Com. Rep. Section

REPORT

OF THE

COMPTROLLER

AND

AUDITOR GENERAL OF INDIA

For the year ended 31 March 1999

NO. 3
(COMMERCIAL)

(GOVERNMENT OF HIMACHAL PRADESH)

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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 31st March, 1999.

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 1998-99 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 1998-99 have also been included, wherever necessary.

OVERVIEW

The State had 16 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 31st March, 1999.

(Paragraphs 1.1 and 1.9)

As on 31st March, 1999 the total investment in 19 Public Sector Undertakings (16 Government companies including one subsidiary and three Statutory corporations) was Rs. 2754.26 crore (equity: Rs. 594.33 crore, long-term loans: Rs. 2159.27 crore and share application money: Rs. 0.66 crore) as against a total investment of Rs. 2563.27 crore (equity: Rs. 542.93 crore; long-term loans: Rs. 2019.90 crore; and share application money: Rs. 0.44 crore) in 19 Public Sector Undertakings (16 Government companies including one subsidiary and three Statutory corporations) as on 31st March, 1998.

(Paragraph 1.2)

During the year 1998-99 the Government had guaranteed the loans aggregating Rs. 148.07 crore obtained by one Government company (Rs. 10 crore) and three Statutory corporations (Rs. 138.07 crore). At the end of the year guarantees amounting to Rs. 967.69 crore against ten Government companies (Rs. 488.88 crore) and three Statutory corporations (Rs. 478.81 crore) were outstanding.

(Paragraph 1.3)

Out of 16 Government companies only five companies and out of three Statutory corporations, all the corporations had finalised their accounts for the year 1998-99. The accounts of 11 Government companies were in arrears for periods ranging from one year to four years as on 30th September, 1999.

(Paragraph 1.4.1)

Out of five companies which finalised their accounts for 1998-99 by September 1999, three companies earned an aggregate profit of Rs. 0.84 crore and only one company 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 1998-99, all of them had incurred a loss of Rs. 24.64 crore.

(Paragraphs 1.5.1.1 and 1.5.2.1)

Out of thirteen companies having accumulated losses as per latest finalised accounts, in case of seven companies, accumulated losses aggregating Rs. 85.19 crore had far exceeded their aggregate paid-up capital of Rs. 57.62 crore. One corporation viz. Himachal Pradesh Financial Corporation had accumulated losses aggregating Rs. 48.09 crore which had far exceeded its aggregate paid up capital of Rs. 28.17 crore.

(Paragraphs 1.5.1.2 and 1.5.2.1)

2 Review on the activities of Agro Industrial Packaging India Limited and sectoral reviews on 'Catering and Occupancy Performance of Himachal Pradesh Tourism Development Corporation Limited', 'VII Plan Physical and Financial Performance of Power Sector', 'Outstanding dues against Himachal Pradesh State Electricity Board', and 'Loan Recovery Performance in Himachal Pradesh Financial Corporation' revealed the following points:

2.1 The Company was incorporated in February 1987 to manufacture, buy and sell all kinds of packing cartons, paperboard packing material. It has been incurring losses year after year with accumulated loss of Rs. 30.49 crore which eroded its paid up capital of Rs. 17.72 crore as at the end of March 1998.

(Paragraphs 2A.1, 2A.2 and 2A.6)

- The Company purchased paper at higher rates rather than the lowest tendered rates which resulted in extra expenditure of Rs. 0.63 crore.

  (Paragraph 2A.7.2.1 (a))

- The Company sustained interest loss of Rs. 0.14 crore on the paper valued at Rs. 0.34 crore lying unused in its stock.

  (Paragraph 2A.7.2.2)

- The consumption of raw material in production of horticulture cartons was more than the norm prescribed in project report resulting in extra expenditure of Rs. 1.17 crore.

  (Paragraph 2A.7.3.1)

- The Company sustained loss of Rs. 1.69 crore in the sale of commercial cartons due to high production costs (Rs. 1.56 crore) and rejection of cartons by purchasers as these were sub-standard (Rs. 0.13 crore).

  (Paragraphs 2A.7.3.2 and 2A.7.3.3)

- Advance payment of commission of Rs. 0.29 crore (including interest of Rs. 0.03 crore) to sales agents contrary to the terms of agreement and before procurement of business lacked justification.

(Paragraph 2A.7.4.1(a))

- The Company sustained a loss of Rs. 0.36 crore in transportation of cartons on account of reimbursement of freight charges in excess of actual expenditure (Rs. 0.12 crore) and incurring of expenditure in excess of the limit fixed (Rs. 0.24 crore).

(Paragraph 2A.8 (a))

2.2 Himachal Pradesh Tourism Development Corporation Limited (Company) was incorporated in September 1972 with the object to promote tourism and provide infrastructure facilities to tourists. As on 31st March 1999, the Company had 50 units and 16 cafeterias.

(Paragraph 2B.1)

- There has been increasing trend in the number of loss making units and the quantum of loss rose from Rs. 0.30 crore in 1994-95 to Rs. 0.87 crore in 1998-99.

(Paragraph 2B.7)

- The Company sustained aggregate losses of Rs. 0.34 crore during the five years period ended 1998-99 in running the Yatri Niwas at Chamunda, Chintpurani, Dharamsala and Jwalaji.

(Paragraph 2B.8)

- The performance of seven cafeterias revealed an aggregate loss of Rs. 0.55 crore mainly due to huge expenditure on salaries during five years ended 1998-99.

(Paragraph 2B.9)

- Raw material and fuel valued at Rs. 0.43 crore was consumed in excess of norms prescribed by the Company during the five years ended 1998-99.

(Paragraph 2B.10.1)

2.3 The Himachal Pradesh State Electricity Board (Board) had an identified power potential of 21000 MW as on March 1999 of which 3934.74 MW only had been harnessed by all the agencies taken together. During VII Plan (1985-90), against a total assessed plan outlay of Rs. 700 crore, a provision of Rs. 300 crore was made by the State Government for the power sector. Out of this, Rs. 161 crore was allocated for capacity addition and Rs. 139 crore for transmission and distribution works, Biogas development and rural electrification programme.

(Paragraphs 3A.1 and 3A.3)

- The delay in execution of SVP Bhaba, Andhra, Gaj, Baner and Thirot power projects resulted in cost overrun of Rs. 418.54 crore and loss of potential generation of 1601.83 MU valued at Rs. 8.47 crore.

  (Paragraph 3A.6 (a) and (b))

- Due to supply of defective machines by M/s Punjab Power Generation Machines Limited (PPGML) for Baner and Gaj Hydel Projects, the Board suffered loss of potential generation of 13.56 MU valued at Rs. 1.31 crore. Besides, the Board neither recovered nor adjusted Rs. 0.65 crore incurred on modifications and repairs of machines carried out on behalf of supplier from the pending bills.

  (Paragraph 3A.8 (a) and (b))

- Due to delay in completion of 220 KV single circuit line from Khodri to Majri and 220/132 KV sub-station at Majri, the Board had to sell to UPSEB its share of power of 604.74 MU at generation cost of 8.3 paise against average purchase price of 81.11 paise per unit. This resulted in loss of Rs. 44.03 crore.

  (Paragraph 3A.9.2)

- Lack of co-ordination in synchronising the work of inter-linking 132 KV Hamirpur-Dehra-Kangra line (Double circuit upto Dehra) and sub-station at Mattan Sidh resulted in idle investment of Rs. 10.53 crore for 16 months on which the Board paid an interest of Rs. 1.47 crore. Further, due to delay in arranging shut down of Jogindernagar-Kangra-Pathankot line with the Punjab State Electricity Board (PSEB) and non-procurement of terminal equipment, the Dehra-Kangra line (Single circuit) constructed (December 1997) at a cost of Rs. 6.11 crore was lying idle (April 1999).

  (Paragraph 3A.9.3)

- A test check of closed schemes revealed that 33 schemes were executed beyond the stipulated period resulting in time overrun ranging between 27 and 101 months and consequential extra expenditure of Rs. 2.98 crore.

  (Paragraph 3A.11 (c))

2.4 The outstanding dues against the Board have been increasing year after year and have increased from Rs. 163.89 crore in 1994-95 to Rs. 324.13 crore in 1998-99 showing an increase of 97.77 *per cent.*

(Paragraph 3B.4)

- Receivables aggregating Rs. 12.99 crore were outstanding for a period ranging from 2 years to twenty four years reflecting their poor collection by the Board leading to pendency in outstanding dues.

(Paragraph 3B.5.1 (a))

- Instead of liquidating the liabilities the Board had invested Rs. 11.03 crore in stores and stock (Rs. 7.13 crore) and in fixed assets (Rs. 3.90 crore), which remained idle for period ranging from 2 to 21 years.

(Paragraph 3B.5.2 (a) & (b))

- In spite of borrowing Rs. 453.46 crore from open market to meet its own financial requirement, Board advanced Rs. 440 crore out of the above amount to the State Government. As a result, the Board had to avail cash credit of Rs. 2.43 crore at higher rates of interest leading to additional interest burden of Rs. 0.16 crore.

(Paragraph 3B.5.3)

- High transmission and distribution losses in excess of norm resulted in energy loss of 341.479 MU valued at Rs. 49.51 crore which could have been used for liquidation of dues outstanding against the Board.

(Paragraph 3B.5.4)

- In-adequate load management and lack of integrated transmission and distribution system in the Board resulted in diversion of State share of power in Central Sector Power Projects and free share of power in Uttar Pradesh Projects to other States at lower rate and consequential loss of potential revenue of Rs. 78.78 crore which could have been utilised for discharging the liabilities.

(Paragraph 3B.5.5 (a) & (b))

- Delay in payment for purchase of power from Central Sector Power Utilities resulted in avoidable payment/levy of surcharge of Rs. 25.57 crore.

(Paragraph 3B.6.1)

2.5 An amount of Rs. 4.43 crore including interest of Rs. 1.66 crore outstanding against five loanees was rendered bad and doubtful due to inadequate pre-sanction appraisals of the loan projects.

(Paragraph 3C.7.1)

- Due to non-pursuance of recovery and ineffective post-sanction monitoring by the Corporation, an amount of Rs. 0.67 crore was outstanding against three loanees.

(Paragraph 3C.7.2)

- Non-disposal of assets of 64 units taken over during last ten years resulted in locking up of Rs. 23.60 crore of the Corporation.

(Paragraph 3C.8.1)

- The Corporation had shown undue favour by not pursuing decree cases against three loanees resulting in non-recovery of Rs. 0.70 crore.

(Paragraph 3C.8.2)

- The Corporation suffered a loss of Rs. 5.76 crore during five years ending 1998-99 due to waiver of outstanding amount under one time settlement scheme.

(Paragraph 3C.10)

- Out of Corporation loans of Rs. 254.85 crore, loans of Rs. 109.07 crore (42.80 *per cent*) were doubtful and the loans of Rs. 68.74 crore (26.97 *per cent*) were considered as loss during 1998-99.

(Paragraph 3C.11)

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

- The Himachal Pradesh State Forest Corporation Limited instead of forfeiting the eligibility deposit of Rs. 5000 in respect of bidders who resiled or withdrew from their bids, forfeited only an amount equal to 10 *per cent* of the sale amount of lots, resulting in loss of Rs. 0.38 crore.

(Paragraph 4A.2.1)

- The Himachal Pradesh State Electricity Board did not provide separate meter to record temporary power supply to a consumer resulting in less billing to the extent of Rs. 0.38 crore. Besides, an advance consumption deposit of Rs. 0.04 crore was also not recovered for this load.

  (Paragraph 4B.1.2)

- Despite recommendations of the Committee on Public Undertakings (COPU) to reconcile the matter about connected load of the consumer with audit, the Board neither reconciled the matter nor charged tariff at correct rate resulting in short recovery of Rs. 0.67 crore.

  (Paragraph 4B.1.6)

- The Board suffered a loss of Rs. 0.82 crore due to the absence of provisions for recovery of losses where the power factor falls much below the required level of 0.90.

  (Paragraph 4B.1.10)

- The Himachal Road Transport Corporation (HRTC) incurred extra avoidable expenditure of Rs. 0.43 crore on account of purchases at higher rates.

  (Paragraph 4B.2.3)

Chapter I

Chapter I

1 General view of Government Companies and Statutory Corporations

1.1 Introduction

As on 31st March, 1999, there were 16 Government companies (including one subsidiary) and three Statutory corporations as against 16 Government companies (including one subsidiary) and three Statutory corporations as on 31st March, 1998, under the control of the State Government. 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 31st March, 1999 the total investment in 19 Public Sector Undertakings (16 Government companies including one subsidiary and three Statutory corporations) was Rs. 2754.26 crore (equity: Rs. 594.33 crore, long term loans*: Rs. 2159.27 crore and share application money: Rs. 0.66 crore) as against a total investment of Rs. 2563.27 crore (equity: Rs. 542.93 crore, long term loans: Rs. 2019.90 crore; and share application money: Rs. 0.44 crore) in PSUs (16 Government Companies including one subsidiary and three Statutory corporations) as on 31st March, 1998. The analysis of investment in PSUs is given in the following paragraphs.

1.2.1 Government companies

Total investment in 16 companies (including one subsidiary) as on 31st March, 1999 was Rs. 658.87 crore (equity: Rs. 126.41 crore, long term loans: Rs. 532.46 crore) as against total investment of Rs. 654.29 crore (equity: Rs. 125.52 crore, long term loans: Rs. 528.77 crore as on 31st March, 1998 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	14 (14)	121.62 (120.73)	527.52 (521.73)
(b) Non-working companies			
(i) Under liquidation	1[A] (1)	0.92 (0.92)	2.76 (4.98)
(ii) Under closure	1[B] (1)	3.87 (3.87)	2.17 (2.06)
(iii) Under merger		-	-
(iv) Others		-	-
Total	**16** **(16)**	**126.41** **(125.52)**	**532.45** **(528.77)**

(A-Serial No.5, B-Serial No.7 of Annexure-1)

As two companies were non-working or under process of liquidation/closure under Section 560 of the Companies Act for 7 to 10 years and substantial investment of Rs. 9.72 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 Annexures-1 and 2. The debt equity ratio of Government companies as a whole remained the same (1997-98) at 4.21:1 in 1998-99.

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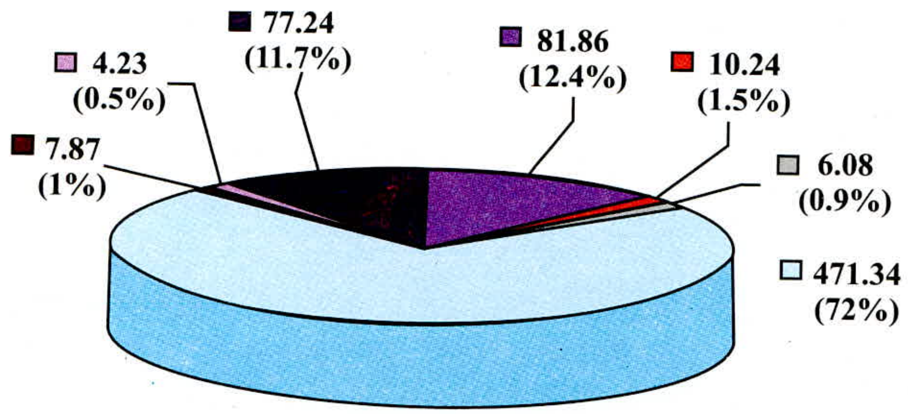
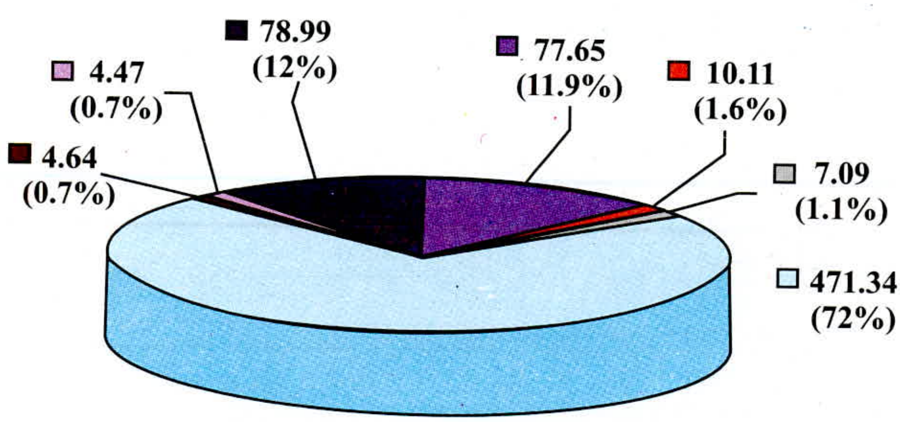
* *Long term loans mentioned in paragraphs 1.2, 1.2.1 and 1.2.2 are excluding interest accrued and due on such loans.*

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

As on 31st March, 1999



As on 31st March, 1998



- Agriculture & Industries
- Handloom & Handicrafts
- Economically Weaker Sections
- Tourism & Finance
- Engineering & Electronics
- Forest
- Public Distribution

As on 31st March, 1999, of total investment in Government companies, 19 *per cent* comprised equity capital and 81 *per cent* comprised loans compared to 19 *per cent* and 81 *per cent* respectively as on 31st March, 1998.

1.2.2 Statutory corporations

The total investment in three Statutory corporations at the end of March 1999 and March 1998 was as follows:

(Rupees in crore)

Name of corporation	1997-98		1998-99	
	Capital	Loan	Capital	Loan
Himachal Pradesh State Electricity Board (HPSEB)	234.00	1351.84	274.00	1477.04
Himachal Road Transport Corporation (HRTC)	155.90	30.98	166.41	34.82
Himachal Pradesh Financial Corporation (HPFC)	27.95	108.31	28.17	114.95
Total	**417.85**	**1491.13**	**468.58**	**1626.81**

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 upto 1998-99 are given in Annexures-4 and 5 respectively.

As on 31st March, 1999, of total investment in Statutory corporations, 22 *per cent* comprised equity capital and 78 *per cent* comprised loans compared to 22 *per cent* and 78 *per cent* respectively as on 31st March, 1998.

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 3 years upto 1998-99 in the form of equity capital, loans, grants and subsidy is given below:

(Amount in rupees in crore)

	1996-97				1997-98				1998-99			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	9	3.18	2	8.88	9	1.18	2	10.00	6	0.83	3	51.49
Loans	-	-	1	39.72	-	-	1	59.36	-	-	1	48.95
Grants	2	0.28	-	-	3	3.95	-	-	1	0.34	-	-
Subsidy towards												
(i) Projects/ Programmes/ Schemes	-	-	-	-	-	-	-	-	-	-	-	-
(ii) Other subsidy	5	1.21	3	24.77	3	3.69	3	54.76	5	6.21	1	42.33
Total subsidy	**5**	**1.21**	**3**	**24.77**	**3**	**3.69**	**3**	**54.76**	**5**	**6.21**	**1**	**42.33**
Total outgo	**10***	**4.67**	**3***	**73.37**	**11***	**8.82**	**3***	**124.12**	**9***	**7.38**	**3***	**142.77**

During the last three years, interest amounting to Rs. 38.51 crore (due for the year 1996-97) on State Government's loan sanctioned to Himachal Pradesh State Electricity Board was written off (Total interest waived/written off upto 1995-96 was Rs. 494.48 crore). Further, though no decision has been taken by the State Government to write off the interest amounting to Rs. 45.13 crore and Rs. 51.68 crore due for the years 1997-98 and 1998-99 (October 1999), Board has not provided these interest liabilities in the books of accounts in anticipation of waiver of such interest liabilities by the State Government.

During the year 1998-99 the Government had guaranteed the loans aggregating Rs. 148.07 crore obtained by one Government company (Rs. 10 crore) and three Statutory corporations (Rs. 138.07 crore). At the end of the year guarantees amounting to Rs. 967.69 crore against ten Government companies (Rs. 488.88 crore) and three Statutory corporations (Rs. 478.81 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 also not converted any loan into equity capital during the year. The guarantee commission (pertaining to previous years) still lying outstanding and payable to Government by two Government companies during 1998-99 was Rs. 0.09 crore.

* *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.*

1.4 Finalisation of accounts by PSUs

1.4.1 The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 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 16 Government companies, only five companies and out of three Statutory corporations, all the three corporations had finalised their accounts for the year 1998-99, within the stipulated period. During the period from October 1998 to September 1999, 14 Government companies finalised 18 accounts for the year 1998-99 or previous years. The accounts of 11 Government companies were in arrears for periods ranging from one year to four years as on 30th September, 1999 as detailed below:

Sl. 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 corporation	Government companies	Statutory corporation
1	1995-96	4	1	-	10	-
2	1997-98	2	3	-	3, 11 & 12	-
3	1998-99	1	7	-	4, 5, 7, 8, 9, 13 & 15	-

Of the above 11 Government companies, whose accounts were in arrears, two companies were non-working companies (Sl. No. 5 and 7 of Annexure-2).

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

Government:

Sl. 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	1997-98	1998-99	27.12.99	The SAR is likely to be placed in ensuing session of the Legislature
2	Himachal Road Transport Corporation	1997-98	1998-99	10.11.99	-do-
3	Himachal Pradesh Financial Corporation	1997-98	1998-99	27.10.99	-do-

1.5 Working results of Public Sector Undertakings

According to latest finalised accounts of 16 Government companies and three Statutory corporations, five companies and three corporations had incurred an aggregate loss of Rs. 3.94 crore and Rs. 24.64 crore, respectively, and the remaining 11 companies earned an aggregate profit of Rs. 1.88 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 3 years for which accounts are finalised are given in Annexure-5.

1.5.1 Government companies

1.5.1.1 Profit earning companies and dividend

Out of five companies which finalised their accounts for 1998-99 by September 1999, three companies earned an aggregate profit of Rs. 0.84 crore and only one company (Sl. No. 14 of Annexure-2) 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 dividend as percentage of share capital (as held by State Government) in the above three profit earning companies worked out to 0.71. The remaining two profit earning companies did not declare any dividend. The total return by way of dividend of Rs. 0.12 crore, worked out to 0.10 *per cent* in 1998-99 on total equity investment of Rs. 114.74 crore by the State Government in all Government companies as against 0.07 *per cent* in the previous year.

Similarly, out of 11 companies, which finalised their accounts for previous years by September 1999, eight companies earned an aggregate profit of Rs. 1.04 crore and only four companies earned profit for two or more successive years.

1.5.1.2 Loss incurring companies

Out of the thirteen companies having accumulated losses as per latest finalised accounts, in case of seven companies accumulated losses aggregating Rs. 85.19 crore had far exceeded their aggregate paid up capital of Rs. 57.62 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 and subsidy during 1998-99 to three companies (Sr. No. 3, 4 and 9 of Annexure-1), out of these seven companies (Sr. No. 2, 3, 4, 5, 7, 9 and 10 of Annexure-1) amounted to Rs. 5.67 crore.

1.5.2 Statutory corporations

1.5.2.1 Loss incurring Statutory corporations

Three Corporations which finalised their accounts for the year 1998-99, all of them had incurred a loss of Rs. 24.64 crore. Of the three loss incurring Corporations, one Corporation *viz.* Himachal Pradesh Financial Corporation had accumulated losses aggregating Rs. 48.09 crore which had far exceeded its aggregate paid up capital of Rs. 28.17 crore. In spite of poor performance relating to complete erosion of paid up capital, the State Government continued to provide financial support to the Himachal Pradesh Financial Corporation in the form of contribution towards equity. Financial support so provided by the State Government during 1998-99 amounted to Rs. 0.22 crore.

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 16.28, 19.20 and 18.11 during 1996-97, 1997-98 and 1998-99 respectively which was on higher side as against the norms of 15.5 *per cent* as fixed by Central Electricity Authority (CEA).

(ii) The Board could not increase its installed capacity. There were shortfall in generation compared to actual demand. The percentage of power purchased from outside agencies to its own generation increased from 161.78 in 1996-97 to 175.61 in 1997-98 but it declined to 150.46 in 1998-99.

(b) Himachal Road Transport Corporation

During the last three years ending March 1999, the percentage of actual occupancy ratio was much less than break-even occupancy ratio i.e. point of no profit no loss by 10 (75%)[@], 3 (69%)[@] and 6 (73%)[@] *per cent.*

(c) Himachal Pradesh Financial Corporation

The percentage of overdue to total amount of outstanding which was 70.50 *per cent* in 1996-97 has increased to 86.44 *per cent* in 1998-99. The recovery was very poor.

1.6 Return on Capital Employed

During 1998-99 the capital employed[*] worked out to Rs. 161.22 crore in 16 companies and total return[+] thereon amounted to Rs. 16.55 crore which is 10.27 *per cent* as compared to total return of Rs. 3.95 crore (2.22 *per cent*) in

@ *Figures in bracket indicate break even occupancy ratio.*

* *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).*

\+ *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.*

1997-98. Similarly, during 1998-99, the capital employed and total return thereon in case of Statutory corporations amounted to Rs. 1891.68 crore and Rs. 37.42 crore (1.98 *per cent*) respectively against the. total return of Rs. 84.11 crore (4.18 *per cent*) for 1997-98. 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 1998 to September 1999, the audit of accounts of 12 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 lakh	
		Government companies	Statutory corporations	Government companies	Statutory corporations
(i)	Decrease in profit	2 (Sr. No. 10 and 16 of Annexure-2)	-	130.25	-
(ii)	Increase in profit	-	1 (Sr. No. 19 of Annexure-2)	-	296.60*
(iii)	Increase in losses	2 (Sr. No. 2 and 13 of Annexure-2)	3 (Sr. No. 17, 18 and 19 of Annexure-2)	16.90	54948.83
(iv)	Decrease in losses	-	-	-	-
(v)	Non-disclosure of material facts	-	-	-	-
(vi)	Errors of classification	-	-	-	-

* *This indicates excess provision made for non-performing assets.*

Some of the major errors and omissions noticed in the course of review of 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 Horticultural Produce Marketing and Processing Corporation Limited

(Accounts for the year 1998-99)

Net loss (Rs. 33.36 lakh) for the year has been understated to the extent of Rs. 16.30 lakh due to non-provision of doubtful debts (Rs. 0.50 lakh), non-provision of penal interest payable to National Horticulture Board (Rs. 1.40 lakh), non-writing off the amount considered to be recoverable, but not actually recoverable (Rs. 9.08 lakh) and short-provision of depreciation on the plant and machinery of cold stores (Rs. 5.32 lakh).

