the year	45	5.74	41	2.85	23	3.83
	Loans disbursed	143	16.77	111	14.71	121	13.84
	Loans outstanding at the close of the year	1642	138.93	1608	141.48	-	142.30
	Amount overdue for recovery at the close of the year						
	(a) Principal	-	48.11	-	47.61	-	43.80
	(b) Interest	-	64.79	-	74.68	-	74.12
	Total		**112.90**		**122.29**	**-**	**117.92**
	Amount involved in recovery certificate cases	330	20.25	277	19.41	260	21.87
	Total	**330**	**20.25**	**277**	**19.41**	**260**	**21.87**
	Percentage of overdue to the total loans outstanding	-	81.26	-	86.44	-	82.87

Annexure-7

Statement showing the financial position of the Himachal Pradesh Agro Industries Corporation Limited for the last five years ending 1998-99

(Referred to in paragraph No. 2A.7.1 Page 22)

		1994-95	1995-96	1996-97	1997-98	1998-99
	Liabilities	**(Rupees in lakh)**				
(a)	Paid up capital (including share application money	1178.08	1178.08	1178.08	1178.08	1180.08
(b)	Reserves and surplus	69.00	68.29	81.88	58.87	54.89
(c)	Borrowings	1047.81	258.13	326.55	336.45	332.14
(d)	Trade dues and other current liabilities and provisions#	1436.88	527.55	603.36	1004.79	998.87
	Total	**3731.77**	**2032.05**	**2189.87**	**2578.19**	**2565.98**
	Assets					
(a)	Gross block	422.03	381.64	422.83	404.55	407.15
(b)	Less depreciation	272.62	216.30	227.37	242.87	253.85
(c)	Net fixed assets	149.41	165.34	195.46	161.68	153.30
(d)	Capital work in progress	27.08	27.80	0.39	-	0.06
(e)	Investments	704.37	724.37	724.37	744.37	744.37
(f)	Current assets, loans and advances	1564.81	598.45	716.53	1381.38	1399.05
(g)	Intangible assets: (i) Miscellaneous expenditure	0.78	0.50	0.46	0.45	0.44
	(ii) Accumulated Loss	1285.32	515.59	552.66	290.31	268.76
	Total	**3731.77**	**2032.05**	**2189.87**	**2578.19**	**2565.98**
(a)	Working capital*	127.93	76.90	113.17	376.54	400.18
(b)	Capital employed**	304.42	264.04	309.02	538.27	553.54
(c)	Net worth***	(-)39.02	730.28	706.84	946.19	965.77

Grants and subsidies have been shown under trade dues and other current liabilities.

* *Working capital represents current assets, loans and advances minus trade dues and other current liabilities and provisions.*

** *Capital employed represents net fixed assets (including capital work-in-progress) plus working capital.*

*** *Net worth represents paid-up capital plus reserves less intangible assets.*

Annexure-8

Statement showing the working results of the Himachal Pradesh Agro Industries Corporation Limited for the last five years ending 1998-99

(Referred to in paragraph No. 2A.7.2 Page 23)

	A – Income	1994-95	1995-96	1996-97	1997-98	1998-99
		(Rupees in lakh)				
(i)	Sales	1016.12	1377.27	1333.89	2155.65	2989.11
(ii)	Interest	16.23	75.28*	21.24	29.90	58.52
(iii)	Rent	4.99	5.18	5.09	5.73	6.25
(iv)	Other revenues	226.78	918.32	100.61	401.71	94.81
(v)	Accretion(+)/Decretion(-) to stock	(-) 4.74	(+) 8.76	(+) 57.21	(-) 10.16	(+) 29.68
	Total – A	**1259.38**	**2384.81**	**1518.04**	**2582.83**	**3178.37**
	B – Expenditure					
(i)	Raw material consumed (including trading)	908.44	1232.84	1231.91	1912.08	2731.92
(ii)	Other expenses	59.14	142.98	63.86	75.75	78.22
(iii)	Establishment and Administrative expenses	186.02	207.57	230.00	299.14	307.24
(iv)	Finance Changes	85.75	21.21	21.01	23.05	25.27
(v)	Selling and distribution expenses	7.94	10.49	8.33	10.46	14.17
	Total – B	**1247.29**	**1615.09**	**1555.11**	**2320.48**	**3156.82**
	Profit (+)/Loss (-)	(+) 12.09	(+) 769.72	(-) 37.07	(+) 262.35	(+) 21.55
	Less: Non-operating income*	194.30	892.11	61.28	350.51	58.74
	Operating loss (-)	(-)182.21	(-)122.39	(-)98.35	(-)88.16	(-)37.19

* *Non-operating income includes grant received from the State Government for salary, working capital, voluntary retirement scheme, to liquidate current liabilities and registration of products, interest liabilities written back on settlement with banks and income on account of sale of assets.*

Annexure-9

Statement showing the installed capacity, utilisation of capacity and performance of Honey Processing Plant

(Referred to in paragraph No. 2A.8.1 (iv) (a) Page 28)

	1996-97	1997-98	1998-99	1999-2000
Installed capacity (Kgs)	120000	120000	120000	120000
Projected				
Production (Kgs)	72000	84000	96000	96000
Sales (Rupees in lakh)	79.20	92.40	105.60	105.60
Percentage of process loss as per Project report	3	3	3	3
Profit (+)/Loss (-) (Rupees in lakh)	(+) 8.06	(+) 13.70	(+) 19.08	(+)19.82
Actual				
Production (Kgs)	6,411	4,077	5,233	5,933
Sales (Rupees in lakh)	3.21	5.66	6.87	3.86
Process loss (kgs)	677	415	458	590
Percentage of process loss	9.56	9.25	8.06	9.06
Profit (+)/Loss (-) (Rupees in lakh)	(-) 9.19	(-) 12.15	(-) 11.59	(-)13.45
Plant utilisation (Percentage)				
Against projected production	8.91	4.85	5.45	6.18
Against installed capacity	5.34	3.40	4.36	4.95
Shortfall in sales (Rupees in lakh)	75.09	86.74	98.73	101.74