(ii) Himachal Pradesh State Forest Corporation Limited

(Accounts for the year 1994-95)

Profit (Rs. 99.08 lakh) before tax has been overstated to the extent of Rs. 60.98 lakh due to overvaluation of finished stocks (Rs. 45.90 lakh), non-provision of liabilities on account of house/sanitation tax (Rs. 0.98 lakh) and non-provision of training charges for the years 1987 to 1994-95 (Rs. 14.10 lakh) payable to Forest Department.

(iii) Himachal Pradesh State Industrial Development Corporation Limited

(Accounts for the year 1998-99)

Net profit (Rs. 3.42 lakh) before tax has been overstated by Rs. 69.27 lakh due to non-provision of liabilities of sales tax arrears payable to Himachal Pradesh Excise and Taxation Department in respect of assets of the units taken over and sold by the company (Rs. 3.11 lakh) and non-provision of loss on account of diminution in the value of equity investment made by the company (Rs. 66.16 lakh).

B Errors and omissions noticed in case of Statutory corporations

(i) Himachal Pradesh State Electricity Board
(Accounts for 1998-99)

Net deficit (Rs. 627.28 lakh) has been understated to the extent of Rs. 54845.58 lakh due to non-inclusion of expenditure on repair and maintenance incurred on restoration work of Andhra Hydel Project (Rs. 62.32 lakh), shifting of sub-station (Rs. 5.05 lakh), administration and general expenses (Rs. 275.65 lakh), interest and finance charges (Rs. 12116.60 lakh), placement of expenditure on repair and maintenance (Rs. 5.98 lakh) in PLA of employees, non-provision of depreciation (Rs. 138.98 lakh and Rs. 126.96 lakh) on assets completed upto 1997-98 and on 220 KV sub-station Kotla (Jeori) taken over from the NJPC in September 1994 respectively, excess capitalisation of interest and finance charges and employees cost (Rs. 228.18 lakh), non-writing off the deferred revenue expenditure (Rs. 5.81 lakh), non-inclusion of full amount of loss of assets due to natural calamities (Rs. 183.82 lakh), excess provision of unbilled revenue (Rs. 123.58 lakh), short provision for purchase of power and free share of power (Rs. 41040.80 lakh), non-inclusion of claims/bills (Rs. 458.30 lakh) submitted by the contractors/suppliers for execution of works/supply of material and non-provision of liabilities on account of enhanced rate of conveyance allowance and dearness allowance (Rs. 106.03 lakh). The net deficit was overstated to the extent of Rs. 32.48 lakh on account of non-inclusion of liquidated damages recovered from the supplier for delayed supply.

(ii) Himachal Road Transport Corporation
(Accounts for 1998-99)

Loss (Rs. 1618.38 lakh) has been understated to the extent of Rs. 18.19 lakh due to overstatement of passenger income (Rs. 4.58 lakh), non-provision of liability on account of arrears of house/ground tax; payable to Municipal Corporation (Rs. 3.22 lakh), non-provision of liability on account of salaries and allowances payable to employees of corporation (Rs. 2.40 lakh), less provision of depreciation (Rs. 1.75 lakh), non-provision of liability on account of interest payable to State Government (Rs. 4.49 lakh) and non-provision of shortages of stores (Rs. 1.75 lakh).

(iii) Himachal Pradesh Financial Corporation
(Accounts for 1998-99)

(a) Net loss (Rs. 218.78 lakh) has been understated to the extent of Rs. 85.05 lakh due to inclusion of interest not actually realised in the income of the corporation (Rs. 13.69 lakh), non-provision of liabilities of sales tax arrears payable to the Himachal Pradesh Excise and Taxation Department in respect of units taken over and sold by the corporation (Rs. 59.35 lakh), inclusion of interest earned on the Employees Provident Fund Deposits in the income of the corporation (Rs. 10.31 lakh), non-accountal of travelling and other expenses incurred by the employees of the corporation (Rs. 1.14 lakh) and non-provision for loss due to diminution in value of shares (Rs. 2.99 lakh). Net loss has been overstated due to non-accountal of stock of stationery in hand (Rs. 2.43 lakh).

(b) As per guidelines prescribed by the Industrial Development Bank of India, provision for non-performing assets (NPAs), which should have been provided in accounts as on 31st March, 1999, worked out to Rs. 4293.17 lakh whereas the Corporation had provided Rs. 4589.77 lakh in its accounts. Due to excess provision, provision for NPAs as well as accumulated loss for the year has been overstated by Rs. 296.60 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 upto 1998-99 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual account 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)

Sl. No.	Particulars	1996-97	1997-98	1998-99
1	Net surplus/(-) deficit as per books of accounts	24.80	29.45	(-)6.27
2	Subsidy from the State Government	0.03	0.02	Nil
3	Net surplus/(-) deficit before subsidy from the State Government (1-2)	24.77	29.43	(-)6.27
4	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts of the Board	(-)253.46	(-)432.94	(-)548.46
5	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)228.69	(-)403.51	(-)554.73
6	Total return on capital employed*	(-)198.07	(-)360.56	(-)511.65
7	Percentage of total return on capital employed	-	-	-

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

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

C (1) Government companies:

(a) Himachal Pradesh State Forest Corporation Limited.

During the last three years, the Company had continuously overvalued the stock of finished goods and inventories as per details below which has resulted into overstatement of profits/understatement of loss to that extent in the respective year:

Year	**Overvaluation of finished goods/inventories** (Rupees in lakh)
1992-93	58.47
1993-94	337.36
1994-95	45.90

C (2) 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. 2.68 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 and 1998-99, 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. 106.91 lakh (1997-98: Rs. 47.56 lakh, 1998-99: Rs. 59.35 lakh), treated the same as its income on account of realisation of interest and miscellaneous expenses incurred on behalf of these loanee. This had resulted in understatement of liability during these years to that extent.

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 30th September, 1999 was as under:

Period of Audit Report	Number of Reviews and Paragraphs			
	Appeared in the Audit Report		Pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1993-94	4	22	3	-
1994-95	4	19	2	10
1995-96	4	16	4	12
1996-97	5	13	4	13
Total	**17**	**70**	**13**	**35**

During the year 1998-99, the COPU met five times and discussed two reviews and three paragraphs. As on 30th September, 1999, recommendations in respect of 58 paragraphs/reviews were awaited though the COPU have held discussions and 51 action taken notes (ATNs) were pending for finalisation by the COPU.

1.9 619-B Companies

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(-)	Accumulated loss
			State Government	Government companies	Others		
H.P. Electronics Systems Corporation Limited	1997-98	0.72	0.12	0.29	0.31	(-)0.02	0.03

The Company was incorporated in January 1987 for manufacturing professional electronics equipment. The company had not commenced commercial production till October 1999.

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

The State Government had invested Rs. 0.10 crore 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.

1.11 Readiness of PSUs for facing Y2K problem

Out of 16 Government companies, four companies (Sr. No. 6, 8, 9 and 14 of Annexure-1) which only have installed the computers had intimated that they were well aware of Y2K problem and necessary action was being taken to overcome this problem. The Himachal Pradesh State Electricity Board had intimated that they have got necessary skilled staff to tackle this problem and necessary steps were being taken to tackle this problem.

Chapter II

Reviews relating to Government companies

Section 2

2A Review on the working of Agro Industrial Packaging India Limited

Highlights

The Company was incorporated in February 1987 to manufacture, buy and sell all kinds of packing cartons, paperboard packing material. It has been incurring losses year after year with accumulated loss of Rs. 30.49 crore which eroded its paid up capital of Rs. 17.72 crore as at the end of March 1998.

(Paragraphs 2A.1, 2A.2 and 2A.6)

The Company purchased paper at higher rates rather than the lowest tendered rates which resulted in extra expenditure of Rs. 0.63 crore.

(Paragraph 2A.7.2.1 (a))

The Company sustained interest loss of Rs. 0.14 crore on the paper valued at Rs. 0.34 crore lying unused in its stock.

(Paragraph 2A.7.2.2)

The consumption of raw material in production of horticulture cartons was more than the norm prescribed in project report resulting in extra expenditure of Rs. 1.17 crore.

(Paragraph 2A.7.3.1)

The Company sustained loss of Rs. 1.69 crore in the sale of commercial cartons due to high production costs (Rs. 1.56 crore) and rejection of cartons by purchasers as these were sub-standard (Rs. 0.13 crore).

(Paragraphs 2A.7.3.2 and 2A.7.3.3)

Advance payment of commission of Rs. 0.29 crore (including interest of Rs. 0.03 crore) to sales agents contrary to the terms of agreement and before procurement of business lacked justification.

(Paragraph 2A.7.4.1(a))

The Company sustained a loss of Rs. 0.36 crore in transportation of

cartons on account of reimbursement of freight charges in excess of actual expenditure (Rs. 0.12 crore) and incurring of expenditure in excess of the limit fixed (Rs. 0.24 crore).

(Paragraph 2A.8 (a))

2A.1 Introduction

Agro Industrial Packaging India Limited (Company) was incorporated as a Government Company during February 1987. The Company commissioned (August 1989) a plant at Pragati Nagar (Shimla) for manufacturing corrugated cardboard sheets and cartons.

2A.2 Objectives

The main objects of the Company are to manufacture, buy, sell or otherwise deal in all kinds of packing cartons, paper board packing and to establish factory for the manufacture of packing articles and materials used in the manufacture and treatment of packing etc. It also provides for the manufacture of corrugated cartons for packing of apples and other horticultural produce thereby substituting these for conventional wooden boxes.

2A.3 Organisational set-up

The management of the Company is vested in a Board of Directors (BOD) consisting of nine (March 1999) Directors including Managing Director and three non-official Directors nominated by the State Government.

2A.4 Scope of Audit

The working of the Company was last reviewed vide paragraph 2.B of the Report of the Comptroller and Auditor General of India for the year 1993-94 (Commercial). The review is yet (March 1999) to be discussed by the Committee on Public Undertakings (COPU). The present review on the working of the Company covering the period from 1994-95 to 1998-99 was conducted during February-March 1999 and results of the review are discussed in succeeding paragraphs.

2A.5 Funding

The paid up capital of the Company was Rs. 17.72 crore (March 1999) against authorised capital of Rs. 20 crore.

The Company had a liability of Rs. 13 crore (principal) and interest of Rs. 10.69 crore payable to the H.P. State Co-operative Bank Limited at the end of March 1999.

2A.6 Financial position

The financial position and working results of the Company for the four years ending 1997-98* are summarised in Annexures-7 and 8 respectively.

The sharp decrease in current assets from Rs. 1333.60 lakh in 1994-95 to Rs. 396.31 lakh in 1995-96 was due to repayment of foreign currency loan and one time settlement of cash credit limit with the State Bank of India, Shimla. The Company is incurring losses year after year and the accumulated loss of Rs. 30.49 crore at the end of March 1998 had eroded its paid-up capital of Rs. 17.72 crore.

2A.7 Performance appraisal

The Company had no system of annual planning, budgeting, and fixing of physical and financial targets.

2A.7.1 Capacity utilisation

Despite under-utilisation of existing carton manufacturing plant, the Company installed another corrugator costing Rs. 6.51 lakh which was idle since 1996-97.

The installed capacity of the plant for manufacture of corrugated sheets and

* *The Company has not prepared even its provisional accounts for 1998-99.*

Less demand for apple cartons from growers led to under - utilisation of plant

cartons was 30000 MT sheets and 180 lakh cartons per year. The utilisation ranged between 1.88 and 14.17 *per cent* for sheets and between 3.89 and 24.51 *per cent* for cartons during 1994-95 to 1997-98 due to less demand from the apple growers (Annexure-9) due to their preference for wooden cartons. Despite under-utilisation of plant, the Company purchased another small corrugator costing Rs. 6.51 lakh which was installed (November 1994) for manufacturing carton with paper of lesser specification. After manufacturing 33575 cartons during 1995-96, the corrugator remained idle (March 1999) as there was no demand for the cartons manufactured with this corrugator having paper of lesser specifications.

2A.7.2 Purchase of paper

2A.7.2.1 Undue favour

The Company suffered loss of Rs. 67.01 lakh on account of undue favour to suppliers by effecting purchases at higher rates and by not invoking terms of tender.

(a) As per prevailing practice, paper required for manufacturing was procured from different manufacturers at the lowest negotiated tender rates.

By not purchasing papers at lowest rates, the Company incurred extra avoidable expenditure of Rs. 62.83 lakh

It was noticed (January 1999) in audit that the lowest negotiated tender rate for the supply of Corrugating Media during 1996-97 was Rs. 17000 per MT. The Management in gross violation of financial propriety had also purchased 1272.411 MT Corrugating Media from M/s Ruchira Paper Mills at higher rate of Rs. 18000 per MT resulting in undue favour of Rs. 12.72 lakh to the supplier. Similarly, lowest tender rates of Rs. 20500, Rs. 20000, Rs. 17250 and Rs. 17500 per MT were offered by different firms for the supply of Kraft Liner Board (KLB), Test Liner Board (TLB), Corrugating Media and Semi Kraft paper respectively during 1997-98. The Company purchased 460.986 MT of KLB for Rs. 102.53 lakh and 1096.766 MT of TLB for Rs. 237.62 lakh against payable amount of Rs. 94.50 lakh and Rs. 219.35 lakh respectively at lowest rates from the three firms M/s Rana Mohindra Papers Limited, M/s Ruchira Paper Mills and M/s Sukhna Paper Mills. Besides, 1037.55 MT Corrugating Media and 45.53 MT Semi Kraft paper was also purchased for Rs. 201.79 lakh and Rs. 8.97 lakh against payable amount of Rs. 178.98 lakh and Rs.7.97 lakh worked out at lowest rates from M/s Ruchira Paper Mills and M/s Rana Mohindra Papers Limited respectively. This resulted in extra expenditure of Rs. 50.11 lakh.

Thus, the Company violated norms of financial propriety and provided undue favour to suppliers resulting in avoidable expenditure of Rs. 62.83 lakh (1996-97: Rs. 12.72 lakh; 1997-98: Rs. 50.11 lakh) for which none was held responsible (June 1999).

(b) Tender conditions for the supply of paper reels provided that core of paper reel should be made of steel. The weight of the paper reels included the steel core weight and paid for at the rate of paper but the amount so paid was

Non-invoking of tender conditions put the Company to a loss of Rs. 4.18 lakh

recouped on returning the steel cores to the supplier. In audit (February 1999) it was noticed that the Company's purchases included 4360 (1996-97: 1938, 1997-98: 1077 and 1998-99: 1345) reels containing paper cores (each weighing 6 Kgs) which were paid for at the rates of Rs. 19.03 (1996-97) and Rs. 20 (1997-98 and 1998-99) per Kg. The Company did not reject supplies received on paper reels. These cores were auctioned along with paper scrap at the rate of Rs. 3.60 per Kg. Non-invoking of tender condition regarding supply of paper on reels having steel cores by the Company resulted in loss of Rs. 4.18 lakh.

2A.7.2.2 Purchase without requirement

Company exercised no inventory control

The Company had no system of annual budgeting or planning. It had stock of Kraft paper and Corrugated Media valued at Rs. 34.00 lakh (purchased during 1994-95: Rs. 0.20 lakh; 1995-96: Rs. 10.79 lakh; 1996-97: Rs. 0.95 lakh; 1997-98: Rs. 19.43 lakh and 1998-99: Rs. 2.63 lakh) at the end of June 1999. The supply orders for purchase of these papers were not available on records. The Company also had no confirmed order for supply of cartons against which these purchases were made. Thus, on account of lack of inventory control, the Company sustained interest loss of Rs. 13.50 lakh (upto May 1999) on unutilised paper valued at Rs. 34.00 lakh at the rate of 17.5 *per cent* per annum compoundable quarterly as paid by the Company on loan raised from the H.P. State Co-operative Bank, Shimla.

2A.7.2.3 Non-levy of penalty

The Company sustained loss of Rs. 6.47 lakh due to non-levy of penalty leviable on paper supplies with moisture content exceeding the permissible limit.

The Company had not prescribed any penal clause for the supply of paper below specification. However, a committee consisting of Plant Manager, Production Manager and Paper Technologist decided (June 1995) to levy a penalty of 2 *per cent* of the cost of paper in cases which had moisture variation of more than +/- one *per cent*. It was noticed in audit (January-February 1999) that though variation of moisture content was more than 2 *per cent* in 42 cases, penalty of Rs. 6.47 lakh (on Rs. 323.38 lakh, being the cost of Kraft paper and Media purchased during June 1995 to June 1998) was not levied. Reasons for non-levy of penalty were not on record.

2A.7.3 Manufacture of cartons

2A.7.3.1 Excess consumption of paper

Extra avoidable expenditure of Rs. 116.76 lakh was incurred as a result of excess consumption of paper in production of cartons.

The Company was engaged in producing corrugated cartons but it had not kept any record for the day to day consumption of raw material. It was noticed in

Excess consumption was not reported to BOD for taking remedial action

audit that 655.40 MT raw material (viz. Kraft Liner Board: 14.95 MT; Test Liner Board: 341.62 MT and Corrugated Media: 298.83 MT) was consumed in excess of norms (prescribed in project report) during four years ended 1997-98. This resulted in avoidable extra expenditure of Rs. 116.76 lakh in the production of Horticulture cartons.

Percentage of excess consumption ranged between 0.74 and 13.91 for KLB, 4.25 and 24.30 for TLB and 4.90 and 32.86 for Corrugating Media during four years ended 1997-98. Reasons for excess consumption were neither investigated nor was the matter brought to the notice of the Board of Directors for taking remedial measures.

2A.7.3.2 Loss in production of commercial cartons

Continued production of cartons led to loss of Rs. 156.11 lakh

The Company was established for the manufacture of cartons for apple packing but the Company decided (August 1993) to manufacture commercial cartons as well. Before going in for the production of commercial cartons neither any policy guidelines were framed nor was any planning and costing done and the production was carried out on an *ad hoc* basis. The Company produced 10.27 lakh commercial cartons on which it sustained loss of Rs. 156.11 lakh (Rs. 73.16 lakh, Rs. 31.94 lakh, Rs. 9.57 lakh and Rs. 41.44 lakh) during four years ending 1997-98 due to high cost of production which was not covered by the sale price as detailed in Annexure-10. The Company continued production despite incurring huge losses year after year for which no reasons were on record.

2A.7.3.3 Loss due to sub-standard production

Poor quality control resulted in loss of Rs. 12.97 lakh

It was noticed in audit that despite having a quality control section, 1.27 lakh cartons were rejected by the parties as being sub-standard resulting in a loss of Rs. 12.97 lakh during the period from 1994-95 to 1998-99. These sub-standard cartons were lying in stock (June 1999).

2A.7.4 Marketing

2A.7.4.1 Sale of commercial cartons

(a) Inadmissible payment of commission

Commission of Rs. 13.70 lakh was paid in advance in violation of agreement

(i) Though the Company had received (November 1996) a tentative supply order for supply of 5 lakh horticulture cartons from Jammu and Kashmir Horticulture Produce Marketing and Processing Corporation (JKHPMC), it appointed (December 1996) Shri Nalin Sharma of M/s Orient Trading Company, Manimajra, Chandigarh as sales agent for 5 years on payment of 50 *per cent* of net profit as commission. The agreement provided that the payment of commission would be due soon after payment for the supplies were made by the JKHPMC. Contrary to the provisions, commission of Rs. 13.70 lakh was released as advance between March 1997 and May 1998 without receiving payment and determining net profit. As the cost of production per carton (Rs. 32.95), as worked out by Audit (Annexure-11), was more than the sale price (Rs. 31) and the Company had, thus, sustained loss of Rs. 9.75 lakh in this deal, payment of advance commission of Rs. 13.70 lakh lacked justification.

Commission and other expenses of Rs. 11.95 lakh were paid in advance without procurement of business

(ii) The Company appointed (October 1997) M/s Memphis Polymer Limited, New Delhi as sales agent on commission payable at the rate of 5 *per cent* of gross sales on the supply of corrugated cartons in and around Delhi. The Company in flagrant violation of financial rules released (August-September 1997) Rs. 0.11 lakh to the agent towards his hotel expenses and Rs. 0.50 lakh (February 1998) on demand from the agent without any sales. The Management had received (December 1997) agent's letter enclosing therewith copy of FAX message of M/s Alghawi General Trading Est. UAE for the supply of 1.40 lakh cartons at a cost of Rs. 181.70 lakh (approx.). Based on this letter the Company released (December 1997) Rs. 11.50 lakh as commission and also entered into agreement with the agent stipulating that he would procure orders from UAE firm within six months failing which he would refund the amount together with interest at 18 *per cent* per annum. The agent neither procured supply order nor refunded the amount of Rs. 15.18 lakh (including interest of Rs. 3.23 lakh) after adjustment of Rs. 0.16 lakh payable as commission for carton sales at Delhi (June 1999). The Company issued legal notice in June 1999. Further developments were awaited (September 1999).

2A.7.4.2 Unjustified opening of office

The Company sustained loss of Rs. 7.60 lakh due to opening of unviable office at Kullu

The apple growers of Kullu area had been using packing boxes of 10 Kgs. capacity known as 'Kullu Dabbas' for apple packing. As per decision of the State Government, the manufacturing of Kullu Dabbas was left to the private sector. Despite this, the Management opened (July 1995) a marketing office at Kullu in private premises hired on rent and sustained a loss of Rs. 7.60 lakh on sale of 1.39 lakh cartons during the four years ended 1998-99 (upto September 1998). The marketing office was ultimately closed in September 1998.

2A.8 Transportation losses

Horticulture cartons

The Company sustained loss of Rs. 37.57 lakh due to payment of extra freight charges to transporters/buyers.

(a) The Government authorised the Company to sell its apple cartons to growers for Rs. 14.00, Rs. 16.25, Rs. 19.25 and Rs. 20.25 (including taxes and freight of Re. 0.75) per carton during 1995-96, 1996-97, 1997-98 and 1998-99 respectively. Though freight charges of Re. 0.75 per carton were fixed

Incorrect way of reimbursement of freight resulted in passing of company's profit into hands of buyers

irrespective of the distance involved, the Management without the approval of the Board of Directors entered into an agreement with the Truck Operators Union (TOU) at Kotkhai for transportation of cartons at the rates fixed by TOU. The Company did not make payment of freight to the truck operators. Instead it issued goods receipts showing the freight to pay and reduced the cost by Re. 0.75 per carton from the buyers who made freight payment at rates fixed by TOU which worked out to be less than Re. 0.75 per carton to places of shorter distance within Shimla district. Thus, the Company's profit of Rs. 11.72 lakh in transportation was passed into the hands of buyers.

It was also noticed that the Company made payment of freight at rates fixed by TOU for consignment to far distant places instead of restricting its payment to Re. 0.75 per carton. The excess freight borne by the Company worked out to Rs. 23.57 lakh in Shimla (1995-96 to 1998-99) Kinnaur, Kullu and Chamba districts (April 1997 to August 1998).

Two different rates for transportation of cartons and trays were paid for the same distance

(b) The Management without inviting tenders or quotations entered into two agreements with M/s Delhi Srinagar Road Carriers, Chandigarh separately for the transportation of cartons and trays. The carriage rate for cartons was agreed at Rs. 3.08 per carton (Rs. 12,320 per truck) and that for the carriage of 400 bundles (40,000) of trays was Rs. 10,500 per truck from Zirakpur to Srinagar. The rationale for fixing two separate rates for the transportation of cartons and trays for the same distance was not on record. This has resulted in extra payment of Rs. 2.28 lakh (in 125 trips) to the transporters.

The Company released the payment to the transporter without reconciling the dispatch and receipt of cartons. Cartons valued at Rs. 2.59 lakh were found damaged and the buyers deducted the amount from the payment due to the Company. The damages were not recovered from the transporter.

2A.9 Sundry Debtors

Sundry debtors for Rs. 82.58 lakh involving 26 parties including two Public Sector Undertakings of HPMC and HIMFED (Rs. 27.00 lakh) were outstanding at the end of March 1998. Of these, Rs. 14.33 lakh were outstanding for over two years. Recovery of Rs. 2.95 lakh from M/s Markfed Punjab and M/s Tola Ram Kundan Lal was doubtful, as both the parties had rejected the cartons which had not been brought back by the Company.

2A.10 Other topics of interest

2A.10.1 Injudicious purchase

The Managing Director purchased (September 1995) an orchestra costing Rs. 0.49 lakh, which was sold (July 1997) to Police Department. The amount realised was paid to the Managing Director. The Company lost interest of Rs. 0.32 lakh (March 1999) at the rate of 17 *per cent* compounded every quarter. The eight persons recruited (August 1995) to operate the orchestra were paid Rs. 0.61 lakh as wages until their services were dispensed with (February 1996). Purchase of orchestra was irregular as it was neither covered by the object clause of the Company nor needed by it.

2A.10.2 Misuse of vehicles

The Managing Director covered 31277 Kms. for journeys to Chandigarh and 28579 Kms. for journeys outside Himachal Pradesh in Company's car during April 1994 to March 1998. The officer had also not submitted any T.A claim for these journeys. Thus, related expenditure of Rs. 4.63 lakh was unauthorised and in violation of the rules and orders of the Government.

Similarly, the Store In-charge, not entitled to use official vehicle covered 8839 Kms. for his local journeys in Shimla, 25465 Kms. for journeys to Chandigarh and 14415 Kms. for his journeys to other stations during April 1994 to March 1998. The unauthorised expenditure worked out to Rs. 2.79 lakh.

2A.10.3 Foreign Tour

The Company incurred an expenditure of Rs. 1.84 lakh (Rs. 1.21 lakh in 1994-95 and Rs. 0.63 lakh in 1995-96) on foreign tours to London and New York of the Managing Director without preferring any claims. Against the air ticket for Rs. 0.55 lakh an amount of Rs. 0.63 lakh was adjusted through vouchers. The purpose of the visits and approval of the Board of Directors/the Government were not made available to Audit.

2A.10.4 Irregular advances/payments/misappropriation of funds

Interesting cases of mismanagement of funds, misappropriation, avoidable extra expenditure etc. noticed during audit were as follows:

(a) During the last four years ending 1997-98, the Management paid TA/contingent advances as a matter of routine to officers/officials viz. Managing Director, Manager (Finance), Sr. Accounts Officer, Store keeper and Personal Assistant amounting to Rs. 8.88 lakh, Rs. 2.16 lakh, Rs. 2.94 lakh, Rs. 4.76 lakh and Rs. 5.52 lakh respectively, without any application/sanction. The advances were granted for unauthorised purposes such as advances for personal requirements etc. The matter of grant of irregular interest free advances was brought (March 1995) to the notice of the Government by Audit but this practice continued till March 1998. There were outstanding advances of Rs. 9.68 lakh (Rs. 4.16 lakh, Rs. 1.96 lakh and Rs. 3.56 lakh) against the three officers/officials (Managing Director, Store keeper and Personnel Assistant) at the end of March 1998.

(b) The Management paid Rs. 1.98 lakh including Rs. 0.28 lakh for hotel expenses to Shri H.S. Mattewal, Sr. Advocate between May 1996 and December 1996 for the works not connected with the affairs of the Company. This indicated mismanagement of Company funds.

(c) A voucher No. 256 for Rs. 0.10 lakh for the payment of daily wage employee was debited (May 1997) to 'salaries and wages' without any supporting details of the worker and the work done by him.

(d) M/s Rank Packaids, Secunderabad was paid (May 1998) Rs. 0.40 lakh through draft and Rs. 0.10 lakh in cash as loan. The amount had not been recovered (March 1999).

(e) Company's truck driver Shri Raman Kumar collected Rs. 0.97 lakh as freight for transportation of cartons from 24 parties between May and December 1998 but did not deposit the same with the Management. In March 1999 he deposited Rs. 0.40 lakh and the balance of Rs. 0.57 lakh was still recoverable from him. The Management has not taken any action against the delinquent official for misappropriation of Government money (April 1999).

2A.10.5 Irregular deployment of daily wage labour

The Managing Director who stood transferred continued to approve bills for labour engaged subsequently

The Management had not assessed the requirement of manpower for the plant at Pragti Nagar and deployment of labourers was done on an *ad hoc* basis. The Company employs labourers on daily wage basis as well as through contractor. It was noticed that during March 1998 to March 1999, the Company received 11 bills amounting to Rs. 5.68 lakh in total from M/s Lucky Enterprises, Chandigarh on account of job work of manufacturing commercial cartons at the plant. Interestingly, it was observed that all these bills were approved by the Managing Director of the Company who stood transferred in May 1998 itself.

Particulars of the labourers, the work done by them and justification for creating liability for Rs. 5.68 lakh were not available on record. Engagement of private labourers from outside the State also did not have the approval of the Board of Directors.

2A.10.6 Business promotion

The Company incurred an expenditure of Rs. 8.64 lakh during four years ended 1997-98 on business promotion and gifts. The expenditure was adjusted against advances of the then Managing Director and the Store In-charge. Names of the persons to whom these gifts were given were not available on record.

2A.10.7 Infructuous expenditure

The Company had hired (November 1996) without the approval of the Board of Directors, the premises owned by one of the Company's Director at Naggar (Kullu) at a monthly rent of Rs. 2354 for maintaining a Guest House. The Company incurred an expenditure of Rs. 1.09 lakh towards furnishing (Rs. 0.50 lakh) and payment of rent (Rs. 0.59 lakh) during the period from November 1996 to July 1998. No guest stayed in the Guest House till its closure (July 1998).

2A.10.8 Wireless system

The Company installed a wireless system between its factory (Pragti Nagar) and the head office (Shimla) at a cost of Rs. 3.45 lakh in September 1996 without approval of the Board of Directors/Government. The system became defective since April 1997. No action either to get it repaired or to dispose it off had been taken by the Management (April 1999).

Conclusion

The Company was incurring losses year after year on account of mismanagement of cash, lack of inventory control besides the following reasons:

- **The capacity utilisation of the plant remained below 15 *per cent* for sheet manufacturing and below 25 *per cent* for carton manufacturing.**
- **Purchases of paper were made on *ad hoc* basis without planning and that too at higher rates.**
- **The consumption of paper was in excess of norm.**
- **Payment of inadmissible commission in advance without any business being procured by the agents, injudicious fixation and payment of transportation charges.**

To minimise losses and to improve its working, the Company should have strict and proper financial control on cash management and expenses. It should improve the quality of the commercial cartons to get repeat orders and improve capacity utilisation, which would help bring down losses.

2B Review on Catering and Occupancy Performance of Himachal Pradesh Tourism Development Corporation Limited

Highlights

Himachal Pradesh Tourism Development Corporation Limited (Company) was incorporated in September 1972 with the object to promote tourism and provide infrastructure facilities to tourists. As on 31st March, 1999, the Company had 50 units and 16 cafeterias.

(Paragraph 2B.1)

While the percentage of Indian tourists who stayed in Company's hotels to the total tourists visiting the State declined from 4.23 in 1995-96 to 3.54 in 1998-99 the percentage of foreign tourists also fell sharply from 11.54 in 1994-95 to 8 in 1998-99.

(Paragraph 2B.5)

There has been increasing trend in the number of loss making units and the quantum of loss rose from Rs. 0.30 crore in 1994-95 to Rs. 0.87 crore in 1998-99.

(Paragraph 2B.7)

The Company sustained aggregate losses of Rs. 0.34 crore during the five years period ended 1998-99 in running the Yatri Niwas at Chamunda, Chintpurani, Dharamsala and Jwalaji.

(Paragraph 2B.8)

The performance of seven cafeterias revealed an aggregate loss of Rs. 0.55 crore mainly due to huge expenditure on salaries during five years ended 1998-99.

(Paragraph 2B.9)

Raw material and fuel valued at Rs. 0.43 crore was consumed in excess of norms prescribed by the Company during the five years ended 1998-99.

(Paragraph 2B.10.1)

The Company sustained a loss of Rs. 0.09 crore in operation of seven bars besides incurring extra expenditure of Rs. 0.11 crore in purchase of liquor.

(Paragraph 2B.10.4)

2B.1 Introduction

The Himachal Pradesh Tourism Development Corporation (HPTDC) was incorporated on Ist September, 1972, as wholly owned Government Company with the object to promote tourism and provide infrastructural facilities commensurate with tourist potential in the State.

As on 31st March, 1999, the Company had 50 units (33 hotels, 9 tourist bungalow, 4 Yatri Niwas, 4 cottages/log huts) and 16 cafeterias.

2B.2 Organisational set-up

The management of the Company is vested in a Board consisting of 12 Directors including the Managing Director. The Chief Minister is the ex-officio Chairman of the Board. The management of hotels/cafes is under the charge of Area Manager/Senior Managers and Assistant Managers.

2B.3 Scope of Audit

The present review conducted during January-March 1999 covers catering and occupancy performance of the Company for the five years period ending March 1999. The findings are set out in the succeeding paragraphs.

2B.4 Working results

The working results of the Company for the five years upto 1998-99 are as under:

		1994-95	1995-96	1996-97	1997-98	1998-99
		(Rupees in lakh)				
	Income					
(i)	Cafeteria, canteen, bar and soft drinks	457.27	504.68	549.61	633.73	745.88
(ii)	Rental	541.08	629.32	704.48	785.85	844.13
(iii)	Grants-in-aid	--	--	52.70	223.73	6.70
(iv)	Others	367.76	377.02	387.85	423.00	474.84
	Total	**1366.11**	**1511.02**	**1694.64**	**2066.31**	**2071.55**
	Expenditure					
(i)	Food, bar and soft drinks	180.24	196.74	206.58	230.03	280.58
(ii)	Administrative and other expenses	992.88	1168.90	1341.33	1659.89	1629.98
	Total	**1173.12**	**1365.64**	**1547.91**	**1889.92**	**1910.56**
	Profit before depreciation	192.99	145.38	146.73	176.39	160.99
	Depreciation	113.33	143.22	133.34	131.22	142.87
	Net profit (+)/Loss (-)	(+)79.66	(+)2.16	(+)13.39	(+)45.17	(+)18.12

The major factor for declining profit during 1995-97 and operating loss in 1997-98 was increase in salary and the head office expenses.

2B.5 Company's share in tourist inflow

Company's share in tourist inflow to the State remained below 4.23 *per cent* and 12.77 *per cent* for Indian and foreign tourists respectively.

The Company has been providing facilities of accommodation, transport, games and extending information facilities through Tourist Information Offices to attract tourists. The table below indicates the Company's share of tourists including foreigners who visited the State *vis-à-vis* total inflow of tourists during five years upto 1998-99:

Year	Number of tourists visited State		Number of tourists stayed in Company's accommodation		Percentage of Company's share		Un-occupied roomdays (rooms x days)
	Indian	Foreign	Indian	Foreign	Indian	Foreign	
	(Number in lakh)				Per cent		(No. in lakh)
1994-95	34.38	0.52	1.27	0.06	3.69	11.54	1.26
1995-96	30.99	0.47	1.31	0.06	4.23	12.77	1.40
1996-97	35.28	0.51	1.33	0.06	3.77	11.76	1.47
1997-98	38.30	0.63	1.35	0.05	3.52	7.94	1.60
1998-99	41.80	0.75	1.48	0.06	3.54	8.00	1.84

It would be seen from the above that the percentage of Indian tourists who stayed in Company's hotels to the total tourists visiting the State declined from 4.23 in 1995-96 to 3.54 in 1998-99. Similarly, the percentage of foreign tourists also fell sharply from 11.54 in 1994-95 to 8 in 1998-99. As a result of decline in inflow of tourists in the Company's accommodation, the un-occupied roomdays increased from 1.26 lakh in 1994-95 to 1.84 lakh in 1998-99. The Company has neither analysed the reasons for decline in tourist inflow in its hotels nor framed any scheme to attract tourists. The Company had not fixed any targets towards increasing its occupancy.

Due to non-provision of low budget accommodation the Company could not attract low budget tourists

It was noticed (March 1999) in audit that the Company had only one Premium class hotel in Shimla, which hardly attracts low budget tourists. The Company did not plan for providing low budget accommodation even though the tourists visiting Shimla increased from 3.43 lakh during 1987 to 8.29 lakh during 1997. Out of 5.48 lakh, 5.76 lakh, 6.31 lakh and 8.29 lakh tourists who visited Shimla during 1994 to 1997 respectively, on an average only 12902 (2 *per cent*) tourists per year stayed in the Company's hotel at Shimla. Thus, the Company was deprived of revenue from majority of tourists coming to Shimla.

2B.6 Occupancy

Occupancy in company's hotels fell from 53.21 *per cent* in 1994-95 to 44.44 *per cent* in 1998-99.

The season wise occupancy of Company's hotel accommodation *vis-à-vis* its availability is given below:

	1994-95		1995-96		1996-97		1997-98		1998-99	
	Season*	Off Season	Season*	Off Season	Season*	Off Season	Season*	Off Season	Season*	Off Season
	(Number in lakh)									
Roomdays available	1.09	1.08	1.17	1.19	1.22	1.22	1.31	1.29	1.44	1.44
Roomdays occupied	0.58	0.33	0.60	0.36	0.63	0.34	0.64	0.36	0.64	0.40
Percentage	53.21	30.56	51.28	30.25	51.64	27.87	48.85	27.91	44.44	27.78

While roomdays capacity in Company's units during season increased from 1.09 lakh in 1994-95, to 1.44 lakh (35 *per cent*) in 1998-99, the occupancy percentage decreased from 53.21 in 1994-95 to 44.44 in 1998-99. Occupancy percentage in off-season also declined from 30.56 in 1994-95 to 27.78 in 1998-99.

The table below indicates the stratified break up of the percentage of room occupancy in Company's units providing accommodation:

	1994-95		1995-96		1996-97		1997-98		1998-99	
	Season	Off Season	Season	Off Season	Season	Off Season	Season	Off Season	Season	Off Season
Total units having accommodation	43	42	42	42	45	44	47	45	48	48
Occupancy of units:										
(a) Below 20 *per cent*	1	13	3	16	4	17	4	23	5	20
(b) Between 20 and 30 *per cent*	5	11	8	7	8	10	11	8	11	12
(c) Between 30 and 40 *per cent*	8	10	5	13	10	10	8	6	12	8
(d) Between 40 and 50 *per cent*	8	6	6	4	4	6	7	5	7	3
(e) Between 50 and 60 *per cent*	10	2	10	2	9	1	8	3	5	4
(f) 60 *per cent* and above	11	-	10	-	10	-	9	-	8	1

Company neither analysed reasons for low occupancy nor made plan to improve it

During season the occupancy percentage was below 30 in 6 units in 1994-95, 11 units in 1995-96, 12 units 1996-97 and 15 units in 1997-98 and 16 units in 1998-99. The Company has neither analysed reasons for low occupancy nor framed any plans/strategy to increase it. The Company had also not worked

* *Season: April to June and September to November.*

out the break- even occupancy. Therefore, occupancy related viability of the units could not be assessed. An audit analysis revealed that low occupancy was due to the following reasons:

(a) Setting up of Hotels/Cafeterias without preparing feasibility reports

Construction was undertaken without preparing feasibility reports

In its meeting dated 27th February, 1996 the Board of Directors, decided that feasibility report of all the projects/schemes costing more than Rs. 50 lakh would be got prepared from consultants and the projects costing less than Rs. 50 lakh by the Company itself. It was noticed (March 1999) in audit that during the period from September 1996 to February 1998 the Company took up construction/expansion of 12 new complexes each costing more than Rs. 50 lakh and other five complexes each costing less than Rs. 50 lakh without preparing feasibility reports. A test check of five such hotels revealed that the Company had incurred loss of Rs. 85.20 lakh during the five years ended 1998-99 as detailed in Annexure-12.

Losses were due to extremely low occupancy ranging from 6.69 *per cent* to 34.50 *per cent* during five years upto 1998-99. In addition, there were other units such as Srikhand, Kasol and Tattapani, which continued to show a trend of low occupancy (not more than 25 *per cent* on an average) during 1994-95 to 1998-99. It was due to setting up of hotels at places not attracting sufficient number of tourists for the purpose of stay.

(b) Unrealistic tariff revision

Tariff revision was done without analysing trend in occupancy

An analysis of tariff revision by the Company had revealed that it was being done annually as a matter of routine without taking into account the past trends in occupancy. Units, showing decreasing trend in occupancy were under upward revision of tariff, which resulted in average occupancy decreasing from 47.54 *per cent* (1994-95) to 37.73 *per cent* (1998-99), whereas average tariff increase was from Rs. 414.76 per room in 1994-95 to Rs. 721.66 per room in 1998-99 (Annexure -13). Besides, ineffective publicity was also responsible for low occupancy, which is discussed in detail in sub-paragraph (d) *infra*.

(c) Lack of infrastructure facilities

For want of facilities the Company failed to attract tourist inflow.

Out of 50 units run (March 1999) by the Company it had provided facilities of sports/games in 7 hotels, video games in one hotel only and amusement park in 2 hotels. None of the hotels had made arrangements for providing transport facilities to tourists from nearby railway stations, airports and bus terminus. The Company has also not made arrangements for package tours covering its chain of hotels located throughout the State. Thus, due to lack of required infrastructural facilities in its units the Company could not attract more tourist inflow.

(d) Inadequate marketing and publicity

Due to ineffective marketing and publicity the company failed to attract tourists inflow in its hotels.

The Company had no proper plans of marketing and publicity. It had been working in an *ad-hoc* manner to promote tourism and had not prescribed any norms for expenditure on marketing and publicity. The percentage of expenditure on publicity ranged between 0.86 *per cent* and 1.99 *per cent* only during 1994-95 to 1997-98. The Company had been relying on Free Individual Traveller (FIT) bookings only based on tourists who walk in its reception or information offices. Analysis of the marketing efforts made by the Company revealed the following points:

(i) Appointment of sale agents

Commission of Rs. 7.28 lakh paid to two agents proved unfruitful

In order to boost business, the Company appointed six sale agents during September 1994 to June 1996. During their tenure the sale agents procured business of Rs. 57.80 lakh (including Rs. 4.15 lakh remained unpaid with agents) for which they were paid commission of Rs. 7.28 lakh. The expenditure incurred on appointment of sale agents proved unproductive, as it had not contributed in improving the occupancy during 1994-95 to 1996-97. The Company did not extend their tenure after expiry (June 1996) of agreements.

(ii) Development of CD ROM

Company's investment of Rs. 10.59 lakh on printing planners and CD ROM proved unproductive without Internet facility

The Company prepared (May 1998) an inactive multimedia base catalogue of Himachal Tourism Hotels/facilities from M/s Span Infotech Private Limited at a cost of Rs. 1.99 lakh for information of tourists through internet. An expenditure of Rs. 7.90 lakh was incurred on printing of planners including establishment expenses of employees of the Company deployed for rendering assistance to the firm. A work order to replicate 1000 copies of CD ROM (for sale) was placed (October 1998) for Rs. 0.70 lakh with the same firm but these have not been received so far (March 1999). The Company had not obtained facility of hosting of CD ROM on Internet till March 1999. Thus, investment of Rs. 10.59 lakh was rendered unproductive.

(iii) Display of promotional spot on Zee TV

The Company though invested Rs. 1.34 lakh but failed to pursue display of promotional spots on Zee TV

The Zee TV Network had announced a 'Special Incentive Scheme' for display of promotional spot of 5 hotels free of charge upto 60 promos of 5 seconds each per year provided the Company purchases five Integrated receiver decoders and also pays Rs. 15 per room as service charges. To avail the benefit the Company purchased (March 1997) five Integrated receiver decoders for Rs. 0.85 lakh from M/s C-Net Communications (India) Private Limited, Delhi and also paid subscription fee of Rs. 0.49 lakh to Zee TV, Mumbai. The Management neither made any arrangement with the Zee TV Network to monitor the display nor any significant improvement in

Company's business was noticed. The Company had not taken any action to pursue the matter with the Zee TV (March 1999).

(iv) Advertisement in Telephone Directory

A sum of Rs. 0.36 lakh was advanced (October 1996) to Chromatic Printing Works Limited, New Delhi for publication of advertisements of State Tourism in Telephone Directory of the Himachal Pradesh Telecom Circle for the year 1996-97. The printer had not printed the advertisement and the whereabouts of the party were not traceable.

(v) Production of Video film

Company's expenditure of Rs. 1.09 lakh proved infructuous as it failed to sell the Video films

The Company entered into (September 1996) an agreement with M/s Global Media Mission, Shimla for producing 6 Video films on general, religious, adventure, tribal/monastic, winter tourism and company's facilities at a cost of Rs. 1.00 lakh. Against this only two films on general tourism (The Himalyan jewel) and company's facilities (The Perfect Host) were handed over to the Company on 30th June, 1996. Remaining four films were not produced till March 1999. The Company released (upto January 1998) payment of Rs. 0.90 lakh to the firm. The Company reproduced (March 1997) 100 copies of the video film 'The Himalyan jewel' and 25 copies of 'The Perfect Host' at a cost of Rs. 0.19 lakh for sale but only one copy of the film could be sold (March 1999). Thus, the expenditure was rendered infructuous.

(vi) Time Share Scheme

With a view to have consistent and predictable occupancy level throughout the year, the Company launched (November 1998) a 'Time Share Scheme' named 'Himalayan Leisure'. The Company estimated a collection of Rs. 39.43 crore on *cent per cent* sale of Time Share Units numbering 187 rooms of 17 hotels.

The Company incurred an expenditure of Rs. 16.09 lakh during April 1997 to November 1998. It was noticed (March 1999) in audit that out of 9724 units (weeks) placed under the scheme, only 85 units were sold (14 units fully paid and 71 units partly paid) for Rs. 21.72 lakh during December 1998 to March 1999.

The Company placed higher occupancy rooms under the scheme which will result in annual loss of Rs. 40.83 lakh and the loss will increase with increase in tariff in future

An examination of the scheme (March 1999) revealed that 86 rooms (1290 units) of 7 hotels which had average occupancy of 75 *per cent* (April to June 1998) were placed under the scheme. The Company would have earned rental income of Rs. 81.31 lakh during the three months of April to June under normal procedure of reservation. Against this, under Time Share Scheme, the Company would receive Rs. 693.46 lakh (refundable to customers after 20 years), on which it would earn interest of Rs. 26.93 lakh (13.5 *per cent*) *and* annual maintenance charges of Rs. 13.55 lakh during the corresponding period. Thus, the Company would sustain annual loss of Rs. 40.83 lakh, which would further increase by 15 *per cent* every year due to revision of tariff. Apart from this, the Company would also pay luxury tax (present rate

10 *per cent*) out of its sales per year for 20 years.

2B.7 Operational performance of loss sustaining units

The operational performance of loss sustaining units during five years ending 1998-99 was as under:

Number of loss sustaining hotels of the Company is increasing year after year

Year	Total number of units*	Loss sustaining units after depreciation		
		No.of units	Percentage to total units	Amount (Rs. in lakh)
1994-95	39	19	48.72	29.69
1995-96	40	21	52.50	60.01
1996-97	41	22	53.65	50.35
1997-98	44	25	56.82	86.05
1998-99	48	28	58.33	87.26
Total				**313.36**

It would be seen that there had been increasing trend in the number of loss making units and the quantum of loss rose from Rs. 29.69 lakh in 1994-95 to Rs. 87.26 lakh in 1998-99.

The Management had not analysed the reasons for losses for these units. However, it was noticed in audit that the losses were due to low occupancy and high costs owing to the reasons mentioned in paragraphs 2B.6 (a) to (d) *supra*.

2B.8 Performance of Yatri Niwas

The Company/Government with the central assistance constructed three Yatri Niwas at Dharamsala, Chamunda and Chintpurni. Matri Chhaya building constructed by Jwalaji Temple Trust was also taken (October 1997) on lease to operate Yatri Niwas at Jwalaji. Audit scrutiny revealed that these Yatri Niwas incurred losses of Rs. 9.71 lakh (Chamunda), Rs. 8.77 lakh (Chintpurni), Rs. 11.30 lakh (Dharamsala) and Rs. 4.66 lakh (Jwalaji) during five years ending 1998-99. A brief description of working of Yatri Niwas at Dharamsala and Jwalaji was as under:

* *Some hotels were clubbed with other units for operational performance.*

(i) Yatri Niwas, Dharamsala

Expenditure of Rs. 87.59 lakh on expansion proved unproductive

Yatri Niwas, Dharamsala having capital cost of Rs. 49.50 lakh was commissioned in February 1994. The unit had sustained loss of Rs. 11.30 lakh till March 1999. Its occupancy during season increased from 68.96 *per cent* in 1994-95, to 72.85 *per cent* in 1996-97 while it ranged from 35.20 *per cent* to 33.47 *per cent* during off season for the period from 1994-95 to 1996-97. However, occupancy in season during 1997-98 was considerably decreased to 45.71 *per cent* as the construction work of additional accommodation was in progress. Without studying viability, 18 rooms and 4 dormitories were added (June 1998) at a cost of Rs. 87.59 lakh. The investment proved unproductive as it did not attract tourists and the occupancy of the Yatri Niwas declined sharply to 41.74 *per cent* in 1998-99 during season and to 18.29 *per cent* during off-season. To increase occupancy, the management reduced tariff by 25 *per cent* for the year 1999-2000.

(ii) Matri Chhaya Yatri Niwas, Jwalaji

Take over of Trust Yatri Niwas without viability study resulted in loss of Rs. 4.66 lakh

The Yatri Niwas was taken (October 1997) on lease for two years on lease rent of Rs. 1.00 lakh for the first year and Rs. 1.50 lakh for the second year or fifty *per cent* of profit earned each year, which ever was higher. Besides, Rs. 0.80 lakh per annum was also paid to the Temple Trust as depreciation. Scrutiny in audit revealed that from October 1997 to March 1999 the Company earned revenue income of Rs. 14.74 lakh against revenue expenditure of Rs. 19.40 lakh and thus suffered loss of Rs. 4.66 lakh. The loss was mainly due to high establishment expenses (Rs. 9.62 lakh), low occupancy (average 20 *per cent*) and uneconomic rates of food agreed to with the Temple Trust, Jwalaji. Thus, take over of the unit without assessing its viability was unjustified.

2B.9 Cafeterias

High establishment expenses, low traffic and unproductive leasing out of cafeterias resulted in loss of Rs. 55.45 lakh during last five years.

(i) Performance of cafeterias

Expenditure on salaries had far exceeded revenue earning from cafeterias

In reply to paragraph 2A.8.6 of the Report of the Comptroller and Auditor General of India for the year 1993-94 (Commercial) to the Committee on Public Undertakings, the Company had stated that poor performance of the cafeterias was due to disturbances in neighboring States and increasing competition with private cafeterias. Scrutiny in audit revealed that during last five years 7 cafeterias suffered a loss of Rs. 55.45 lakh, which was mainly due to huge expenditure on salaries. Its percentage to the turnover gradually increased from 35 *per cent* in 1993-94 to 44 *per cent* in 1997-98 and 63 *per cent* in 1998-99. The percentage of expenditure on salaries to turnover in Café Shiraj, Mandi increased from 60 in 1994-95 to 112.60 in 1997-98 and 91.09 in 1998-99.

(ii) Leasing out of cafeterias

In order to reduce losses, the Board of Directors decided (September 1991) to lease out (February 1992 to August 1992) the wayside loss making 7 cafeterias to private parties. Five cafeterias were taken back during December 1995 to February 1999. Out of five, cafeteria Aabsar, Kandaghat was again leased out (June 1997) to State Horticulture Department; Café Trighat, Nurpur was transferred (December 1995) to State Government; Cafeterias taken back at Baijnath (September 1997) and Bilaspur (February 1999) were restarted (February 1999) by the Company itself. Final decision either to restart café at Dhundiara by the Company itself or to lease out was yet to be taken (March 1999). Lease amount of Rs. 6.78 lakh due from the private lessees of Café Lake View, Bilaspur (Rs. 3.54 lakh), Café Trighat, Nurpur (Rs. 1.61 lakh) and Café Puncham, Trilokpur (Rs. 1.63 lakh) was still in arrears (March 1999).

2B.10 Catering

Losses in catering activities could not be worked out due to non-maintenance of separate accounts for catering.

The Company had been maintaining catering facilities in its 44 units and 16 cafeterias at the end of March 1999. Of these, three cafeterias were on lease including one with the Horticulture Department. It was noticed in audit that the Company did not maintain separate records of catering activities to assess profitability of catering performance. Establishment expenses including salaries and other expenses of the catering and accommodation were also not segregated. In absence of this, profitability of these operations could not be worked out.

2B.10.1 Expenditure on catering

Extra expenditure of Rs. 43.41 lakh was incurred on consumption of raw material and fuel in excess of norms.

The Company had not fixed norms mostly for each of the component such as raw material, fuel, establishment expenses etc. and thus no mechanism for its control over expenditure on catering exists. Analysis of the expenditure on various components of catering in hotels and cafeterias revealed as under:

(i) Raw material

The Company had fixed (May 1977) the percentage of consumption of raw material to sales as 40 for its hotels and cafeterias. Scrutiny of records revealed that the raw material of Rs. 10.07 lakh was consumed in excess of norms and it even exceeded the value of sales in 8 to 16 units during the five years ended 1998-99. The Management had not analysed the reasons for excess consumption of raw material in these units. Test check of 10 units also revealed that all raw material (durable, semi-durable and perishable) was purchased from retailers and no system to effect purchases from wholesalers was evolved to effect economy.

(ii) Fuel

Norms for consumption of fuel to catering income had not been fixed. The Management, however, stated that it should normally be 6 *per cent* of the catering income. Though it was 3 *per cent* in Indian Tourism Development Corporation, Orissa and Rajasthan Tourism Corporations. The fuel consumption was in excess of 6 *per cent* of the catering income in units numbering between 33 and 40 during five years ended 1998-99 which resulted in extra expenditure of Rs. 33.34 lakh. The Company did not investigate the reasons for excess consumption of fuel.

2B.10.2 Deployment of staff

Disproportionate deployment of staff resulted in high salary expenses *vis-à-vis* operating revenue.

In 23 units, salary expenses were between 50 *per cent* and 159 *per cent* of the operating revenue of the units. In Tourist Lodge, Kaza, Kashmir House, Dharamsala, Hotel Apple Blossom, Katrain and Hotel Regency, Rampur the percentage was 157.48, 139.31, 128.25 and 127.88 respectively. The overall percentage of the salary expenses to the operating revenue, for the Company, as a whole was 34 *per cent.*

2B.10.3 Services of food

Service charges were not levied for outdoor catering.

The Company served food in its dining halls, rooms, conference venues and also at outside places in private and Government functions and during sessions of Vidhan Sabha. It was noticed in audit that during five years ending 1998-99 all the units of the Company except Hotel Holiday Home, Shimla were not collecting service charges for serving meals etc. The Company had not framed any guidelines regarding charging of service charges in respect of other hotels/places.

Reimbursement claims of Rs. 8.57 lakh for subsidised food were pending with Government

Subsidised catering to Members, Himachal Pradesh Legislative Assembly (MLAs) and press correspondents during the Vidhan Sabha sessions was being made on rates which work out to 50 *per cent* of food cost. Though the Government had decided (October 1992) to reimburse the subsidised amount to the Company but claims of Rs. 8.57 lakh (upto March 1998) were not reimbursed so far (March 1999).

2B.10.4 Uneconomic running of bars

Non-fixation of rates for company's purchases of IMFL and beer resulted in loss of Rs. 10.67 lakh.

The Company had been running 18 bars in its hotels and cafeterias. Test check of 7 units revealed that bars sustained loss of Rs. 8.55 lakh during the period from April 1994 to March 1998.

The Company failed to avail of the wholesale purchase rate for IMFL and beer

As per the Annual Excise Announcements of the State Government, the bar licensees were required to take supplies of Indian Made Foreign Liquor (IMFL) and beer from the L-2 (Wholesale and retail) vends in the respective locality on the rates approved by the Collector (Excise) of the Zone concerned. The Company made purchases at retail rates without getting the rates fixed as required. On this being pointed out in audit, the Excise and Taxation Department fixed (July 1998) the sale rate of IMFL, in South Zone, at 10 *per cent* less than the retail rate. Rates for North Zone of the State had not been fixed so far (March 1999).

Thus, by not getting the rates fixed as required the Company incurred loss of Rs. 10.67 lakh (based on 10 *per cent* less price) on its purchases of Rs. 106.70 lakh of IMFL and beer during the four years ended 1997-98.

2B.11 Other topics of interest

2B.11.1 Consultancy report on Corporate Plan

Corporate plan was adopted to the extent of upgradation/ creation of new posts only

A study on corporate plan involving corporate vision, business strategy, marketing strategy, organisation structure and manpower planning was got conducted (July 1995 to December 1995) from Tata Consultancy Services, New Delhi at a cost of Rs. 6.50 lakh. It was noticed (March 1999) in audit that only one recommendation relating to manpower planning about upgradation and creation of new posts was adopted (October 1997) by the Board of Directors without implementing other connected recommendations (March 1999).

2B.11.2 Credit sales

During discussion of the review on the working of the Company incorporated in the Report of the Comptroller and Auditor General of India for the year 1993-94 (Commercial), the Committee on Public Undertakings stressed the need to take strenuous steps for early recovery of the amount of credit sales. The Company issued instructions to Managers/Drawing and Disbursing Officers to meet with all codal formalities before allowing credit sales to avoid chances of their becoming doubtful.

Rs. 26.96 lakh were recoverable from private parties

The outstanding amount of credit sales increased from Rs. 70.11 lakh at the end of March 1995 to Rs. 85.91 lakh at the end of March 1999. Of this, a sum of Rs. 26.96 lakh was recoverable from private parties and the remaining balance of Rs. 58.95 lakh was due from Government Departments and semi-Government organisations.

A sum of Rs. 8.49 lakh due for more than 5 years from private parties was considered doubtful of recovery and hence loss to the Company.

The above matters were reported to Government/Management in May 1999; their replies were awaited (July 1999).

Conclusion

Even though tourism in the State had been increasing, the Company has been making losses on operation of majority of its units. The reasons for the losses were:

- **Decreasing occupancy in units.**
- **Setting up hotels at improper locations and without assessing viability.**
- **High incidence of establishment expenses and excess consumption of material and fuel.**
- **Ineffective publicity.**

With a view to improve the occupancy, the Company should improve facilities and make rational fixation of tariff of its units. It should make rational deployment of operational staff in all the units. The Company should also evolve proper system for economic purchases and consumption of raw material and fuel etc. and take steps to make publicity more effective.

Chapter III

Reviews relating to Statutory corporations

Section 3

3A Review on the VII plan physical and financial performance of power sector

Highlights

The Himachal Pradesh State Electricity Board (Board) had an identified power potential of 21000 MW as on March 1999 of which 3934.74 MW only had been harnessed by all the agencies taken together. During VII Plan (1985-90), against a total assessed plan outlay of Rs. 700 crore, a provision of Rs. 300 crore was made by the State Government for the power sector. Out of this, Rs. 161 crore was allocated for capacity addition and Rs. 139 crore for transmission and distribution works, Biogas development and rural electrification programme.

(Paragraphs 3A.1 and 3A.3)

The delay in execution of SVP Bhaba, Andhra, Gaj, Baner and Thirot power projects resulted in cost overrun of Rs. 418.54 crore and loss of potential generation of 1601.83 MU valued at Rs. 8.47 crore.

(Paragraph 3A.6(a) and (b))

Against generation cost of 30.81 paise and 49.23 paise per Kwh as envisaged in the project reports of SVP Bhaba and Andhra Hydel Projects, the actual cost of generation was 100.82 paise and 125.43 paise per Kwh respectively. The percentage increase in generation cost of these projects was 327 and 254 respectively during 1989-90.

(Paragraph 3A.7)

Due to supply of defective machines by M/s Punjab Power Generation Machines Limited (PPGML) for Baner and Gaj Hydel Projects, the Board suffered loss of potential generation of 13.56 MU valued at Rs. 1.31 crore. Besides, the Board neither recovered nor adjusted Rs. 0.65 crore incurred on modifications and repairs of machines carried out on behalf of supplier from the pending bills.

(Paragraph 3A.8 (a) and (b))

Due to delay in completion of 220 KV single circuit line from Khodri to Majri and 220/132 KV sub-station at Majri, the Board had to sell to UPSEB its share of power of 604.74 MU at generation cost of 8.3 paise

against average purchase price of 81.11 paise per unit. This resulted in loss of Rs. 44.03 crore.

(Paragraph 3A.9.2)

Lack of co-ordination in synchronising the work of inter-linking 132 KV Hamirpur-Dehra-Kangra line (Double circuit upto Dehra) and sub-station at Mattan Sidh resulted in idle investment of Rs. 10.53 crore for 16 months on which the Board paid an interest of Rs. 1.47 crore. Further, due to delay in arranging shut down of Jogindernagar-Kangra-Pathankot line with the Punjab State Electricity Board (PSEB) and non-procurement of terminal equipment, the Dehra-Kangra line (Single circuit) constructed (December 1997) at a cost of Rs. 6.11 crore was lying idle (April 1999).

(Paragraph 3A.9.3)

In case of 38 schemes, soft loans of Rs. 3.97 crore were drawn after a gap of three to twelve months after the completion of the schemes. The Board had utilised its own funds arranged at higher rate of interest, resulting in additional interest burden of Rs. 0.25 crore.

(Paragraph 3A.10.1 (a))

A test check of closed schemes revealed that 33 schemes were executed beyond the stipulated period resulting in time overrun ranging between 27 and 101 months and consequential extra expenditure of Rs. 2.98 crore.

(Paragraph 3A.11(c))

3A.1 Introduction

The H.P. State Electricity Board (Board) constituted on 1st September, 1971 in accordance with the Electricity (Supply) Act, 1948, was responsible for co-ordinated development of power potential, generation, transmission and distribution of electricity within the State in most efficient and economic manner. The State had an identified power potential of 21000 MW as on March 1999 of which only 3934.74 MW had been harnessed by all the agencies taken together. The State owned projects have total installed capacity of 299.303 MW only and the larger chunk had been contributed by the central agencies and other State Governments.

3A.2 Scope of Audit

The review covered the physical and financial performance in respect of (a) those schemes that commenced earlier but were completed/in progress during VII Plan period (1985-1990) and (b) those schemes the execution of which commenced during VII Plan but spilled over and were completed during VIII and IX Plans. The transmission and distribution network along with Rural Electrification schemes as envisaged for the VII Plan period has also been covered. The results of the study are contained in the succeeding paragraphs.

3A.3 VII Plan at a glance

Against a total assessed plan outlay of Rs. 700 crore, provision of Rs. 300 crore was made by the Government for power sector during the VII Plan period. Rs. 161 crore was provided for capacity addition including execution of 4 mini micro (Killar, Rongtong, Sal Stage-II and Dodra Kwar) Hydel projects with installed capacity of 4.75 MW and Rs. 139 crore for transmission and distribution works, biogas development and rural electrification programmes. The balance amount of Rs. 400 crore was to be raised through unconventional sources of funds outside the State Plan.

VII plan attached great importance to the power sector and significant progress in this sector was envisaged

During VII Plan, 2 ongoing projects (SVP Bhaba and Andhra) were completed and 3 new projects (Gaj, Baner and Thirot) were taken for execution. Besides cent *per cent* electrification, augmentation of T& D network with emphasis on rural electrification and improvement of existing systems were other significant areas to be covered during the plan period.

In addition, in order to have a shelf of approved projects it was decided to expedite approval of power projects, which were in pipeline at different stages. The Board had identified 24 projects with an estimated capacity of 4724 MW in the State. Of these, only three projects (Gaj, Baner and Thirot) were commissioned during VIII plan. Due to ill planning in funding and execution, out of the four Mini Micro Projects (Rongtong, Killar, Sal-II and Dodra Kwar) envisaged for completion during the plan period, only Rongtong (installed capacity 2 MW) was completed. The Killar project with installed capacity of 0.3 MW was commissioned during the VIII Plan. The construction work of Sal-II was given to a private party on turnkey basis and the execution of Dodra Kwar project was still awaited.

Other 3 projects (Larji, Ganwi and Holi) with installed capacity of 144 MW, were under execution by the Board (March 1999). The remaining projects were either not taken up or were transferred to other agencies for execution, NJPC being the most important of them to whom Nathpa Jhakhri project with installed capacity of 1020 MW (revised to 1500 MW) was transferred.

3A.4 Financial performance

The details of plan outlay, budget allocation, actual expenditure and return on capital during the plan period may be seen in Annexures-14 and 15. Out of total plan allocation of Rs. 300 crore, the amount to be invested through Board was Rs. 284 crore only, the rest being allocations for development and exploitation of Biogas and rural energy programme.

Board did not utilise full outlay provided for electrification of Harijan houses but the targets were over achieved

As seen from Annexure-14, against the plan outlay of Rs. 284 crore, the budget allotment was of Rs. 225 crore and the actual expenditure was Rs. 256.88 crore. To meet the expenditure, the Board received loans of Rs. 220.12 crore from the State Government and Rs. 170.29 crore from financial institutions. After the plan period, an expenditure of Rs. 104.53 crore was incurred on these projects as these were spilled over to VIII Plan. Thus, due to short receipt of funds from Government the Board had to borrow the same from financial institutions and this also resulted in delay in completion of projects. The achievement in respect of electrification of 'Harijan Houses' was 243.4 *per cent* which was more than the target set for the plan period even though against the proposed outlay of Rs. 200 lakh, the Board utilised only Rs. 81.94 lakh against allocation of Rs. 92.40 lakh. Reasons for such a high rate of achievement despite low expenditure were not available on record.

Perusal of Annexure-15 would reveal that the Board during the years 1985-86 and 1987-88 to 1989-90 showed surplus and the rate of return on capital employed ranged between 3.26 *per cent* and 6.01 *per cent* (except during 1986-87 when it was (-) 0.86 *per cent)*. The healthy rate of return was mainly due to drawal of free share of power from projects owned by other States and the Central Government agencies. Though the monetary value (Rs. 27.42 crore) of free share of power along with royalty was payable to the State Government, the Board neither paid the amount nor provided for liability.

The Board had an accumulated loss of Rs. 11.67 crore at the end of VII Plan. It had an accumulated surplus of Rs. 132.01 crore (March 1998) which would turn into deficit of Rs. 318.06 crore after taking into account the comments of the Comptroller and Auditor General of India on the accounts.

3A.5 Physical targets and achievements

The target *vis-à-vis* achievement during the VII plan period were as under:

Sr. No.	Particulars	Unit	Addition		Percentage of	
			Target	Actual	Achievement	Shortfall
1	Generation capacity	MW	166.20	139.50	83.9	16.1
2	Control sub-stations	No	8	3	37.5	62.5
3	Transmission lines	Km	313.37	127.32	40.63	59.37
4	Installation of distribution transformers	No	284	181	63.7	36.3
5	Distribution lines upto 22 KV	Km	948	244.35	25.8	74.2
6	Villages to be electrified	No	2302	3186	138.4	-
7	Pump sets to be electrified	No	700	970	138.6	-
8	No of consumers to be connected	No	56415	125969	223.3	-
9	System improvement:					
	(a) Line upgradation	Km	591.49	21.64	3.6	96.4
	(b) Sub-station augmentation	No	6	6	100.0	-
10	Electrification of Harijan Houses	No	6413	15611	243.4	-

Board did not achieve targets set for the VII plan in a number of areas

It would be seen from above table that except targets set for new connections and electrification of villages, pump sets, Harijan houses and augmentation of sub-stations, the Board could not achieve targets set for the VII Plan. Even the achievement of targets of new connections/electrification resulted in overloading the transmission network since the new connections were granted without commensurate increase in generation capacity, installation of sub-stations and augmentation of the transmission and distribution lines. The shortfall in achievements ranged between 16.1 and 96.4 *per cent*.

(A) POWER PROJECTS

3A.6 Execution and performance of the Projects

Time overrun resulted in cost overrun in all the cases

Thirteen Power Houses with installed capacity of 132.57 MW were in operation at the end of VI Plan. The installed capacity was increased by 139.78 MW by adding three hydro and two Diesel Generating units and by augmentation of three mini micro projects during the VII Plan. Thus, the installed capacity was raised from 132.57 MW to 272.35 MW. It was further increased to 299.30 MW at the end of March 1999. The position of projects planned for completion during the VII Plan was as given in Annexure-16. It would be seen that there had been enormous increase in project costs. The reasons for revision of project costs as attributed by the Board were increase in the installed capacity, quantity of work, escalation in labour and material rates besides revision of pay scales and higher rate of compensation.

From Annexure-16 it would be observed that:

(a) the delay in taking up execution of these projects resulted in cost overrun of Rs. 124.37 crore and further delay in completion after commencement of execution resulted into cost overrun to the extent of Rs. 294.17 crore bringing the total cost overrun to Rs. 418.54 crore;

(b) the delay also resulted in loss of potential generation of 1601.83 MU (approx.) (worked out on the basis of average targeted production for 3/5 years after commissioning of projects) valued at Rs. 8.47 crore till the date of commissioning;

(c) the revision of estimated cost to Rs. 23.01 crore and Rs. 16.53 crore in respect of Baner and Thirot projects was due to raising the installed capacity to 12 MW and 4.5 MW respectively;

Inadequate investigation, change in scope of works and paucity of funds delayed the completion of projects

(d) SVP Bhaba and Andhra projects having total installed capacity of 136.95 MW though scheduled for completion during VI Plan were actually completed during the VII Plan period. In case of Andhra Hydel Project the reasons for delay in execution as stated by the Board were inadequate investigations at the planning stage, change in scope of works, paucity of funds during earlier years, non-availability of construction material and inadequate labour strength.

It was seen in audit that except for non-availability of construction material, all the other factors responsible for delay were within the control of the Board. It was lack of proper advance planning and mobilisation of resources as per plans that resulted in such time overruns and consequent cost overruns.

Following table would reveal slow progress of the works by the contractors:

Name of the project	Month in which civil work awarded	Scheduled date of completion	Date upto which extension granted	Actual date of completion
Gaj	February 1989	March 1993	September 30,1995	June 1996
Baner	February 1991	March 1993	October 15,1995	August 1996
Thirot	March 1988	October 1993	October 31,1994	July 1995

The delay beyond the extension period had neither been regularised nor penalty imposed (May 1999).

3A.7 Cost of generation

(a) The installed capacity, designed potential, target and actual generation as also the generation cost as envisaged in the project report vis-à-vis actual cost of generation in respect of two projects completed during VII Plan was as under:

Sr. No.		SVP Bhaba	Andhra	
1	Installed capacity (in MW)	120	16.95	
2	Year of commissioning	July 1989	December 1987	
3	Period	1989-90	1988-89	1989-90
4	Designed potential (in MU)	637	100	100
5	Generation target (in MU)	278	50	70
6	Actual generation (in MU)	265	42.42	63.59
7	Cost of generation as envisaged in Project Report (Paise-per Kwh)	30.81	49.23	49.23
8	Actual cost of generation (Paise per Kwh)	100.82	189.20	125.43
9	Percentage increase in cost of generation	327	384	254

Generation targets were fixed below the designed potential

The Board had not investigated (May 1999) the reasons for enormous increase in the generation cost. It would be seen that the target fixed for generation was very low in comparison to the designed potential of the projects. Against this, the actual generation was still lower which resulted in increasing generation cost per unit by 254 *per cent* to 384 *per cent vis-a-vis* cost envisaged in the project reports. The trend of fixation of target on lower side was continuing as the target for 1997-98 was fixed at 83.85 *per cent* of the designed potential against which actual generation was only 78.02 *per cent.*

Cost of sales was higher than the revenue per unit

(b) The details of cost of generation and average revenue earned per unit of power for all the units are given in Annexure-17. It would be seen that the cost of sales (ranged between 56 paise and 95 paise) per unit remained higher than the revenue (ranged between 49 paise and 73 paise) per unit of energy sold even after taking into account the subsidy received from the Government. This was because of fixation of tariff for domestic and agricultural use at a level much below the cost of generation.

3A.8 Loss on account of defective agreement

Defective provision in contract agreement resulted in non-recovery of repair charges besides loss of potential generation.

The work of designing, manufacturing and supply of generating units etc. costing Rs. 664.64 lakh and Rs. 598.87 lakh (excluding taxes) for Gaj and Baner Hydel Projects was awarded to M/s Punjab Power Generation Machines Ltd. (PPGML) during July 1988 and June 1989 respectively. The contracts had a provision of sub-letting the contract but without defining the responsibility of sub-contractor. Similarly, there was no clause binding the contractor to compensate for the loss of potential generation suffered by the Board on account of delay in repair and maintenance work beyond a reasonable period.

Due to sub-standard supplies made by M/s PPGML either the machines could not be commissioned in time or they broke down during the warranty period resulting loss of potential generation and extra expenditure on repair work.

Due to defective supplies of equipment, commissioning of project was delayed and the equipment was got repaired at Board's expense

(a) ***Baner***

The Hydraulic Power Pack (HPP) of Unit-II of Baner project supplied by M/s PPGML through M/s Rexroth, a sub-supplier, was found defective during pre-commissioning tests. This led to delay in commissioning of a unit by 65 days resulting in loss of potential generation of 6.24 MU valued at Rs. 43.68 lakh.

Subsequently, the same unit was damaged (October 1996) due to defective equipment supplied by M/s Jyoti Limited, a sub-supplier of M/s PPGML. The equipment was under warranty and was to be repaired by the supplier. However, the machine was got repaired from M/s Jyoti Ltd. (sub-supplier) at the instance of M/s PPGML at a cost of Rs. 37.49 lakh but subsequently the supplier refused to reimburse the cost of repair on the ground that such cost was not negotiated with the sub-supplier through them. Besides, expenditure of Rs. 3.78 lakh was also incurred by the Board on modifications of machines on behalf of the supplier, the cost of which was neither recovered nor adjusted against the pending bills.

(b) Gaj

Inherent defect in machine was got modified at Board's expense

Unit-II could not be commissioned along with other two units of the project (June 1996) due to inherent defect in the machine. The machine was repaired by the Board itself and commissioned in September 1996 by which time the major part of the peak season for power generation had elapsed. Thus, inherent defect in machine resulted in loss of potential generation of 7.32 MU valued at Rs. 87.05 lakh. Subsequently, the same unit failed in March 1997. The Board incurred an expenditure of Rs. 20.55 lakh on its repair from outside agency on behalf of the supplier. Besides, an expenditure of Rs. 2.88 lakh was also incurred on modification of other machines. It was seen in audit that the Board has neither recovered nor adjusted Rs. 23.43 lakh against the pending bills of the supplier.

Thus, due to inherent defects in machinery and the defects in the agreement, the Board suffered a loss of Rs. 64.70 lakh on repairs and Rs. 130.73 lakh on account of less generation during June 1996 to September 1996. Thus, it is obvious that losses in potential generation resulted in high cost of generation.

(B) Transmission Schemes

During VII Plan period, strengthening of Transmission and Distribution network was given importance in order to correct the deficiencies and to enhance effectiveness for supply and evacuation of power. For this purpose, Plan outlay was kept at Rs. 81 crore. In addition, Rs. 40 crore was provided for rural electrification schemes to cater to the majority of population (93 *per cent*) concentrated in rural areas. The present study was, therefore, broken into study of transmission net work and rural electrification under the VII Plan.

3A.9 Transmission lines

The Government had proposed to undertake the work of ten transmission lines and 8 control sub-stations during the plan period. Out of the six completed schemes, four are discussed in the succeeding paragraphs (rest already covered in the Comptroller and Auditor General's Report for the years 1987-88 and 1991-92). The construction of Giri Paonta transmission line with sub-station at Paonta was started during VI plan but it spilled over and was completed during IX plan at a cost of Rs. 773.61 lakh against sanctioned amount of Rs. 241.43 lakh.

3A.9.1 Financing

The phasing of funds, budget allotment and actual expenditure during the plan period is given in Annexure-18. Its perusal revealed that despite budget provisions of Rs. 319.39 lakh, construction work of lines (Sr. No. 6 to 8) was not taken up during the plan period. Reasons for not taking up these schemes were not on record.

3A.9.2 Delay in completion - non-drawal of share of power

Due to delay in completion of transmission line the Board could not draw its share of power.

604.74 MU power had to be sold to UPSEB at generation cost resulting in loss of Rs. 44.03 crore

In order to evacuate share of power from UPSEB Power houses, two separate schemes, '220 KV single circuit line from Khodri to Majri and 220/132 KV 2x63 MVA sub-station at Majri' were to be completed by March 1988. Though the construction of transmission line and sub-station was completed (June 1989) after incurring an expenditure of Rs. 686.40 lakh yet it could not be energised till October 1989 due to delay in completion of switchgear works at Khodri and pending clearance from Forest Department. The Board had to sell its share of 604.74 MU power to UPSEB at its generation cost of 8.3 paise per unit against average purchase price of 81.11 paise per unit resulting in trading loss of Rs. 44.03 crore due to non-completion of works within the target period and non-existence of alternate system to evacuate power.

3A.9.3 Lack of co-ordination resulting in blockage of funds

Due to delay in inter linking the transmission lines, investment of Rs. 10.53 crore remained idle for 16 months

(i) A scheme for construction of 132 KV Hamirpur-Dehra-Kangra line (upto Dehra double circuit) was to be completed by February 1989. It was noticed in audit that the construction works of inter-linking line from Hamirpur to Mattan Sidh and the sub-station at Mattan Sidh were not completed in time. Hence, though the line was completed (July 1995) at a total cost of Rs. 10.53 crore, it could not be put to use (November 1996). Thus, due to lack of coordination to synchronise the work of inter-linking line and sub-station resulted in idle investment of Rs. 10.53 crore for 16 months and loss of interest of Rs. 1.47 crore.

(ii) The work of the construction of 29.95 km single circuit line from Dehra to

Delay in procurement of terminal equipment rendered investment of Rs. 6.11 crore as idle

Kangra covered under the aforesaid scheme was started during 1991-92. Only 29.61 km line was completed by incurring an expenditure of Rs. 6.11 crore till December 1997. For the sagging of last span, crossing over the 132 KV double circuit Jogindernagar-Kangra-Pathankot line was involved for which the shutdown was required from PSEB. The remaining work was completed after arranging shutdown from the PSEB in February 1999. During audit it was noticed that the requirement for the terminal equipment was not sent simultaneously to synchronise with the completion of the line. The requirement was sent in May and December 1998 and the material had not been received (April 1999). Thus, due to delay in arranging shutdown and non-procurement of terminal equipment, the line constructed at a cost of Rs. 6.11 crore (98.8 *per cent* work completed during December 1997) was lying idle.

3A.9.4 Idle Investment

Non-completion of works rendered investment of Rs. 57.93 lakh idle for 20 months.

The Board decided (1984) to convert the single circuit line from Khodri to Majri into double circuit line and for this a scheme was sanctioned in November 1988. The proposed 2nd circuit of 220 KV was to be charged on 132 KV at initial stage to transfer power to 132 KV sub-station, Paonta, which was being constructed under state plan scheme sanctioned during October 1982. Accordingly, out of 35.2 km, sagging of 15.52 km line was done during May-June 1991 by incurring an expenditure of Rs. 57.93 lakh. The sub-station at Paonta was commissioned in March 1993 as such the line remained idle for 20 months before energisation rendering the investment of Rs. 57.93 lakh unproductive. In audit it was seen (May 1999) that with the energisation of Giri Paonta 132 KV line (December 1997), this line has again been rendered idle.

It was also noticed that five outgoing feeders/33 KV Bays constructed at Kala Amb sub-station at a cost of Rs. 61.19 lakh were lying idle since energisation of the sub-station (December 1996). Non-utilisation of existing system erected at a cost of Rs. 61.19 lakh resulted in blockage of funds whereon the Board was to pay interest of Rs. 12.23 lakh (December 1998) at the rate of ten *per cent* per annum for two years.

3A.9.5 Time-overrun resulting in cost-overrun

The table below indicates the time and cost overrun in respect of four schemes including two schemes spilled over from VI Plan;

Sr. No.	Name of scheme	Target date as per scheme	Actual date of completion	Delay/Time overrun (Years)	Sanctioned amount	Actual expenditure	Cost overrun
					(Rupees in lakh)		
1.	132 KV line from Giri to Kala Amb with sub-station	October 1986	December 1996	10	310.66	1107.04	796.38
2.	132 KV Hamirpur-Dehra-Kangra line	February 1989	July 1995 February 1999	6 to 10	344.16	1663.88	1319.72
3	220/132 KV 2x80 MVA sub-station at Kunihar	March 1988	April 1989	1	900.00	1188.37	288.37
4	132 KV Giri Paonta line and sub-station at Paonta	March 1985	December 1997	12		773.61	532.18
						Total	**2936.65**

The table shows that there was time overrun from 1 to 12 years in execution of schemes resulting in cost overrun of Rs. 2936.65 lakh (March 1999) attributed to paucity of funds, non-procurement of material, escalation of costs of labour and material etc.

(C) Rural Electrification Schemes

3A.10 Rural Electrification Corporation (REC) advances soft loans to State Electricity Boards at an interest rate of 7.25 *per cent* to 9.25 *per cent* for rural electrification. For cent *per cent* electrification during VII Plan, a plan outlay of Rs. 40 crore was approved by the Government, out of which funds of Rs. 3.65 crore and Rs. 1.84 crore were to be provided under State Plan and the Minimum Need Programme respectively. Seventy-one Rural Electrification schemes including three schemes under Minimum Need Programme sanctioned during the plan period were to be completed by the end of March 1994. Of these, the Board executed only 65 schemes upto June 1998.

In addition 85 schemes sanctioned during VI Plan with estimated expenditure of Rs. 50.32 crore were to be executed and completed during VII Plan period. Of these, 39 and 46 schemes were completed during the VII and VIII Plan respectively. 50 schemes (in 15 units) test checked in audit revealed that 44 schemes were closed with shortfall in achievement of targets ranging between 20.35 *per cent* and 67.18 *per cent* excepting targets for new connections which were sanctioned without proportionate strengthening of the system as under:

	HT (In Km)	**LT** (In Km)			**Sub-stations** (No)	**Service connections** (No)
		3 phase	**2 phase**	**1 phase**		
Target	1223.83	1179.55	873.45	1592.50	516	75365
Achievement	830.56	627.87	286.64	1203.74	411	123301
Shortfall/excess (+)	393.27	551.68	586.81	388.76	105	(+)47396
Percentage of shortfall/excess (+)	32.13	46.77	67.18	24.41	20.35	(+)62.89

Sanction of excess new connections had resulted in overloading of the existing system.

3A.10.1 Funding

The table below indicates the amount of loan sanctioned, drawn and expenditure incurred during plan period:

The Board short availed of soft loans from REC and later on borrowed funds at higher rate of interest

Year	No,of schemes sanc-tioned	Amount of loan sanctioned	Loan drawn	Short/excess (+) drawal	Actual expenditure incurred	Excess of expenditure over loan drawn
		(Rupees in lakh)				
1985-86	16	859.44	731.52	127.92	789.07	57.55
1986-87	21	1436.72	1291.58	145.14	1385.82	94.24
1987-88	12	762.04	724.88	37.16	758.17	33.29
1988-89	10	870.96	849.98	20.98	913.40	63.43
1989-90	12	864.08	927.60	(+) 63.52	1021.89	94.28
Total	**71**	**4793.24**	**4525.56**	**267.68**	**4868.35**	**342.79**

Out of 71 schemes, the Board executed 65 schemes only for which Rs. 47.11 crore was sanctioned. Rupees 4 lakh was drawn against two schemes, which were not taken up for execution. The Board short availed of the soft loan by Rs. 189.56 lakh, though there was excess expenditure of Rs. 342.79 lakh, which was financed through borrowed funds at a higher rate of interest. The schemes were finally closed with time overrun ranging from 6 to 108 months. Reasons for not drawing the balance loan of Rs. 189.56 lakh were not on record. Besides, against a provision of Rs. 365 lakh under State Plan, the Board was provided funds of Rs. 134 lakh only.

3A.10.1 (a) Delay in claiming of soft loans

The Board suffered interest loss of Rs. 24.56 lakh on borrowed funds due to delay in claiming soft loans.

As the field units had submitted the progress of work and the completion reports after two to eleven months after actual closure of 38 schemes, soft loan of Rs. 396.78 lakh was thus drawn after a gap of three to twelve months. For these schemes the Board had utilised own funds borrowed on higher rate of interest resulting in additional interest burden of Rs. 24.56 lakh. The delay was attributed to the time consuming procedure for the approval of annual working programme by the Board and monitoring by REC. However, responsibility was not fixed for the delay.

3A.10.1 (b) Double drawal of funds

Fund of Rs. 203.01 lakh was claimed from the REC and also from the State Government under Tribal, Special component and Backward areas sub plan.

During April 1995 to March 1998, the State Government had provided funds of Rs. 147.39 lakh for the execution of works in Rampur and Dalhousie operation circles under rural electrification schemes sanctioned under tribal area sub plan during VII Plan. It was seen in audit that instead of depicting the monthly progress of these works separately under tribal area sub plan (State), it was included towards the progress of REC schemes which were still under execution. Similarly, funds of Rs. 55.62 lakh provided by the State Government under special component and backward area sub plan were utilised for RE works and loan was also drawn from REC by intimating the progress through Director (Design) REC Dalhousie.

This resulted in double drawal of funds for the same work from the State Government as well as from the REC.

3A.11 Execution of RE Schemes

3A.11 (a) Targets and achievements

The following table would reveal the targets and achievements for the 65 RE schemes of the VII Plan:

Year		HT lines	LT Lines			Number of sub-stations
			3 phase	2 phase	1 phase	
		Length in Km (Plan)				
1985-86	Target	62.5	15.5	17	28.5	11
	Achievement	-	-	-	-	-
1986-87	Target	104.5	29.5	32.5	35.5	23
	Achievement	25.51	9.42	8.09	7.35	9
1987-88	Target	113	32	33.5	41	18
	Achievement	38.64	18.58	19.70	10.09	12
1988-89	Target	84	33.5	39	40.5	15
	Achievement	24.96	1.00	0.75	18.6	7
1989-90	Target	73	46.5	26.1	60.5	43
	Achievement	23.72	6.67	(-) 8.05	31.27	14
Total:	**Target**	**437**	**157**	**148.1**	**206**	**110**
	Achievement	**112.83**	**35.67**	**28.54**	**67.31**	**42**
	Shortfall	324.17	121.33	119.59	138.69	68
	Percentage of achievement	25.81	22.72	19.27	32.67	38.18

Some of the schemes where targets could not be achieved during the plan period were extended to next plans. The position of all schemes at the end of June 1998 was as under:

	HT lines (Km)	3 phase LT (Km)	2 phase LT (Km)	1 phase LT (Km)	Sub-stations (No.)	Service connect-ions
Overall targets	977.50	833.75	414	1158	343	56415
Overall achievements	648.13	390.43	130.42	804.89	275	125969
Shortfall	329.38	443.32	283.58	353.11	68	(+)69554
Percentage of achievement	**66.30**	**46.82**	**31.50**	**69.50**	**80.17**	**223.28**

Funds for expenditure on additional connections could have been utilised for creating infrastructure

The table shows disproportionate trend of achievements in different components of schemes as loan of Rs. 457.66 lakh was utilised towards release of excess service connections, which otherwise could have been utilised for creating infrastructure to avoid overloading the existing system. An expenditure of Rs. 39.74 lakh was incurred on industrial connections without provision of funds against the schemes. In case of paucity of funds the industrial connections should have been released under deposit head and the amount could have been recovered from the beneficiary consumers as per the provisions of the Sales Manual.

Similarly, 47936 excess service connections were also released in respect of 41 schemes sanctioned during VI Plan without augmenting the distribution system (March 1997) for which loan of Rs. 206.12 lakh was utilised.

3A.11 (b) Delay in execution

The Board failed to get economic rate of return due to delay in execution owing to improper phasing of funds.

(i) Out of 65 schemes executed during the VII Plan, 26 schemes were due for closure by March 1990. Against this, only one scheme was closed within the stipulated period. The year-wise position of remaining 64 schemes closed after delay of 6 to 108 months was as under:

Year of sanction	Total No of schemes	Target month and year of closing	Delay in months
1985-86	15	3/87, 3/89 & 3/90	21 to 108
1986-87	19	3/90 & 3/91	6 to 96
1987-88	10	3/91	60 to 75
1988-89	10	3/92 & 3/93	12 to 77
1989-90	10	3/94	24 to 53

Despite time overrun of 6 to 108 months in completion of schemes, the Board had not investigated the reasons for the delay. During Audit it was noticed that there was an inherent deficiency in the formation and execution of these schemes. As such in the first instance, the Board provided bridging funds for the execution of works from its own resources, which were subsequently adjusted against loans. Year-wise phasing of funds as per sanctioned schemes *vis-a-vis* budget allotment by the Board during the period April 1985 to March 1994 is given in Annexure-19.

It is noticed from Annexure-19 that proper phasing of funds was not done and as a result, schemes could not be completed within the stipulated period despite incurring expenditure over and above the budget allotment. As a result, the Board could not get the economic rate of return as envisaged in the schemes based on the net present value of money. It resulted in short realisation of Rs. 112.05 lakh.

3A.11 (c) Cost overrun

Test check of closed Rural Electrification schemes revealed that in eight units, 33 schemes were executed beyond the stipulated period. The time overrun ranging from 27 to 101 months at the end of March 1998 resulting in extra expenditure of Rs. 298.46 lakh was not covered by the norms prescribed by

Time overrun ranging between 27 to 101 months resulted in cost overrun of Rs. 298.46 lakh

REC and was as such not admitted. The excess expenditure was thus, incurred out of funds borrowed by the Board at higher rate of interest. The cost overrun was due to inadequate provision of funds and the escalation factor in the material and labour costs.

3A.11 (d) Cost escalation on left out works

During audit it was noticed that in 12 units 41 schemes were closed with less achievements and the left out works were covered under replacement schemes with higher cost data. The details of shortfall in achievement of targets in respect of these schemes was as under:

Sr. No.	Description	Target as per schemes	Achievement	Shortfall	Left out works covered under replacement schemes
1.	H.T. Line (Km)	1036.33	635.76	400.57	314.13
2.	L.T. Line (Km)	3105.00	1870.73	1234.27	837.68
3.	Sub-station (No)	403	302	101	100

Board would have to bear the extra cost of Rs. 625.74 lakh for the completion of left out works under replacement schemes through loans raised at a higher interest rate of 11 to 13 *per cent* against 7.25 to 9.25 *per cent* for original loans.

3A.11 (e) Unjustified execution of works

Execution of the schemes was neither justified technically nor financially

In Electrical Divisions, Karsog, Ani, Rampur and Jogindernagar, 23 works were executed by incurring an expenditure of Rs. 39.55 lakh under rural electrification schemes and RE other business of the Board (OBB State Plan). These works were technically and financially unjustified as the voltage drop even at the initial stage ranged between 6.5 and 8.8 *per cent* against permissible limit of (+)/(-) 6 *per cent* (Electricity Rules 1956). The return on investment was 2.1 *per cent* against required minimum return of 8.5 *per cent* of the expenditure (Instruction No 5 of Sales Manual).

3A.11 (f) Delay in energisation of system

Delayed energisation resulted in rendering investment of Rs. 89.69 lakh as idle

As per rule 63 of the Indian Electricity Rules 1956, for the energisation of 11 KV HT lines and sub-stations prior approval of the Chief Electrical Inspector was required. In Jogindernagar and Una Divisions, 56 distribution sub-stations were erected by incurring an expenditure of Rs. 89.69 lakh under various rural electrification schemes. Of these, 41 sub-stations (Rs. 66.31 lakh) remained idle for 5 to 20 months due to delay in submission of documents to the Chief Electrical Inspector. Besides, new connections could not be released for 5 to 61 months from 15 sub-stations erected at a cost of Rs. 23.38 lakh due to incomplete works relating to LT distribution and reorganisation of existing system.

3A.11 (g) Use of undersize conductor

Non-execution of works as per provision of scheme resulted in additional energy loss of 2.97 MU.

For augmentation of existing 22 KV feeder (15 Km) from Behna to Ani, a rural electrification scheme was sanctioned (March 1986) for Rs. 3.52 lakh. Only 5.65 Km was augmented at a cost of Rs. 3.34 lakh (March 1990). Remaining portion was not augmented and it continued to be used with undersize conductors. The scheme was finally closed in March 1996. Due to use of undersize conductor the Board had suffered additional energy losses of 1.97 MU during the period April 1990 to March 1998.

Similarly, augmentation of 10.38 Km GI wire provided on 22 KV feeder from Dalash to Kandgai was not done by the field unit though provision for this existed in the sanctioned scheme. This had also resulted in additional energy loss of one MU from April 1990 to March 1998.

3A.11 (h) Non-recovery of consumer contribution

Connections were released without recovery of consumer contribution

The sanctioned schemes provided for consumer contribution at a rate of Rs. 29 for each industrial/agricultural connection and at the rate of Rs. 1.50 per domestic/commercial connection. In 42 schemes executed during VII Plan, 5235 industrial/agricultural and 158977 domestic/commercial service connections were released without recovering consumer contribution of Rs. 3.90 lakh.

(D) System Improvement Schemes

3A.12 During VII Plan the Board had sanctioned 13 schemes for system improvement out of which 7 schemes were test checked during audit. The irregularities noticed were as under:

3A.12.1 Physical and financial Achievements

Seven schemes sanctioned during March 1987, November 1988 and June 1989 were to be completed within five years. The physical and financial achievements of the system improvement schemes at the end of March 1998 were as per Annexure-20.

There was nominal achievement of targetted physical targets for HT lines

It would be seen from Annexure-20 that due to time overrun of two to four years, despite incurring 95.64 *per cent* expenditure, proportionate physical target of HT lines, sub-stations and augmentation of HT lines (six schemes bearing code No. 060196, 060197, 060198, 060199, 060207 and 060213) could not be achieved. Of these six schemes, against the provision for 591.49

Km, for augmentation of HT lines in four schemes (code No. 060196, 060197, 060198 and 060199), actual achievement was only 21.64 KM (3.66 *per cent*). One scheme (code No. 060213) was withdrawn except augmentation of sub-station as discussed in paragraph 3A.12.3 (*infra*). The Board had misinformed REC that a saving of 6.07 MU in line losses and additional sale of power of 114.69 lakh units per annum was achieved. It was in fact the projected achievement for the total augmentation work. The actual saving in energy loss and the additional sale of power was, however, neither worked out by the Board, nor verified by the REC.

In the three schemes (No. 060196, 060197 and 060199) test checked in audit, the time overrun of 24 to 52 months had resulted in cost overrun of Rs. 151.23 lakh.

In reply (January 1999) it was stated by the Board that the works covered under the schemes were executed as per approved annual working programme and budget allotment. However, the delay in completion of works had occurred due to non-availability of required material and adverse conditions resulting in cost overrun to the extent of Rs. 151.23 lakh.

3A.12.2 Under-size conductor

Use of under-size conductor resulted in loss of Rs. 29.17 lakh due to additional energy loss

During June 1989, a system improvement scheme for Tehsil Ghumarwin was sanctioned for Rs. 200.78 lakh including provision for augmentation of 33 KV HT line measuring 21 Km from Jabli to Naswal at a cost of Rs. 10.39 lakh. It was seen in audit that out of 21 Km, the conductor of line length of 2.35 Km only was augmented. An additional load of 7 MVA was added to this system in March 1994 without strengthening the conductor of the remaining line. Due to non-replacement of under-size conductor, the Board had suffered a loss of Rs. 29.17 lakh on account of additional energy loss of 1.62 MU from April 1994 to September 1998.

3A.12.3 Non-execution of scheme

Non-execution of system improvement scheme resulted in non-achievement of targets for reduction in energy loss of Rs. 136.61 lakh

A system improvement scheme for augmentation of sub-stations at Bangana, Mehatpur and Una including 33 KV new sub-stations at Santokhgarh and Haroli was sanctioned by the Board in February 1988 for Rs. 179.85 lakh with operational period of five years. The Board executed augmentation works at Bangana and Mehatpur sub-stations by incurring expenditure of Rs. 36.26 lakh against the sanctioned expenditure of Rs. 19.23 lakh. But due to non-execution of works relating to improvement on 11 KV line the scheme was withdrawn (December 1992) by REC. Another new scheme was sanctioned (February 1995) for Rs. 170.95 lakh including extra work of construction of well foundation structures to cover the left out works after dropping the works (valuing Rs. 80.75 lakh) relating to one new sub-station at Santokhgarh, augmentation of sub-station at Una and reducing the length of lines by 39.50 Kms. Thus, besides extra cost burden of Rs. 70.08 lakh in completion of leftover works under new schemes, the Board suffered energy loss of 18.46 MU valued at Rs. 136.61 lakh.

Conclusion

A review of the Board revealed the following deficiencies:

- **Against identified Power Potential of 21000 MW in the State, 299.303 MW only was harnessed by Board. The Board could not complete the projects targeted during the VII Plan within the stipulated period as a result there was huge cost overrun.**

- **Lack of proper co-ordination in execution of projects, transmission and distribution and RE schemes resulted in financial and physical loss for the Board.**

- **Non-utilisation of funds provided under tribal area sub plan though it was a priority area.**

To improve its performance the Board should take effective steps to avoid lapses noticed during VII plan. The Board should strictly adhere to the targets fixed under the schemes for generation, transmission and distribution and develop adequate system to monitor the schemes at different stages. It should make timely and adequate provision of funds to avoid time and cost overruns and make proper arrangements for timely reimbursement of expenditure from REC. The Board should also keep past experience of the firms in view while awarding contracts for various works.

3B Review on outstanding dues against Himachal Pradesh State Electricity Board

Highlights

The outstanding dues against the Board have been increasing year after year and have increased from Rs. 163.89 crore in 1994-95 to Rs. 324.13 crore in 1998-99 showing an increase of 97.77 *per cent*.

(Paragraph 3B.4)

Receivables aggregating Rs. 12.99 crore were outstanding for a period ranging from 2 years to twenty four years reflecting their poor collection by the Board leading to pendency in outstanding dues.

(Paragraph 3B.5.1 (a))

Instead of liquidating the liabilities the Board had invested Rs. 11.03 crore in stores and stock (Rs. 7.13 crore) and in fixed assets (Rs. 3.90 crore), which remained idle for period ranging from 2 to 21 years.

(Paragraph 3B.5.2 (a) & (b))

In spite of borrowing Rs. 453.46 crore from open market to meet its own financial requirement, Board advanced Rs. 440 crore out of the above amount to the State Government. As a result, the Board had to avail cash credit of Rs. 2.43 crore at higher rates of interest leading to additional interest burden of Rs. 0.16 crore.

(Paragraph 3B.5.3)

High transmission and distribution losses in excess of norm resulted in energy loss of 341.479 million units valued at Rs. 49.51 crore which could have been used for liquidation of dues outstanding against the Board.

(Paragraph 3B.5.4)

In-adequate load management and lack of integrated transmission and distribution system in the Board resulted in diversion of State share of power in Central Sector Power Projects and free share of power in Uttar Pradesh Projects to other States at lower rate and consequential loss of potential revenue of Rs. 78.78 crore which could have been utilised for discharging the liabilities.

(Paragraph 3B.5.5 (a) & (b))

Delay in payment for purchase of power from Central Sector Power

Utilities resulted in avoidable payment/levy of surcharge of Rs. 25.57 crore.

(Paragraph 3B.6.1)

3B.1 Introduction

Outstanding dues against Himachal Pradesh State Electricity Board (Board) mainly consisted of the payments due for the purchase of power, electricity duty, material/equipment and other miscellaneous expenses. Besides, the Board has capital liabilities towards loans from the State Government, financial institutions, IDBI, SIDBI and market borrowings. Detailed particulars of outstanding dues were maintained in the respective executing divisions except for purchase of power, which was maintained by the Chief Engineer Commercial and for the capital loans by the Chief Accounts Officer. At the end of March 1999 total current liabilities of the Board were Rs. 324.13 crore besides capital liabilities of Rs. 1494.77 crore.

3B.2 Organisational set-up

Finance and Accounts wing which was responsible for financial planning, funds management, reporting on receipt and disbursement of Board, was headed by a Chief Accounts Officer under the overall supervision of Member (F & A). The Chief Accounts Officer was assisted by one Deputy Chief Accounts Officer and there were also 18 Accounts Officers at the head office and 23 Assistant Accounts Officers in the field units at circle level for controlling the accounts maintained by 91 divisions.

3B.3 Scope of Audit

The present review covers outstanding dues against Board for the purchase of power, material for capital, O & M works and other expenses for a period of five years ended on 31st March, 1999. Results of review are discussed in the succeeding paragraphs.

3B.4 Outstanding dues

The dues outstanding against the Board under broad headings at the end of each year for the last five years ended 31st March, 1999 were as under:

Sr. No.	Particulars	1994-95	1995-96	1996-97	1997-98	1998-99
		(Rupees in lakh)				
1.	Creditors for purchase of power	7587.02	10496.72	12322.96	10113.15	12726.45
2.	Capital O & M Supplies	2520.51	2494.77	2232.25	2643.44	3302.97
3.	Staff related liabilities	168.45	227.41	669.23	1025.01	1019.43
4.	Electricity Duty	1370.16	1194.29	821.21	998.54	766.09
5.	Liabilities for expenses	1005.78	2048.89	2354.10	3662.30	4689.13
6.	Cheques outstanding	1247.11	1331.50	6227.40	2378.93	1929.07
7.	Others	2489.86	4655.99	5363.78	7058.37	7979.42
	Total	**16388.89**	**22449.57**	**29990.93**	**27879.74**	**32412.56**

The outstanding dues against the Board had been increasing year after year and have increased from Rs. 163.89 crore in 1994-95 to Rs. 324.13 crore in 1998-99 showing an increase of 97.77 *per cent*.

The Board neither paid nor provided for the amount payable to the State Government for the share of power drawn from CSPUs

The State Government had demanded (August 1994) from the Board the value of its share of power drawn by the Board from the Central and other Power Projects set up in Himachal Pradesh as per formula of sharing of power approved (November 1990) by the Government of India, Ministry of Energy (Department of Power). Amount due for the power drawn by the Board during 1992-93 to 1997-98 worked out to Rs. 274.83 crore at average rate at which it purchased power from other sources. The Board had neither paid nor provided for this amount in the accounts on the plea that the rate of power at which the amount was to be paid had not been determined/settled with the State Government.

3B.4.1 Dues relating to purchase of power

The following dues were payable to various power suppliers as on 31st March, 1999:

Sr. No.	Name of the power supplier	Amount (Rupees in lakh)
1	Bairasiul Hydel Project (NHPC)	2219.12
2	Uri Hydel Project (NHPC)	1505.79
3	Chamera Hydel Project (NHPC)	1379.87
4	Tanakpur Hydel Project (NHPC)	229.29
	Total	**5334.07**
5	National Thermal Power Corporation	2004.64
6	Nuclear Power Corporation of India Limited	1082.70
7	Uttar Pradesh State Electricity Board	2756.71
8	Power Grid Corporation of India Limited	711.18
9	Bhakhra Beas Management Board	612.29
10	Punjab State Electricity Board	268.65
11	Delhi Vidyut Board	20.69
12	Rajasthan State Electricity Board	0.08
	Total	**12791.01**
13	Salal Hydel Project (NHPC) (Debit)	60.98
14	Haryana State Electricity Board (Debit)	3.58
	Total	**64.56**
	Total net outstanding	**12726.45**

Of the total outstanding dues of Rs. 127.26 crore towards purchase of power the percentage of outstanding dues of NHPC, NTPC, NPCIL and UPSEB were 41.43, 15.75, 8.51 and 21.66 respectively.

3B.5 Factors leading to pendency of high outstanding dues

3B.5.1 Poor collection of receivables

(a) In order to bring down the outstanding dues against Board, timely recovery of sundry debtors and loans and advances from firms/suppliers was imperative. On the basis of test check of records of 27 divisions out of 91 divisions it was noticed in audit (May 1999) that Rs. 1298.82 lakh remained unrealised for a period ranging from 2 years to 24 years in the following cases:

Sr. No.	Particulars	Period	Amount (Rs. in lakh)	Remarks
1.	Sundry debtors for sale of power to industrial consumers	1988-89 onwards	128.29	The amount was not recovered from the consumers after permanent disconnection of supplies (Instruction No 179 of Sales Manual). U.P. State Electricity Board had not made payment for supply of power from 1995-96 onwards.
2.	Advances with firms/contractors	1974-75 onwards	107.13	Reasons for non-recovery of advances were not available on record.
3.	Small/micro hydel projects transferred to HIMURJA	November 1995 onwards	29.32	Claim for reimbursement not preferred (May 1999). {Pointed out in Audit Report (Commercial) 1996-97}.
4.	Claim on M/s JP Industries for damage to Board equipment/material at Jhakhri during August 1995	December 1996 onwards	21.86	The firm agreed to pay the claim in December 1995. The Board lodged the claim in December 1996 and issued legal notice in July 1997 i.e., after 2 years of occurrence of the damage. Recovery awaited. {Pointed out in Audit Report (Commercial) 1997-98}.
5.	Arrears of surcharge for delayed payments from Irrigation & Public Health Department	September 1991 onwards	381.97	The amount was freezed in March, 1992 without indicating the period for which the recovery was not to be made. {Pointed out in Audit Report (Commercial) 1996-97)}.
6.	M/s Nathpa Jhakhri Power Corporation	December 1996 to March 1999	630.25	This represented cost of works and labour charges recoverable from M/s NJPC.
	Total		**1298.82**	

Non-recovery of the above receivables of Rs. 12.99 crore not only resulted in locking up of Board funds but also in loss of interest to the extent of Rs. 977.17 lakh (@ 15 *per cent* i.e., the average rate of interest paid on overdrafts). Besides, the Board could not generate the cash flow to liquidate dues outstanding against it to the extent of Rs. 324.13 crore.

(b) It was noticed in audit (May 1999) that in the bilateral agreement of Ist January, 1997 which was extended upto March 1999, entered between the Board and the Punjab State Electricity Board (PSEB) for purchase of power, standard clause for levy of surcharge on delayed payment was not incorporated. Thus, the Board could not enforce timely recovery of the outstandings which stood at a monthly average of Rs. 20.51 crore and Rs. 26.70 crore against payable of Rs. 1.44 crore and NIL during 1997-98 and 1998-99 respectively. This had resulted in interest loss of Rs. 6.55 crore besides loss of cash generation which could have been utilised for liquidation of dues against the Board.

3B.5.2 Locking up of funds in materials lying idle

Scarce funds of Rs. 11.03 crore were locked up in materials which were lying unused.

During audit it was seen that funds which could have been utilised for liquidating liabilities were invested in a manner that these remained locked up for substantial periods.

Stores valued at Rs. 7.13 crore were lying in stores for period upto twenty one years

(a) During audit of various units of the Board it was noticed that stores/stock valued at Rs. 7.13 crore were purchased in excess of requirements and were lying idle in the stores as on 31st March, 1999 for period ranging from one year to twenty one years. This resulted in locking up of scarce funds of Rs. 7.13 crore and loss of interest of Rs. 4.84 crore (March 1999) at the rate of 15 *per cent* per annum. Reasons for not using the material were not available on records.

Investment of Rs. 3.90 crore on three runners which remained without use for the last 86 months proved unfruitful

(b) Three modified runners (including a spare) costing Rs. 3.78 crore were purchased (February 1992) by the Board from M/s BHEL for up-rating the existing capacity of Giri Power House from 60 MW (2 x 30 MW) to 66 MW (2 x 33 MW). It was observed (July 1992) by the Board that after installation of one modified runner at Unit-II, the capacity of the turbine decreased to 27 MW against the existing capacity of 30 MW. The BHEL proposed to remodify the runners, which was not agreed to by the committee of the Board constituted for modernisation of the power house. However, it was noticed that a runner was got remodified from BHEL subsequently and installed (June 1997) at Unit-II. The remodified runner again did not work to the desired capacity of 33 MW and it remained between 27 MW and 28.5 MW load whereas the existing runner installed at Unit-I (which was not replaced) was giving at 30/31.5 MW. In view of the poor performance of re-modified runner of Unit-II, BHEL had also admitted the fact that installation of remodified runner at Unit-I would decrease the generation as such it continued to be operated with the existing runner. The existing runner was again installed at Unit-II (replacing the re-modified one). Thus, the investment of Rs. 3.78 crore along with Rs. 11.75 lakh paid for model testing for uprating the Giri Power House was rendered unfruitful. Besides, locking up of funds in the unfruitful investment the Board had incurred an interest loss of Rs. 4.19 crore during 86 months @ 15 *per cent* per annum. The Board took up (March 1998) the matter with the firm for replacement of defective runners which was still awaited (May 1999).

3B.5.3 Diversion of borrowed funds

While the funds borrowed from open market at lower rates of interest were given to the State Government, the Board also availed cash credit at higher rates of interest for its own purposes during the same period

In order to meet its financial requirements, the Board borrowed funds of Rs. 453.46 crore from open market by issuing Non-SLR Bonds during the years from 1994-95 to 1996-97 at the interest rates ranging between 14.5 *per cent* and 17.5 *per cent*. It was noticed in audit that instead of utilising these funds towards liquidating liabilities and other financial obligations, the amount aggregating Rs. 440 crore was given to the Government as and when received as advance at the interest rates of the borrowed funds from market during 1994-97 and these funds were still with the Government. These funds were returned by the State Government at the fag end of each year and were again advanced to the State Government in the Ist week of April each year. Thus, the very purpose of borrowing the funds from open market was defeated. Besides, the Board availed Cash Credit of Rs. 242.55 lakh from various banks at higher interest rates ranging from 15.5 *per cent* to 19 *per cent* during the same period (December 1994 to June 1998) resulting in additional interest burden of Rs. 16.21 lakh.

3B.5.4 High transmission and distribution losses

The Central Electricity Authority (CEA) had recommended (May 1992) a norm of 15.5 *per cent* for transmission and distribution (T&D) loss. Against this, the actual T&D losses in the Board were between 16.28 *per cent* and 19.20 *per cent* during the last five years upto 1998-99 as detailed in Annexure-21. Due to T&D losses in excess of the norm, the Board suffered loss of 341.479 MU of power valued at Rs. 49.51 crore during the above period. Had the Board been able to restrict its T&D losses within the norm, it could have saved Rs. 49.51 crore and utilised the same for liquidation of dues outstanding against it to this extent during the above period.

3B.5.5 Inadequate funds generation

An efficient load Management and integrated power distribution net work is a prerequisite for any State Electricity Board to generate revenue for the prompt liquidation of liabilities. The Board had inadequate load management and distribution systems which resulted in less generation of revenue for liquidating its liabilities as discussed below:

(a) Sale of power at lower rate

In absence of proper load management, Board had to sell power at lower rates

(a) During summer months (April to October) maximum power was generated in Hydro-electric Power Houses of Board because of increased flow of water in the rivers originating from snow covered mountains. Besides, the Board had to draw its allocated share of power from Central Sector Power Utilities (CSPUs) during the same period. Thus, the Board had surplus power which was sold to other states under overlay account* at a very nominal rates resulting in loss of revenue to the extent of Rs. 40.12 crore during last four years ending March 1999 as given below:

Year	Units (in lakh)	Nominal rate (Paise)	Amount (Rs. in lakh)	Average Global rate (Paise)	Amount (Rs. in lakh)	Difference (Rs. in lakh)
1995-96	819.58	45.00	368.81	140.25	1149.46	780.65
1996-97	473.39	45.00	213.03	163.31	773.09	560.06
1997-98	932.29	66.71	621.93	195.57	1823.28	1201.35
1997-98	651.58	67.27	438.32	195.57	1274.30	835.98
1998-99	465.11	65.80	306.04	202.00	939.52	633.48
					Total	**4011.52**

The sale under overlay account could have been avoided/minimised had the Board entered into agreements with the needy SEB for sale of surplus power in firm and first charge basis as suggested (February 1998) by Northern Regional Electricity Board (NREB) and also through effective load management as asserted (March 1999) by the Director (Inter-State) of the Board. Subsequently, Member (Finance) requested (April 1999) the Member (Operation) to issue necessary directions to ensure effective load management so as to curtail losses to the minimum possible level. The Board had not taken any remedial measure so far (August 1999).

(b) Surrender of energy

Poor T & D net work deprived the board of revenue from sale of power

Agreement entered with the Uttar Pradesh Government (November 1972) provided that the State Government was to receive 20 *per cent* to 25 *per cent* share of energy generated at the power stations of Yamuna Hydel Scheme. It further provided that if Himachal Pradesh State was not in a position to utilise its share of power, it would make this power available to Uttar Pradesh on a preferential basis at the rate determined in accordance with clauses 5 (b) and 6 of that agreement.

It was noticed in audit (May 1999) that due to non-availability of transmission

* *Overlay account: The account with Northern Region Electricity Board for booking of power not drawn or drawn in excess of the allocated share of power by any State Electricity Board.*

network beyond Solan/Shimla and due to non-synchronization of Giri Power House with any other network, the Board surrendered 335.52 MU of electricity to the UPSEB during the period from 1993-94 to 1997-98. This resulted into loss of potential revenue of Rs. 38.66 crore which the Board could have generated had it drawn its full share of power from power stations of Yamuna Hydel Scheme. The Board had engaged (May 1998) Punjab Engineering College (PEC), Chandigarh for conducting the load flow studies in connection with the problem of synchronization on payment of Rs. 0.90 lakh. The report of the PEC was awaited (May 1999).

Thus, it will be seen that the Board failed to tap the potential funds/revenue generating resources which could have been utilised for payment of outstanding dues.

3B.5.6 Non prioritisation for liquidation of dues in budgets

Old liabilities are increasing in the absence of system to make specific provision in the capital budget

It was seen in audit (May 1999) that the Board had no system of making specific provisions for old outstanding liabilities in the budget estimates, excepting 1997-98 when a specific provision of Rs. 82.96 crore was made in the capital budget. In the absence of system of creating specific provision in the budget estimates for liquidation of old outstanding dues, the liabilities of Board have been increasing year after year. It was due to mismanagement of funds which was locked up in idle investments in assets and material, payment of avoidable surcharge and inadequate cash generation.

3B.6 Consequences of delay in payment of dues

3B.6.1 Levy of surcharge

Due to delay in payment of dues of CSPUs, delayed payment surcharge (@ 2 *per cent* per annum) of Rs. 25.57 crore was levied by them on the Board during 1994-95 to 1998-99. However, this surcharge has neither been paid nor provided for in the accounts by the Board.

3B.6.2 Appropriation from Central Plan Assistance

In October 1996, Government of India decided to recover all outstanding dues of State Electricity Boards by appropriating funds from Central Plan Assistance to the respective State Government and also directed that future supply of power from CSPUs would be given against advance payments or irrevocable letter of credit opened in favour of CSPUs. Since the Board was defaulting in making payments, the Government of India appropriated (September-November 1997) from Central Plan Assistance to the State Government an amount of Rs. 13.45 crore on dues of CSPUs for the period from 1994-95 to 1997-98.

Conclusion

A review of the outstanding dues revealed the following:

- **The Board had no system to keep age wise details of outstanding receivables and payables. Resultantly, the Board failed to accord priority treatment to liquidate old receivables to obviate their becoming bad and doubtful.**

- **The Board did not make timely payment for energy bills of CSPUs and thus invited avoidable payment on account of surcharge.**

- **Due to improper load management and lack of integrated T & D system, Board suffered loss of revenue on account of non-drawal of power, which in turn had to be sold at rates lower than the purchase rate.**

To improve the recovery position and to avoid its losses, the Board should establish a system to monitor effectively the outstanding receivables and payables in order to liquidate oldest outstandings on priority. It should also maintain age-wise details of outstandings. The Board should consider opening of LC of the appropriate amount with a view to avoid levy of surcharge and to avail of rebate admissible on payments for purchase of energy. For this purpose the Board is having sufficient Term Deposit Receipts in various banks. The Board should also create adequate integrated power system network for the whole State to synchronise the supply with a view to make it beneficial.

3C Review on the loan recovery performance in Himachal Pradesh Financial Corporation

Highlights

An amount of Rs. 4.43 crore including interest of Rs. 1.66 crore outstanding against five loanees was rendered bad and doubtful due to inadequate pre-sanction appraisals of the loan projects.

(Paragraph 3C.7.1)

Due to non-pursuance of recovery and ineffective post-sanction monitoring by the Corporation, an amount of Rs. 0.67 crore was outstanding against three loanees.

(Paragraph 3C.7.2)

Non-disposal of assets of 64 units taken over during last ten years resulted in blockage of Rs. 23.60 crore of the Corporation.

(Paragraph 3C.8.1)

The Corporation had shown undue favour by not pursuing decree cases against three loanees resulting in non-recovery of Rs. 0.70 crore.

(Paragraph 3C.8.2)

The Corporation suffered a loss of Rs. 5.76 crore during five years ending 1998-99 due to waiver of outstanding amount under one time settlement scheme.

(Paragraph 3C.10)

Out of Corporation loans of Rs. 254.85 crore, loans of Rs. 109.07 crore (42.80 *per cent*) were doubtful and the loans of Rs. 68.74 crore (26.97 *per cent*) were considered as loss during 1998-99.

(Paragraph 3C.11)

3C.1 Introduction

The Himachal Pradesh Financial Corporation (Corporation) was incorporated in April 1967 under the State Financial Corporations Act, 1951.

3C.2 Objects

The main objectives of the Corporation are to:

- grant loans to industrial concerns re-payable within a period not exceeding twenty years;
- guarantee loans raised by industrial concerns from Scheduled banks or State Co-operative Banks;
- underwrite issues of stock, shares and bonds by industrial concerns; and
- act as an agent of the Central Government or the State Government or the Industrial Development Bank of India (IDBI) or the Industrial Finance Corporation of India (IFCI) for granting loans or advances.

Corporation was created with a view to promote industrial concerns by providing financial assistance

The Corporation is engaged in granting term loans for setting up new industries and rehabilitation of the loss making sick units. It extends financial assistance to entrepreneurs in the form of term loan upto a limit of Rs. 150 lakh in case of Companies incorporated under the Companies Act, 1956 and upto a limit of Rs. 90 lakh in other cases.

3C.3 Organisational set-up

The Managing Director is the Chief Executive of the Corporation. There are three General Managers (1) Appraisal, Recovery and Law (2) Lease and Rehabilitation and (3) Finance, assisted by two Deputy General Managers (Recovery) and (Technical) in the Corporation.

3C.4 Scope of Audit

A review on loan recovery performance of the Corporation covering the period from 1994-95 to 1998-99 was conducted (January-February 1999) and the results are discussed in succeeding paragraphs.

3C.5. Financial position

Financial position of the Corporation for the last five years is given in Annexure-22. The Corporation maintains its accounts on cash basis except for provisions for taxation, non-performing assets and depreciation of assets. It shall be seen from the Annexure that (i) Accumulated loss of the Corporation has increased from Rs. 15.97 crore (1994-95) to Rs. 48.09 crore (1998-99) (ii) Net worth has also decreased from Rs. 14.46 crore (1994-95) to (-) Rs. 14.94 crore (1998-99). The main reasons for increase in losses and negative net worth is poor loan recovery, which is mainly due to inadequate pre sanction appraisals and weak post sanction monitoring as discussed in subsequent paragraphs.

3C.6 Sanctions, disbursements, recoveries and defaults

A comparative statement showing the receipt of loan applications, gross sanction, disbursement vis-a-vis recoveries and defaults thereagainst during the five years ended 1998-99 is as per Annexure-23.

As a result of poor recovery outstandings are increasing

It would be observed that while the recoverable amount was increasing every year, recovery position was very poor and was further deteriorating year after year. Recovery percentage, which was 20.15 *per cent* in 1994-95 has gone down to 13.75 *per cent* (1998-99). Resultantly the amount in arrears increased from Rs. 123.24 crore in 1994-95 to Rs. 181.30 crore in 1998-99.

Total loans (due as well as not due) of Rs. 254.85 crore including interest of Rs. 113.37 crore involving 1608 cases were outstanding at the end of March 1999. Out of this, Rs. 109.07 crore is doubtful and Rs. 68.74 crore is 'loss assets'. Adequacy and effectiveness of the measures taken by the Corporation to liquidate these old outstandings have been discussed in para 8 and 9 *infra*.

3C.7 Procedure for financial assistance and recovery

Financial assistance is provided on receipt of applications accompanied by a detailed project report of the venture. During appraisal, promoter's background, marketability of the product and viability of the project is assessed. Disbursement is made after verification of the initial investment made by the loanee and after execution of necessary legal documents.

Recovery of dues is monitored in Head Office through its six branch offices. Action for recovery of overdue payments is taken under the State Financial

Corporations Act, 1951 and the Himachal Pradesh Public Money (Recovery of Dues) Act, 1982. In case of default, the Corporation has the right to take over the management or possession of assets or both of the defaulting concern and it has right to lease or sell the property for realisation of dues.

3C.7.1 Pre-sanction appraisal

Dependence on data furnished by applicants and inadequate pre-sanction appraisals led to non-recovery of Rs. 442.85 lakh.

A test-check of the pre-sanction appraisals done by the Corporation in respect of loanee units revealed the following:

Lack of independent scrutiny about the background of promoters resulted in non-recovery of Rs. 442.85 lakh

(i) The appraisal relied mostly on the data furnished by the applicants and was not subjected to independent verification including verification of antecedents of the promoters.

(ii) The financial soundness of the promoters was not properly adjudged.

The five cases test checked in audit revealed inadequate pre-sanction appraisals leading to non-recovery of Rs. 442.85 lakh as discussed below:

3C.7.1(a) Shreene Electricals (Private) Limited

The promoters managed to obtain term loan of Rs. 35.40 lakh fraudulently taking advantage of short comings in pre-sanction appraisal system of the Corporation.

Promoters managed to prepare documents and fraudulent drawal of loan in league with the Bank

The Corporation disbursed a term loan of Rs. 35.40 lakh between March and June 1995 to M/s Shreene Electrical (Private) Limited, Kala Amb (Sirmour). Of this, Rs. 8.10 lakh was released to the Urban Co-operative bank, Dehradun (UP) as margin money against working capital of Rs. 33 lakh agreed by the bank as per documents produced by the promoters. The unit did not come into production. Investigations revealed that the bank credited Rs. 8.10 lakh to the current account of the loanee instead of crediting the same to working capital account, which was against the instructions as conveyed by the Corporation to the Bank. To support their action, the bank stated that (i) working capital sanction documents produced by the promoters before the Corporation were fraudulently prepared and bore forged signatures of the Bank Manager, (ii) it had not received any such letter/instructions for crediting the margin money to working capital account. The plea of the bank about non-receipt of letter containing instructions about crediting the amount to working capital account was neither true nor logical since the draft was sent along with the said letter only and the draft was in the name of the Bank Manager and not in the name of the loanee. Here, the possibilities of connivance of the Bank with the promoters in preparing the working capital sanction letter and then crediting the margin money to the current account of the loanee cannot be ruled out. Further investigations revealed that the promoters had given incorrect addresses. The Corporation took over (November 1996) the unit following which the promoters promised to refund the amount of Rs. 8.10 lakh drawn fraudulently by them. As the promoters were not forthcoming with the payment, the Corporation lodged (February 1997) a complaint with the Police. During investigation it was found that the real name of the promoter was Shri Vinod Kumar Aggarwal whereas the loan was sanctioned and disbursed to Shri Suresh Kumar Aggarwal. Final action in the case was awaited. Thus, due to disbursement of loan to a party with fake address, Rs. 47.31 lakh (principal Rs. 35.40 lakh, interest Rs. 10.99 lakh and miscellaneous Rs. 0.92 lakh) (March 1999) became bad and doubtful of recovery.

3C.7.1(b) Renuka Engineering Works

Corporation's failure in verification of antecedents and its reliance on data furnished by the loanee resulted in disbursement of loan of Rs. 18.60 lakh to a fake firm.

Same person could defraud the Corporation twice within a period of one and a half year

M/s Renuka Engineering Works, Paonta Sahib (Sirmour) through its sole proprietor Shri Prem Chand Yadav, Dehradun (UP) was disbursed (January to June 1994) a term loan of Rs. 18.60 lakh. The unit did not come into production till March 1995. In July 1995, the promoters repaid Rs. 1.56 lakh to the Corporation. Finally, recall notice was issued (January 1997) directing the loanee to deposit an amount of Rs. 24.88 lakh including interest of Rs. 6.28 lakh. Notices issued were received back undelivered with the remarks that the factory was closed. Meanwhile, a team consisting of a Senior Assistant from the Corporation and the police persons had visited Dehradun in connection with the investigation pertaining to M/s Shreene Electricals. The team reported that Shri Vinod Kumar Aggarwal who had impersonated as Shri Suresh Kumar Aggarwal was the same person who took loan for M/s Renuka Engineering Works as Shri Prem Chand Yadav (refer paragraph 3C.7.1 (a) *supra*). Though the unit was taken over (January 1998) yet no action to dispose off the same and to file a criminal complaint with the police was taken (March 1999). Thus, by relying on the documents of the promoters and non-verification of antecedents before release of loan, the Corporation was defrauded of Rs. 33.83 lakh (principal Rs. 18.60 lakh, interest Rs. 15.07 lakh and miscellaneous Rs. 0.16 lakh) (March 1999).

Thus, within a short span of one and a half year same person defrauded the Corporation twice for an amount aggregating to Rs. 81.14 lakh (principal: Rs. 54.00 lakh; interest: Rs. 26.06 lakh and misc.: Rs. 1.08 lakh).

3C.7.1(c) Ess Bee Packagers Private Limited

Corporation failed to take into account the facts disclosed in promotor's accounts for Kanpur unit and disbursed loan of Rs. 142.17 lakh with little prospect of recovery.

A project of M/s Ess Bee Packagers Private Limited, Kanpur, costing Rs. 200.86 lakh with promoter's contribution of Rs. 73.86 lakh for manufacturing flexible packaging printed rolls at Bilaspur (H.P.) was approved in January 1995. Income tax clearance certificates showed the income of the promoters ranging between Rs. 0.30 lakh and Rs. 0.87 lakh during 1992-93 and 1993-94. Paid-up capital of the parent unit at Kanpur was Rs. 40 lakh as of March 1995. The Company also owed a sum of Rs. 20.94 lakh on account of excise duty. The fire insurance claims of Rs. 8.76 lakh receivable were rejected. The Corporation, however, did not take these facts into consideration at the time of appraisal before sanctioning term loan of Rs. 145 lakh in March 1995. Term loan of Rs. 142.17 lakh was disbursed between March 1995 and May 1996. Out of this, term loan of Rs. 18 lakh was released against Government land leased for Rs. 1.91 lakh only to promoters for 95 years. The Corporation also took into consideration the value of Poplar trees as Rs. 4 lakh even though the right to trees vested in Government being the owner of the land. The unit came into production during October 1995 but failed to generate working capital and as such it stopped production (September 1996). The Corporation took over (October 1996) possession of the unit. Meanwhile the parent unit at Kanpur was also taken over by Uttar Pradesh Financial Corporation (UPFC) being the financier. The Corporation got the assets evaluated from the Himachal Consultancy Organisation Limited (HIMCON) who assessed the land at Rs. 14.70 lakh, building & civil works at Rs. 25.13 lakh and plant and machinery at Rs. 77.24 lakh. These assets were put to sale five times between June 1997 and May 1999 but could not be sold for want of bids.

Thus, incorrect appraisal rendered Rs. 227.76 lakh including interest of Rs. 84.03 lakh and miscellaneous expenses of Rs. 1.56 lakh (February 1999) as bad and doubtful debts.

3C.7.1(d) J.K. Rexine Private Limited

Failure of the Corporation due to acceptance of incomplete documents and disbursement of loan of Rs. 75.96 lakh resulted in rendering the loan as bad and doubtful of recovery.

M/s J.K.Rexine Pvt. Ltd was sanctioned (November 1994) additional term loan of Rs. 110 lakh for setting up second unit at Baddi (Solan). As per sanction, the loanee was required to submit (i) Corporate Guarantee from its sister concern at Baddi, (ii) Mortgage deed of the plot where machinery were to be installed. Later the promoters approached (March 1995) the Corporation to allow them to set up the unit at their existing unit at Mehatpur (Una) which the Corporation accepted. The Corporation released an amount of Rs. 75.96 lakh between March and August 1995. The promoters again requested (July 1995) to allow them to shift the machinery from Mehatpur to Baddi as tax holiday was not admissible at Mehatpur (being an old unit). This was again accepted by the Corporation. However, the Corporation before release of loan, did not verify the availability of infrastructure facilities at Baddi.

It was observed that: (i) the loanee failed to install the machinery due to non-availability of plot at Baddi since the Himachal Pradesh State Industrial Development Corporation Limited from whom the loanee had purchased the plot took back the possession of the plot due to non-creating of infrastructure on the plot within stipulated period; (ii) loanee had not submitted the corporate guarantee and (iii) the Corporation had accepted the mortgage deed of the land without 'no objection certificate' from the lessor.

Thus, a sum of Rs. 120.73 lakh including interest of Rs. 44.77 lakh had become bad and doubtful.

3C.7.1(e) Shri Gian Chand Minhas was granted (March 1983) a term loan of Rs. 2.04 lakh for the purchase of a truck. As the loanee defaulted continuously, a recovery suit for Rs. 4.48 lakh was filed (July 1990) in the Hon'ble High Court who transferred (April 1995) the case to Distt. Judge, Shimla. Meanwhile, the truck was found abandoned at Maranda (Kangra). As the respondent could not be served notices, the Corporation withdrew (December 1996) the case from the Court and filed a recovery certificate (July 1999) for Rs. 13.22 lakh with the Collector, Shimla. It was noticed that the landed property belonging to the loanee was already sold (July 1989) by the Court in another case of State Bank of India, Jaisinghpur. The Collector, Kangra to whom the case was transferred also noticed (August 1998) that both the guarantors had transferred the title of their immovable properties in the name of their heirs as such nothing could be recovered (March 1999).

The Corporation sustained loss of Rs. 13.22 lakh including interest of Rs. 11.18 lakh due to sanction of loan without adequate guarantees.

3C.7.2 Post-sanction/disbursement monitoring

A test check of post-sanction monitoring by the Corporation revealed that Rs. 66.76 lakh was outstanding due to inadequate post-disbursement monitoring as given below:

3C.7.2(a) Shiv Shankar Stone Crusher

Corporation could not enforce recovery of loan of Rs. 9.13 lakh through legal means as it failed to get the land and building mortgage entries recorded in revenue records.

Shri Mahi Ram of Sarkaghat (Mandi) was disbursed a term loan of Rs. 9.13 lakh between September and October 1989 for the establishment of a stone crusher. At the time of appraisal the loanee submitted affidavits of co-sharers of land and building pledging their share in property as collateral security against the loan. But the Corporation did not get the entries about mortgage entered in the revenue records of the State Government for which reasons were not on record. The loanee did not repay the instalments due and the Corporation took over (September 1993) the unit, which was restored to the loanee after receipt of Rs. 0.06 lakh in April 1994. The offer of the loanee for one time settlement at Rs. 11 lakh was approved in July 1997. Though the loanee had not paid any amount yet action to recover the amount of Rs. 14.10 lakh was not taken (March 1999).

Further, Corporation even could not resort to selling of land and building which the loanee had offered to pledge as collateral security due to failure on the part of the Corporation to get the property mortgaged.

Thus, due to failure of the Corporation, Rs. 14.10 lakh including interest of Rs. 4.97 lakh had become bad and doubtful.

3C.7.2(b) United Polyfab

Corporation's loan and interest of Rs. 52.66 lakh was outstanding as a result of non-pursuance of recovery/take over of the unit.

M/s United Polyfab, Barotiwala (Solan) was disbursed a term loan of Rs. 43.09 lakh between November 1995 and March 1996. The Corporation had released Rs. 27.05 lakh (Rs. 15 Lakh and Rs. 12.05 Lakh) through drafts to the supplier of machinery. The supplier reported (December 1995) that the loanee had purchased machinery from other sources from Delhi and had encashed the drafts in connivance with the Bank Managers of Punjab National Bank and Bank of Baroda at Ludhiana. The Branch Manager of the Corporation confirmed (May 1996) that the machinery was purchased from the unapproved sources. Another inspection (August 1996) also confirmed these facts. However, the Corporation did not take any action even after the receipt of inspection report. On further examination it was noticed that the amount of Central Excise Duty leviable on the new machines was not recorded on bills. Besides, the supplier's name also did not exist in the list of dealers of Delhi as made available by the Commissioner, Central Excise Delhi-I. Whole amount of Rs. 55.66 lakh (principal: Rs. 43.09 lakh and interest: Rs. 12.57 lakh) was outstanding against the unit (March 1999). Take over notice was served on 31st March, 1999 but the unit was not taken over as the loanee had given a cheque for Rs. 6 lakh which was dishonoured (March 1999). However, the unit had remitted Rs. 3 lakh through draft in June 1999.

Thus, out of Rs. 55.66 lakh an amount of Rs. 52.66 lakh including interest of Rs. 12.57 lakh was still outstanding against the loanee (June 1999).

3C.8 Position of cases under litigation

There were 770 cases having financial stake of Rs. 128.51 crore involving litigation at the end of March 1999 as under:

Sr. No.	Nature of litigation	No of units/cases	Principal	Interest	Total
			(Rupees in lakh)		
1.	With BIFR	15	428.66	1291.44	1720.10
2.	Units/ vehicles taken over	76	1193.22	1146.35	2339.57
3.	Pending revenue recovery	277	542.73	1398.16	1940.89
4.	Pending for filling suit	16	206.90	490.91	697.81
5.	Stay granted by courts	14	102.90	148.38	251.28
6.	Suits under process	372	2172.65	3728.21	5900.86
	Total	**770**	**4647.06**	**8203.45**	**12850.51**

Test check (February-March 1999) revealed the following:

3C.8.1 Delay in disposal of taken over units

Corporation failed to dispose off the taken over units to effect recovei y

The Corporation takes over the possession of assets/management when all possible efforts made to recover the dues from the defaulting units prove unfruitful. The Corporation had 64 units in its possession (March 1999) from whom dues of Rs. 23.60 crore were recoverable. Year-wise break up was as under:

Year of take over	Number of Units	Recoverable amount (Rupees in lakh)
1988-89	1	137.20
1991-92	2	57.06
1992-93	4	102.62
1993-94	6	115.88
1994-95	11	370.85
1995-96	9	488.97
1996-97	10	433.91
1997-98	11	442.58
1998-99 (February 1999)	10	211.29
Total	**64**	**2360.36**

The Management attributed non-disposal of these assets to bids being lower than reserve price, unsoundness of the bidders and non-receipt of bids in some cases. This has resulted in locking up of funds to the tune of Rs. 23.60 crore.

Out of 64 cases, 37 were got assessed from the HIMCON who assessed the assets at Rs. 682.36 lakh only in 33 cases against whom Rs. 1063.33 lakh was outstanding. Besides, the taken over assets of other 4 units against whom outstanding amount was Rs. 98.68 lakh were assessed at Rs. 167.33 lakh.

Even these 4 units were not sold for which no recorded reasons were available with the Corporation. Thus, due to the inability of the Corporation to sell the units already taken over since 1988, a huge amount is being lost due to fall in realisable value owing to time factor.

3C.8.2 Decree cases

There were 118 cases, which were pending (March 1999) for execution of decrees of Rs. 392.11 lakh granted by various courts. The decrees obtained could not be executed for reasons given hereunder:

Sr. No.	Reason	No. of cases	Amount (Rs. in lakh)
1	Cases under appeal	5	17.44
2	Non-receipt of bids	2	0.54
3	Declared insolvent	1	19.44
4	Left the country	3	19.13
5	Time barred cases	1	25.71
6	Cases awaiting execution	106	309.85
	Total	**118**	**392.11**

Amount recoverable and actually recovered in decree cases during four years ending 1998-99 was as under:

Year	Amount recoverable (Rupees in lakh)	Amount recovered (Rupees in lakh)	Percentage of recovery
1995-96	3864.93	108.24	2.82
1996-97	4356.13	94.52	2.17
1997-98	4464.95	37.05	0.83
1998-99	5927.30	26.44	0.45

Test check of the following cases revealed the irregularities as under:

Three term loans of Rs. 24.62 lakh were granted for establishing hotels (two) and for establishing service station (one) during March 1986 to August 1994. All the three loanees defaulted in repayment from the very beginning. In the case of Shri Tilak Raj son of Shri Mansa Ram (loan of Rs. 10.06 lakh disbursed during December 1986 to August 1994), the Corporation filed (April 1996) a recovery certificate with the Collector, Mandi/Shimla for recovery of Rs. 18.64 lakh including interest of Rs. 8.58 lakh. The recovery certificate could not be executed as the loanee had no moveable property in his name. The Corporation also withdrew the takeover notice on loanee's offer of out of court settlement. Neither the loanee remitted the amount nor the

Corporation took further action for effecting recovery. Another loanee named Shri Mansa Ram (loan of Rs. 2.26 lakh disbursed during March 1986 to September 1987) neither implemented the project nor refunded the amount. The Corporation did not pursue the case after filing (May 1995) the recovery certificate for Rs. 6.24 lakh (principal: Rs. 2.26 lakh, interest: Rs. 3.25 lakh and subsidy: Rs. 0.73 lakh) with the Collector, Shimla. In the third case of Shri Naveen Sharma of Totu (Shimla), to whom loan of Rs. 12.30 lakh was disbursed during August 1987 to January 1990, the civil suit filed for recovery was also withdrawn (November 1995) as the Corporation decided to initiate recovery proceedings under H.P. Public Money (Recovery of Dues) Act, 1982. However, Loan recovery certificate for outstanding amount of Rs. 45.02 lakh including interest of Rs. 32.72 lakh was not filed with the Collector, Shimla (March 1999).

Thus, non-pursuance of cases resulted in undue favour to the loanees.

3C.9 Recovery under the H.P. Public Money (Recovery of Dues) Act, 1982

The Corporation had also been recovering the outstanding dues under the provisions of the H.P. Public Moneys (Recovery of Dues) Act, 1982. The position of such cases was as under:

3C.9.1 Recovery position

The number of cases as at the end of each of last four years ended March 1998 where the Corporation had filed recovery certificates with revenue authorities were 222, 314, 340 and 330 involving amount of Rs. 7.94 crore, Rs. 10.39 crore, Rs. 17 crore and Rs. 20.25 crore respectively.

Even after payment of incentive money to Recovery Officers, trend of recovery was declining

It was noticed that at the end of March 1998, 330 cases with outstanding amount of Rs. 20.25 crore (including interest of Rs. 13.80 crore) were pending with various Collectors for recovery. The increase in number of cases was due to withdrawal of court cases and filing of recovery certificates on the grounds that the courts take more time to decide the cases than recovery by revenue authorities. The Corporation had not maintained separate records to ascertain the recovery amount effected through such cases. On the proposal of the Corporation, the State Government approved payment of incentive of one *per cent* of the money recovered to the Recovery Officers. It was noticed that even after having introduced the scheme of payment of incentive, recovery of Rs. 267.86 lakh only could be made during three years ending March 1998 (Rs. 108.05 lakh, Rs. 93.14 lakh and Rs. 66.67 lakh). Reason for decreasing trend in recovery was lack of interest in pursuance of cases by the Corporation.

Interesting points noticed in respect of cases pending with the revenue authorities were as under:

There was an outstanding amount of Rs. 10.51 lakh against three loanees, on account of truck loans. In one case, a truck (outstanding balance: Rs. 3.31 lakh) met with an accident in January 1994 and in another case, a truck (outstanding balance: Rs. 3.79 lakh) was stolen in December 1995. In the first case, the Insurance Company released Rs. 3.08 lakh as insurance claim direct to the loanee instead of issuing the same to the Corporation though the policy was pledged in favour of the Corporation. The Corporation did not take up the matter with the Insurance Company. In second case truck was reported as untraced by the police in March 1997 but the Corporation being interested party, failed to pursue the matter with the Insurance Company. In the third case, a recovery certificate for Rs. 3.41 lakh filed (May 1995) with the Collector, Bilaspur against Shri Gandhi Ram of Kothipura, Bilaspur was not pursued at all (March 1999).

Thus, due to non-pursuance of cases the Corporation had been put to loss of Rs. 10.51 lakh in these cases.

3C.10 One time settlement scheme

In order to recover the outstanding dues expeditiously, the Board of Directors decided (December 1988) to settle the cases after considering the proposals for lump sum clearance. The recoveries effected and amount waived under this scheme were as under:

	1994-95	1995-96	1996-97	1997-98	1998-99	Total
Number of cases considered by BOD	86	61	62	43	43	295
			(Rupees in lakh)			
Outstanding at the time of settlement	290.86	212.83	352.19	273.91	168.24	1298.03
Realised	145.77	140.78	170.42	140.96	124.31	722.24
Waived off	145.09	72.05	181.77	132.95	43.93	575.79
			(Percentage)			
Percentage of waiver to outstanding	49.88	33.85	51.61	48.54	26.11	44.36

From the table it would be seen that against the outstanding amount of Rs. 12.98 crore, an amount of Rs. 7.22 crore (55.64 *per cent*) only was recovered and the balance amount of Rs. 5.76 crore (44.36 *per cent*) was waived off. The waiver had resulted in loss to the Company. In addition, such decisions also give wrong signals to the loanees and encourage tendencies towards non-payment.

3C.11 Increase in loss and doubtful amount

In order to have true picture of the loans disbursed by the Corporation, the IDBI issued (March 1994) guidelines to all the State Financial Corporations to classify their loans into four groups depending upon their chances of reliability:

(a)	Standard	Assets for which instalments of loan are overdue for period exceeding one year but not exceeding two years and do not require any provision
(b)	Sub-standard	Assets which remained classified as NPA for not exceeding two years, for such loans 10 *per cent* provision of total outstanding was required
(c)	Doubtful	Sub-standard assets which remained NPA beyond two years and for such loans provision of 25 to 50 *per cent* was required
(d)	Loss	No chance of recovery and 100 *per cent* provision was required

The position of classification of loans made by the Corporation is as under:

	1994-95		1995-96		1996-97		1997-98		1998-99	
Classification	Amount (Rs. in lakh)	% to Total	Amount (Rs. in lakh)	% to Total	Amount (Rs. in lakh)	% to Total	Amount (Rs. in lakh)	% to Total	Amount (Rs. in lakh)	% to Total
Standard	5554.10	27.54	5225.60	24.29	5079.45	23.12	5113.92	22.12	5015.03	19.68
Sub-standard	3499.32	17.35	2386.14	11.09	2617.59	11.92	2753.45	11.91	2688.38	10.55
Doubtful	8220.84	40.76	9212.25	42.82	9148.10	41.65	9336.56	40.38	10907.37	42.80
Loss	2895.20	14.35	4691.03	21.80	5121.16	23.31	5917.68	25.59	6873.81	26.97
Total	**20169.46**		**21515.02**		**21966.30**		**23121.61**		**25484.59**	

It would be observed that the percentage of standard and sub-standard amount to outstanding had decreased from 44.89 *per cent* in 1994-95 to 30.23 *per cent* in 1998-99 whereas percentage of doubtful and loss amount had increased from 55.11 *per cent* in 1994-95 to 69.77 *per cent* in 1998-99. The Corporation had itself considered that out of total loans of Rs. 254.85 crore, loans amounting to Rs. 109.07 crore (42.80 *per cent*) were doubtful of recovery and loans of Rs. 68.74 crore (26.97 *per cent*) were considered as total loss at the end of March 1999. The reasons for decrease in standard and sub-standard debts and increase in doubtful and loss debts were poor pre-sanction appraisals, inadequate post sanction monitoring etc. as discussed earlier.

3C.12 Internal Audit

The Corporation had a Manager (Audit) who is assisted by an Assistant Manager for internal audit which is responsible for pre-audit of day to day transactions. However, the scope of internal audit is limited to checking of routine transactions/calculations. As such to make internal audit more effective, the desirability to widen the scope of internal audit to pre-sanction appraisal, recovery processes and maintenance of proper records needs to be considered especially when recoveries are showing decreasing trend and losses are increasing.

Conclusion

The main conclusions are as follows:

- **In the absence of verification of antecedents of the promoters and independent scrutiny of the documents submitted, the loans are becoming bad and doubtful.**

- **Percentage of recovery decreased from 20.15 *per cent* to 13.75 *per cent* during the period under review.**

- **Units taken over as far back as 2 to 10 years with outstanding amount aggregating Rs. 1706.49 lakh were awaiting sale.**

- **Recoveries under H.P. Public Money (Recovery of Dues) Act, 1982 were not being pursued with the result that the amount of recovery certificate increased from Rs. 794.37 lakh in 222 cases in 1994-95 to Rs. 2025.26 lakh in 330 cases in 1997-98.**

- **Loan recovery performance of the Corporation showed decreasing trend whereas loan disbursement and also the amount due for recovery was increasing every year. There was no effective management information system in the Corporation.**

In order to improve its performance, the Corporation should strengthen pre-sanction appraisal procedure to ensure disbursement of loans to genuine entrepreneurs only. Post disbursement monitoring should also be made effective. Recovery procedures including court cases should be pursued effectively to improve recovery position and expeditious disposal of court cases. The Corporation should consider desirability of strengthening internal audit wing for effective monitoring of the amounts in arrears.

Chapter IV

Miscellaneous topics of interest

Section 4

MISCELLANEOUS TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

4A GOVERNMENT COMPANIES

4A.1 Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited

4A.1.1 Unfruitful expenditure

Purchase of two refrigerated vans and installation of two pre-cooling systems without considering their feasibility rendered an expenditure of Rs. 48.07 lakh unfruitful.

The Ministry of Food Processing Industries, Government of India, released grant-in-aid of Rs. 60 lakh during November 1995 to the Company to set up an integrated project for establishment of cold chain mobile unit for post-harvest management of fruits and vegetables in the State. The Company, with a view to create cold chain, purchased (October 1995) two refrigerated vans costing Rs. 28.17 lakh. It also installed two pre-cooling systems at a cost of Rs. 19.90 lakh in the already constructed cold stores at Oddi (District Shimla) and Patlikuhl (District Kullu) and commissioned them during October 1996. With this infrastructure the Company was to maintain cold chain for transportation of pre-cooled fresh apples and other fruits of the State direct to terminal markets under refrigerated conditions to make available garden fresh fruit to consumers in the market.

It was noticed (June 1998) in audit that the refrigerated vans were never used for transporting pre-cooled fruit to market as the two cold stores with pre-cooling system established at Oddi and Patlikuhl were not touched even once by these refrigerated vans. The pre-cooling system installed at a cost of Rs 19.90 lakh remained unutilised as no fruit was stored therein. The Management stated (March 1999) that the concept has not caught up with the fruit growers and though the mechanical system is in operation, no farmer has so far come forward to take advantage of the cold chain.

It was further noticed that the refrigerated vans were decided (September 1997) to be transferred to the Manager, Himachal Cold Storage, New Delhi to utilise them but these could be actually transferred during January 1998 for want of national route permit. At Delhi these vans were utilised for carrying empty crates, tetra pack, building material and products of Mother Diary etc. defeating the purpose for which these were purchased.

The Management stated (May 1999) that the cold chain infrastructure created by the Corporation was a model system and the Corporation was giving wide publicity of this system among the growers. Since this was an expenditure of capital nature and once growers switch over to this system, it would start giving good returns to the Corporation in the coming years and as well as add to the goodwill of the Corporation. The reply of the Management is not tenable because since the purchase (October 1995) of refrigerated vans and commissioning (October 1996) of pre-cooling systems the Company could not make use of these facilities for which these were created so far (September 1999).

The matter was reported to Government/Company in March 1999; their replies had not been received (September 1999).

4A.1.2 Injudicious purchase

Decision to purchase aseptic bags without any export order resulted in blocking of funds to the extent of Rs. 22.83 lakh and interest loss of Rs. 16.60 lakh.

With a view to export Apple Juice Concentrate (AJC) and fruit pulp in most hygienic conditions, the Company placed (May 1995) an order with M/s Tetra Pak Plastic Inc, Great Britain for import of 8470 aseptic bags (4800 bags of 200 liters, 1750 bags of 25 liters and 1920 bags of 5 liters capacity) costing Rs. 30.97 lakh. The firm supplied the material during October 1995.

It was noticed (June 1998) that in the absence of any export order, the Company could not utilise these aseptic bags for export of AJC and fruit pulp. However, during 1996-97, 1997-98 and 1998-99 the Company utilised 2219 bags (1789 bags of 200 liters, 347 bags of 25 liters and 83 bags of 5 liters capacity) valued at Rs. 8.14 lakh for packing fruit pulp for domestic market. The remaining 6251 bags valued at Rs. 22.83 lakh were still lying unused in stock (March 1999). Thus, injudicious decision to purchase the aseptic bags without any confirmed order in hand, resulted in blocking of funds to the extent of Rs. 22.83 lakh and loss of interest of Rs. 16.60 lakh upto March 1999 calculated at the rate of 15 *per cent* per annum being paid on cash credit.

The Government stated (February 1999) that on the basis of inquiries and contacts established with importers during trade fairs, the quantity ordered was assessed to be used within two years of its import. The reply of the Government is not tenable since more than three years had already elapsed and it had failed to procure any export order. Moreover, the Company has not framed any plan to utilise the material in near future.

4A.2 Himachal Pradesh State Forest Corporation Limited

4A.2.1 Loss due to incorrect interpretation of auction conditions

The Company instead of forfeiting the eligibility deposit of Rs. 5000 in respect of bidders who resiled or withdrew from their bids, forfeited only an amount equal to 10 *per cent* of the sale amount of the lots, resulting in loss of Rs. 37.91 lakh.

The Company is engaged in the sale of timber through open auctions held every month at its four Sale Depots located at Bhadroya, Dhanotu, Parwanoo and Mantruwala. The conditions for the auction/sale of timber *inter alia,* provide that eligibility deposit of Rs. 5,000 or more at the discretion of the auctioning authority had to be deposited to become eligible for bidding in the auction. The eligibility deposit can be adjusted towards earnest money due from a successful bidder. The eligibility deposit shall be refunded to such bidder(s) who are not liable to deposit any earnest money. These conditions further provide that in case highest bidder resiles or withdraws his bid before the period of 30 days his eligibility deposit should be forfeited. The conditions also lay down that the earnest money deposit shall be ten *per cent* of the purchase price, which can be raised during auction.

Incorrect application of auction conditions led to loss of Rs. 37.91 lakh to the Company

During test check of sale records of Parwanoo and Bhadroya Sale Depots it was noticed (August 1998) that various successful bidders withdrew their bids before the expiry of stipulated period of 30 days and the Company had to re-auction the lots. The Company did not invoke forfeiture of the eligibility deposit of Rs. 5,000 in cases where the sale amount of the timber lot was less than Rs. 50,000. Instead, the Company forfeited the earnest money equivalent to ten *per cent* of the sale amount of the timber lot and refunded the balance amount to the bidders resulting in loss of Rs. 37.91 lakh during the period from January 1993 to January 1995.

The matter was reported to the Management in September 1998; reply had not been received (September 1999).

4B Statutory corporations

4B.1 Himachal Pradesh State Electricity Board

4B.1.1 Overpayment to contractor

While making payment of escalation of unskilled wages to a construction company, an overpayment of Rs. 10.15 lakh was made.

According to Clause 10 (c) (a) of the agreement entered into (October 1988) by the Himachal Pradesh State Electricity Board (HPSEB) with M/s Asian Technical Private Limited for construction of diversion, intake and tunnel etc., for the augmentation of Bhaba Hydel Project, the escalation in the cost of daily wage unskilled labour was to be paid as per the prescribed formula*:

HPSEB revised the wages of unskilled labourers to Rs. 45.75 from Ist January, 1994 against the existing rate of Rs. 18.75 (Rs. 15+25% increase in tribal areas). In addition to Rs. 18.75, 20 *per cent* increase over and above the same was to be paid to the labourers working inside the tunnel (underground work). Thus, the pre-revised daily wage was Rs. 22.50 for the unskilled workers working inside the tunnel, whereas the revised rate of Rs. 45.75 was inclusive of increase payable to unskilled workers working inside the tunnel. While making payment of escalation of unskilled wages from Ist January, 1994 the Board took the wages of unskilled workers as Rs. 18.75 instead of Rs. 22.50 resulting in overpayment of Rs. 10.15 lakh.

The matter was referred to the Board in April 1997. In reply, the Chief Engineer (Projects) stated (March 1998) that the issue was governed by contract agreement between the parties and it was not possible to split up the labour on the basis of underground and open work particularly in the absence of indication in the agreement. The reply is not tenable as the split up of the work into underground and open works was available with the Board and the details thereof had already been supplied (August 1996) by the Division.

The matter was reported to the Government/Board in February 1999; their replies had not been received (September 1999).

* *Formula:* $V = 25\% \times R \times \frac{(W-WO)}{WO}$, *where V= Difference in the cost of escalation in wages;*

R= Value of work done; W= Revised minimum daily wages and WO= Minimum daily wages on the date of opening tenders

4B.1.2 Undercharging for supply of power

The Board did not provide separate meter to record temporary metered supply to a consumer and thus billing was less by Rs. 37.98 lakh. Advance consumption deposit of Rs. 4.33 lakh was also not recovered for the said load.

Wrong categorisation of load allowed undue benefit to consumer

The Chief Engineer (Operations) South sanctioned (April 1997) a connected load of 8000 KW under large-supply category to M/s Gonterman Pipers Limited, Nalagarh against which connection for a load of 2150.920 KW was released in June 1997. The additional load of 4452.330 KW was built up by the consumer during September 1997. While scrutinizing the test reports of the additional load it was noticed (April 1998) in audit that a load of 308.690 KW included in the test report represented the load of welding sets, mixtures, hollow block motors, batching plant equipment and vibrators etc. required for the purpose of construction works. However, as per 'Schedule of Tariff' applicable from time to time the construction loads were to be covered under relevant industrial temporary tariff. As such, this load (308.690 KW) should have been released by providing a separate meter to record the energy consumption to be billed at rates provided for temporary metered supply (rates for temporary metered supply are double than the rates under permanent connection supply). Since this load was included in the total load and was released under permanent connection, a sum of Rs. 37.98 lakh was billed less to the consumer. In addition, Advance Consumption Deposit of Rs. 4.33 lakh for the said load was also not recovered.

The matter was referred to the Board in June 1998. The Chief Engineer (Commercial) accepted (October 1998) the audit view point and instructed the Superintending Engineer (Operation Circle) Solan to effect recovery as pointed out by Audit. However, no recovery has been made so far.

The matter was reported to the Government/Board in February 1999; their replies had not been received (September 1999).

4B.1.3 Non-levy of capacitor surcharge

The Board did not levy surcharge amounting to Rs. 11.61 lakh from an industrial consumer who had not installed shunt capacitors of the required rating.

Schedule of tariff read with the amendment to Instruction No. 260 of Sales Manual Part I provides that all industrial consumers with motive loads have to install capacitors of adequate rating as specified by the Board failing which surcharge at the rate of 10 *per cent* of the energy bills is leviable.

It was noticed in audit (March 1998) that a consumer bearing account No. L.S.21 (Soin Minerals, Nalagarh) having a load of 1243 KW had installed shunt capacitors of 362 KVAR rating as against the required rating of 487 KVAR. Though the consumer had not installed capacitors of required rating surcharge at the rate of 10 *per cent* on the amount of bills for the period from July 1996 to November 1998 amounting to Rs. 11.61 lakh had not been recovered from the consumer.

The matter was referred to the Board in June 1998. In reply, the Chief Engineer (Commercial) stated (August 1998) that the power factor of the consumer's connection for the period under review was found to be more than 0.90 and as such the capacitors installed by the consumer were of adequate rating, and hence no additional capacitors were required to be provided. The reply is not acceptable as it was observed that the power factor was below 0.90 ranging from 0.30 to 0.83 in six cases during the period May 1998 to October 1998.

The matter was reported to the Government/Board in February 1999; their replies had not been received (September 1999).

4B.1.4 Inadmissible rebate

Inadmissible rebate of Rs. 19.35 lakh was allowed to an industrial consumer who was getting supply of power on voltage less than 33 KV.

The tariff for consumption of power operative from time to time provides that the consumers who take supply under L.S.2 'Large Industrial Power Supply' category at higher voltage are entitled to rebate at rates varying from 1.5 *per cent* for 33 KV, 2 *per cent* for 66 KV and 3 *per cent* for 220 KV supply. The rebate is intended to make up for the transmission and transformation losses, which, in such cases are borne by the consumers. No rebate is, as such, admissible for supply of power on voltage less than 33 KV as the transmission and transformation losses in such cases are borne by the Board.

During the course of audit it was noticed (April 1998) that supply of power to M/s Gounterman Piepers (India) Limited, Nalagarh (Account No. L.S.26) having a connected load of 2150.920 KW was drawing power on 11 KV. For the period from July 1997 to December 1998 a rebate of Rs. 19.35 lakh @ 2 *per cent* of the energy amount billed had been allowed to the consumer though as per tariff policy no such rebate was admissible to the consumer drawing power at 11 KV. The matter was brought to the notice of the Board in June 1998. In reply, the Chief Engineer (Commercial) stated (August 1998) that the consumer had been released power on 66 KV and rebate was, as such, admissible. The matter was again referred to the Board in September 1998 bringing to their notice the documents showing that the metering was being done on 11 KV; their reply had not been received so far (May 1999).

The matter was reported to the Government/Board in February 1999; their replies had not been received (September 1999).

4B.1.5 Non-recovery of Advance Consumption Deposit

By not recovering additional deposit of Rs. 81.84 lakh as required under Advance Consumption Deposit, the Board suffered loss of interest of Rs. 19.64 lakh.

Enhanced advance consumption deposit was not obtained from the consumer even though ACD was not enough to cover the monthly bill

Clause 22 of the 'Abridged conditions of supply' forming part of the agreement for supply of power was amended by the Board in November 1990. The amended clause provides for recovery of enhanced advance consumption deposit from consumers who habitually defaulted in making payment for energy consumption charges or in cases where the energy bills were generally of the order that were not safeguarded by the amount of Advance Consumption Deposit. During audit it was noticed (April 1998) that the average amount of monthly energy bills from January 1996 to June 1996 in respect of M/s Gujarat Ambuja Cement (Private) Limited was Rs. 186.84 lakh against which the Board had obtained a deposit of Rs. 105 lakh only. (Even the monthly average of the energy bills of the period of 1998-99 was on the range of Rs. 200-300 lakh). However, the Board has not revised the ACD deposit so far (July 1999). Thus non-recovery of the additional deposit of Rs. 81.84 lakh had resulted into loss of interest of Rs. 19.64 lakh paid to banks against overdrafts as the amount would have been available with the Board and interest payment could have been avoided.

The matter was referred to the Board in June 1998. In reply, the Chief Engineer (Commercial) stated (September 1998) that a proposal for revision of Advance Consumption Deposit to be charged from consumers was under consideration of the Board, and further action would be taken after approval of the Board. The reply is not tenable as the amendment itself formed part of the agreement and was approved by the Board. As such no fresh approval was required.

The matter was reported to the Government/Board in February 1999; their replies had not been received (September 1999).

4B.1.6 Undue favour to consumer

Despite the recommendations of the COPU to reconcile the matter about connected load of the consumer with audit, the Board neither reconciled the matter nor charged tariff at correct rate resulting in short recovery of Rs. 66.70 lakh.

Reference is invited to Para 4.2.1.7 of the Report of the Comptroller and Auditor General of India for the year ended 31st March, 1994 wherein it was commented that the load of M/s Himachal Special Steels India Limited, Paonta Sahib was sanctioned as 500 KW in May 1984 and subsequently reduced to 374 KW in March 1994. However, on the basis of actual consumption, connected load actually worked out to more than 500 KW including furnace load exceeding 100 KW. The consumer was as such to be categorised under LS-I tariff instead of Medium Supply. However, during the course of Audit (March 1998) it was again noticed that the monthly consumption of the consumer had gone up to 3.41 lakh units in April 1995. This consumption is possible only with a connected load of 592 KW for an industry working 24 hours a day for whole of the month. Thus, the consumer due to wrong categorisation of tariff had been under-charged to the extent of Rs. 66.70 lakh for the period from April 1995 to January 1999.

The matter was referred to the Board in June 1998. In reply the Chief Engineer (Commercial) stated (September 1998) that the connected load of the consumer had been checked by the Board in February 1998 and was found to be 492.52 KW. As regards the consumption of energy it was stated that this could be due to the fast running of the energy recording meter. The reply is not tenable as the consumption pattern clearly indicates that the consumer has a connected load of more than 501 KW. Regarding the fast running of the meter, the Board had checked the accuracy of the meter in January 1998 and found it to be in order.

The matter was reported to the Government/Board in March 1999; their replies had not been received (September 1999).

4B.1.7 Wrong application of tariff

Incorrect categorisation of consumer as L.S-II in place of Bulk Supply Consumer and charging tariff at the rate applicable to that category led to under-charging of the consumer by Rs. 10.70 lakh.

Himachal Pradesh State Electricity Board sanctioned a load of 425 KW in favour of M/s Gujarat Ambuja Cement, Darlaghat in February 1996 for their residential colony. The Schedule of Tariff applicable from time to time provides for charging of consumption at 'Bulk Supply' rate in respect of consumers who take supply at one point of metering for further distribution at various points of consumption under their control. In the above case, the consumer had applied for the connection under 'Bulk Supply' category and was sanctioned under the same category. During audit it was noticed (April 1998) that the consumer instead of being charged under 'Bulk Supply' category was actually charged under the Schedule Large Supply-II Category applicable to Industrial connection. The consumer had thus been under-charged to the extent of Rs. 10.70 lakh due to application of wrong category of tariff.

The matter was referred to the Board in July 1998. In reply the Chief Engineer (Commercial) stated (September 1998) that the bulk Supply tariff was not applicable as the supply was being used by the industrial consumer exclusively for lighting purpose which according to the schedule of LS-II tariff has to be charged under the relevant tariff. The reply is not tenable as the industrial tariff for lighting load is applicable only in case of *bona fide* factory lighting defined as energy consumed in factory premises including factory building, its offices, stores, time-keeper office, canteen, library, staff dispensary, welfare centre and factory yard lighting. In the instant case the electric supply was not required for *bona fide* lighting of factory but was exclusively for residential colony which was supplied through a separate connection at 11 KV feeder at a different point of delivery and metering and as such the connection was not covered under LS-II category tariff.

The matter was reported to the Government/Board in March 1999; their replies had not been received (September 1999).

4B.1.8 Non-recovery of out-turn charges

Out-turn charges of Rs. 11.39 lakh for the Board's vehicles deployed on duties of various departments of the State Government were not recovered by the Board.

State Government did not pay out-turn charges to the Board

Himachal Pradesh State Electricity Board fixes the out-turn charges of its vehicles for other than Board's works in accordance with Instruction No. 9 of its Manual of Instructions. On the directions of the Himachal Pradesh State Government, the Board deployed the vehicles of its various units for evacuating agricultural/horticultural produce (potatoes and apples) from different locations in tribal areas to different specified stations and for discharging election duties. During audit it was noticed that the out-turn charges of the vehicles so deployed during the period from 1988-89 to 1997-98 amounting to Rs. 11.39 lakh were recoverable but no effective efforts were made to realise the same resulting in blockage of revenue to the extent.

The matter was reported to the Board in December 1997. In their reply (March 1998), the Under Secretary of the Board stated that the matter regarding recovery of dues would be taken up with the State Government.

4B.1.9 Short recovery of peak load exemption charges

The Board had short recovered peak load exemption charges of Rs. 28.58 lakh leviable for non-adherence to the peak load hour restrictions by the two consumers.

Clause 1 of Part-I-General of the Sales Manual, *inter alia*, provides for the recovery of monthly peak load exemption charges at the rate of Rs. 70 per KVA on the total load for which the peak load exemption has been granted by the Board. Clause 18 (c) of the 'Abridged Conditions of Supply of Power' further provides that in case of breach of conditions of supply or any restrictions thereunder by way of infringement of peak load hour restriction, the monthly demand charges plus energy charges as well as 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. Gujarat Ambuja Cement Limited, Darlaghat (Account No. GACL-1) and Associated Cement Companies Limited, Barmana (Account No. GAGGL-1) were sanctioned peak-load hour exemptions upto 25.225 MW and 28.500 MW respectively from time to time. Board further restricted the load between 8 MW and 21.6 MW during peak hours. During audit (March 1998) it was noticed that these consumers in violation of the peak load hour restrictions imposed on exempted load had drawn power load ranging between 19.4 MW and 27.3 MW. The Board charged Rs. 70 per KVA per month for the restricted load only i.e. 8 MW to 21.6 MW from these consumers as per provisions *ibid*. Since the consumers had not adhered to the restrictions on exempted load imposed by the Board, they were liable to pay peak load exemption charges for the load utilised i.e. 19.4 MW to 27.3 MW. Short recovery on this account amounted to Rs. 28.58 lakh for the period from December 1995 to September 1996.

The matter was referred to the Board in June 1998. In reply the Chief Engineer (Commercial) stated (September 1998) that the consumers, for the peak load hour infringement had been charged for the number of hours for which the restrictions were imposed. The reply is not tenable because as per the provisions, the consumers are required to pay monthly peak load exemption charges as well as peak load infringement charges in case of violation of peak load restrictions as imposed by the Board. The matter was again referred to the Board in November 1998. The Chief Engineer (Commercial) stated (February 1999) that the suggestion of audit would be taken care when the instructions are likely to be amended.

4B.1.10 Loss due to low power factor

The Board suffered a loss of Rs. 81.90 lakh due to the absence of provisions for recovery of losses where the power factor falls much below the required level of 0.90 .

Clause 9 of the Conditions of supply and Electricity Tariff of the State Electricity Board requires the consumers to maintain a power factor of not less than 0.90. For low power factor, the consumers are liable to pay 10 *per cent* as power factor surcharge. Clause 4 (E&F) of Schedule of Tariff envisaged levy of monthly demand charges on actual maximum demand (in KVA) during the month or 75 *per cent* of the connected load whichever was higher.

To work out the maximum demand, the connected load was to be converted into KVA by adopting a power factor of 0.85 (upto November 1995) and thereafter power factor of 0.90 (KVA=KW divided by power factor). The sales manual as well as the Schedule of Tariff are silent about the method of calculating the maximum demand in case power factor of an industry was below these limits. As 10 *per cent* surcharge leviable on account of low power factor was not sufficient to recover the energy losses involved in such cases, the consumer was to be charged on the basis of actual demand determined with reference to the actual power factor.

During the course of audit it was noticed (April 1998) that the power factor of M/s Gupta Bros. Steel Tube, Barotiwala bearing Account No. 24 (renamed as M/s Majestic Industries Limited in October 1996) maintained its power factor between 0.28 to 0.61 from April 1996 to December 1996, 0.63 in January 1997 and 0.43 to 0.75 between April 1997 and February 1999. The bills raised to the customer were on the basis of clause 4 (E&F) of the conditions of supply and electricity tariff of the Board. In the absence of any provision for recovery of losses in such cases, the Board suffered a loss of Rs. 81.90 lakh.

The matter was referred to the Board in June 1998. Board stated (August 1998) that the installation of the consumer was checked and capacitors of adequate ratings were found provided but the power factor could not be improved. No reply to the absence of a suitable provision for loading the energy bills for not maintaining a minimum power factor was given nor had the Board so far fixed a minimum power factor below which the consumers would not be allowed to draw power.

The above matter was reported to Government in June 1998; reply was awaited (September 1999).

4B.1.11 Short recovery of energy charges due to application of wrong multiplying factor

By not applying the multiplying factor of ten in the energy consumption bills for more than five years, there was short recovery of Rs. 21.50 lakh towards energy charges from a consumer.

The Board did not investigate the reasons for failure of its staff to multiply energy consumption bill by ten even after short recovery was noticed

Indian Tourism Development Corporation's Hotel Ashoka at Manali was released a load of 170.24 KW in December 1991. The multiplying factor of the meter installed for recording the energy consumption was ten. However, the total consumption recorded by the meter in each billing cycle was not multiplied by ten and the error could be traced in February 1997 by which time the billing for the period upto December 1996 had been done. The consumer account was overhauled and a sum of Rs. 21.50 lakh for the period from December 1991 to December 1996 was billed in April 1997. The consumer filed a case in High Court, and in January 1998 the court while granting stay directed the consumer to deposit 50 *per cent* of the amount in six equal monthly installments starting from March 1998. It further ordered that the amount so deposited will be refunded by the Board along with 12 *per cent* interest p.a. in case it was subsequently found not payable. The Hon'ble Court had also ordered that in the event of failure of the consumer to pay two consecutive installments, the stay granted would stand vacated. During audit (November 1998) it was also observed that the consumer had paid only one installment of Rs. 1.79 lakh. The Board neither investigated the reasons for failure of the staff to multiply the energy consumption by 10 with a view to fix responsibility nor it took action for disconnecting the power supply and for filing a suit for recovery.

The matter was referred to the Board/Government in December 1998; their replies had not been received (September 1999).

4B.2 Himachal Road Transport Corporation

4B.2.1 Loss of interest

The Himachal Road Transport Corporation suffered loss of interest of Rs. 6.65 lakh due to delay in making payment of hire charges of buses by the National Hydroelectric Power Corporation (NHPC) and Nathpa Jhakhri Power Corporation (NJPC).

(i) The Manager (Mech.), Chamera Hydro Electric Project, Chowrah of National Hydroelectric Power Corporation (NHPC) and the Divisional Manager, Dharamsala of Himachal Road Transport Corporation (HRTC) entered into (April 1997) an agreement for hiring buses of the latter for transportation of NHPC staff and their family members in the project area. The HRTC was to charge on daily rate basis based on seating capacity of buses subject to minimum charge for 100 Kms per bus per day. Clause 8 of the agreement provided that NHPC will make payment of hire charges every month within 20 days after HRTC preferred bill. However, the Corporation had not provided any penalty for delay beyond this period.

It was noticed (February 1998) in audit that NHPC did not make payment within the stipulated period. During 1995-96 and 1996-97 payment of monthly hire charges ranging from Rs. 0.49 lakh to Rs. 15.48 lakh were delayed for period ranging between 3 to 91 days (after excluding the grace period of 20 days) resulting in loss of interest of Rs. 5.41 lakh calculated @ 18 *per cent* per annum. In the absence of any specific clause in the agreement for levy of penal interest for the delay, the Corporation could not lodge any claim on the NHPC.

(ii) The Dy. General Manager, Nathpa Jhakhri Power Corporation (NJPC), Jhakhri and the Regional Manager, HRTC, Rampur entered into (August 1994, August 1995 and December 1997) agreements for the period from July 1994 to September 1998 for hiring buses of the latter for transportation of NJPC staff and their family members in the project area. The HRTC was to charge on daily rate basis with minimum charge of 100 Kms per bus per day. Clause 6 of these agreements provided that NJPC will make payment of monthly hire charges within 20 days (30 days from October 1997) after the bill was preferred by HRTC. For non-payment, penalty of Rs. 300 per day of delay was also provided in the agreement executed in December 1997.

It was noticed (August 1998) in audit that NJPC did not make payment within the stipulated period. Payments of monthly hire charges ranging between Rs. 0.55 lakh and Rs. 9.00 lakh for the period from 1995-96 to 1998-99 (upto June 1998) were delayed for periods ranging between 1 and 110 days (beyond grace period of 20/30 days). This resulted in loss of interest of Rs. 1.24 lakh calculated @ 18 *per cent* per annum. HRTC did not invoke penal provisions of Rs. 300 per day in cases of delay in payment by NJPC as per agreement of December 1997.

In reply the Government stated (March 1999) that the per Km rate of fare was fixed by the Corporation after taking into consideration the fares notified from time to time, incidentals and miscellaneous charges including the aspect of delay in payment though it was not made clear in the agreement. The reply is not tenable as though the rates fixed by the Corporation were higher than that of as notified by the Government, notified rates were meant for buses plying through out the day on regular routes whereas the buses provided to NHPC and NJPC were plying only for hundred kilometres per day in morning and evening shifts.

4B.2.2 Non-levy of liquidated damages

The Corporation did not levy liquidated damages amounting to Rs. 7.85 lakh for the delay in supplying the seat structures of buses.

Agreements for the supply of readymade seat structures were entered into (June 1996) with M/s Mandav Industries and M/s Vee Tee Industries, Mandi for three years. The agreement provided for penalty for the supplies delayed upto 7 days, from 8 to 15 days and beyond 15 days at the rate of Rs. 200, Rs. 500 and Rs. 1000 per day respectively per lot.

During audit it was noticed (February 1999) that against the supply orders issued (February 1997 to January 1999) for supplying 153 and 170 sets of readymade seat structures, the firms delayed supplies of 121 and 138 seats respectively and 32 sets each were not supplied by the suppliers. The Management did not levy liquidated damages of Rs. 7.85 lakh for the delayed supplies. Non-supply of 64 sets of seat structures even after lapse of 13 to 26 months and inaction of the Corporation to get supplies expedited showed that the orders for the supplies were not based on actual requirements (July 1999).

The matter was reported to Government/Corporation in May 1999; replies were awaited (September 1999).

4B.2.3 Avoidable extra expenditure

Extra avoidable expenditure of Rs. 42.74 lakh was incurred on account of purchases at higher rates.

(a) It was noticed (January 1999) in audit that the Store Purchase Committee (SPC) had decided (August 1994) to purchase cent per cent retreading material for its two plants at Parwanoo and Jassur from M/s Elgi Tyres and Tread Limited and for the plant at Mandi from M/s Sundaram Industries Limited, Madurai. The rates of the former firm were higher than the latter. Subsequently, in its meeting the SPC decided (March 1996) to purchase 100 *per cent* material from M/s Sundaram Industries Limited in view of exorbitant prices of materials of M/s Elgi Tyres and Tread Limited. But the Management continued to purchase material from M/s Elgi Tyres and Tread Limited ignoring the decision of the SPC. Later, the SPC without assigning any reason decided (December 1996) to effect purchase of material for all the three plants from both the firms in the ratio of 55:45. As a result of purchase of material at higher rates from M/s Elgi Tyres and Tread Limited during the years 1996-97 to 1998-99 (upto December 1998) the Corporation incurred avoidable extra expenditure of Rs. 36.75 lakh.

(b) Tyres were retreaded by using curing bags/tubes purchased from the sources approved by the SPC. Scrutiny of records of Parwanoo and Jassur Tyre Retreading Plants revealed that the SPC decided (September 1995) to use tubes in the event of non-availability of curing bags for retreading tyres. Although the performance of tubes used in place of curing bags was not economical yet Parwanoo and Jassur units used 1194 tubes valued at Rs. 6.95 lakh during 1994-95 to 1998-99 for retreading tyres. Alternately, only 121 curing bags valued at Rs. 0.96 lakh were needed for retreading the same number of tyres. No separate records showing production of tyres retreaded with the help of tubes and curing bags were maintained. Failure of the Management to make arrangements for procurement of curing bags in place of tubes resulted in avoidable extra expenditure of Rs. 5.99 lakh.

These matters were brought to the notice of Government/Corporation in May 1999; their replies were awaited (September 1999).

4B.2.Non-observance of lead time

The orporation had to incur extra avoidable expenditure of Rs. 1(1 lakh as it failed to observe lead time in placing supply orders.

The S: decided (December 1996) to purchase crankshafts from M/s Harig Crankafts Limited, Noida as the supplies from earlier supplier M/s Telco were :atic. The delivery schedule for the supply was 45 days from the receipf order. The SPC further decided (November 1997) that in the event of ncsupply by the said firm, crankshafts could be purchased from M/s T:o whose rates were higher. The Management did not observe the lead-te in reordering supplies for crankshafts from this firm and thus stock was awed to reduce to nil. As a result, the Corporation had to purchase 162 cıkshafts valued at Rs. 32.05 lakh at higher rates from M/s Telco, resulti in avoidable extra expenditure of Rs. 10.11 lakh in the Division stores Taradevi, Jassur and Mandi.

The nter was reported to the Government/Corporation in May 1999; their replie:ad not been received (September 1999).

Revathi Bedi

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The

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Accountant General (Audit)
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Countersigned

V. K. Shunglu

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The

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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 31st March, 1999 in respect of Government companies and Statutory corporations

(Referred to in paragraph Nos. 1.2.1, 1.3, 1.5.1.2 and 1.11 pages 4, 6, 10 and 18)

(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 1998-99					Equity/loans received out of Budget during the year		Other loans received during the year@	Loans **Outstanding at the close of 1998-99			Debt equity ratio for 1998-99 (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	-	-	-	110.87	-	110.87	0.09:1 (0.03:1)
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	1023.00	150.00	607.50	-	1780.50	-	-	-	-	-	-	-
3	Agro Industrial Packaging India Limited	1675.00	-	97.00	-	1772.00	-	-	-	-	2369.00	2369.00	1.34:1 (1.02:1)
	Total	**3682.08**	**346.00**	**704.50**	**-**	**4732.58**	**-**	**-**	**-**	**110.87**	**2369.00**	**2479.87**	**0.52:1 (0.34:1)**
	INDUSTRY												
4	Himachal Pradesh State Small Industries and Export Corporation Limited	**246.08**	**-**	**-**	**-**	**246.08**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5	Himachal Pradesh Worsted Mills Limited	-	-	-	92.00	92.00	-	-	-	-	275.84	275.84	3:1 (5.41:1)

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
6	Himachal Pradesh General Industries Corporation Limited	347.79	-	-	12.31	360.10	-	-	-	-	-	-	-
	Total	**593.87**	-	-	**104.31**	**698.18**	-	-	-	-	**275.84**	**275.84**	**0.40:1 (0.36:1)**
	ENGINEERING												
7	Nahan Foundry Limited	387.00	-	-	-	387.00	-	-	-	217.39	-	217.39	0.56:1 (0.53:1)
	Total	**387.00**	-	-	-	**387.00**	-	-	-	**217.39**	-	**217.39**	**0.56:1 (0.53:1)**
	ELECTRONICS												
8	Himachal Pradesh State Electronics Development Corporation Limited	371.67	-	-	-	371.67	-	-	-	48.30	-	48.30	0.13:1 (0.13:1)
	Total	**371.67**	-	-	-	**371.67**	-	-	-	**48.30**	-	**48.30**	**0.13:1 (0.13:1)**
	HANDLOOM AND HANDICRAFTS												
9	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	407.15	3.00	-	-	410.15	1.00	-	-	197.61	-	197.61	0.48:1 (0.73:1)
	Total	**407.15**	**3.00**	-	-	**410.15**	**1.00**	-	-	**197.61**	-	**197.61**	**0.48:1 (0.73:1)**
	FOREST												
10	Himachal Pradesh State Forest Corporation Limited	1171.12	-	-	-	1171.12	-	-	-	-	45963.00	45963.00	39.25:1 (39.25:1)
	Total	1171.12	-	-	-	1171.12	-	-	-	-	45963.00	45963.00	39.25:1 (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
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS												
11	Himachal Pradesh Mahila Vikas Nigam	120.18	9.60	-	-	129.78	12.50	-	-	-	-	-	-
12	Himachal Backward Classes Finance and Development Corporation Limited	134.59	-	-	-	134.59	39.00	-	-	-	351.38	351.38	2.61:1 (2.33:1)
13	Himachal Pradesh Minorities Finance and Development Corporation	65.42	-	-	-	65.42	29.42	-	-	-	106.00	106.00	1.62:1 -
	Total	**320.19**	**9.60**	-	-	**329.79**	**80.92**	-	-	-	**457.38**	**457.38**	**1.39:1 (0.91:1)**
	PUBLIC DISTRIBUTION												
14	Himachal Pradesh State Civil Supplies Corporation Limited	351.50	-	-	-	351.50	0.50	-	-	71.60	-	71.60	- (0.20:1)
	Total	**351.50**	-	-	-	**351.50**	**0.50**	-	-	**71.60**	-	**71.60**	**0.20:1 (0.27:1)**
	TOURISM												
15	Himachal Pradesh Tourism Development Corporation Limited	1229.86	-	-	-	1229.86	-	-	-	-	-	-	-
	Total	**1229.86**	-	-	-	**1229.86**	-	-	-	-	-	-	-
	FINANCING												
16	Himachal Pradesh State Industrial Development Corporation Limited	2959.40	-	-	-	2959.40	1.00	-	-	100.00	3434.49	3534.49	1.19:1 (1.24:1)
	Total	**2959.40**	-	-	-	**2959.40**	**1.00**	-	-	**100.00**	**3434.49**	**3534.49**	**1.19:1 (1.24:1)**
	Total-A	**11473.84**	**358.60**	**704.50**	**104.31**	**12641.25**	**83.42**	-	-	**745.77**	**52499.71**	**53245.48**	**4.21:1 (4.21:1)**

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
B	**Statutory Corporations**												
17	Himachal Pradesh State Electricity Board	27400.00	-	-	-	27400.00	4000.00	4894.96	11807.04	49620.19	98084.05	147704.24	5.39:1 (5.78:1)
	Total	**27400.00**	-	-	-	**27400.00**	**4000.00**	**4894.96**	**11807.04**	**49620.19**	**98084.05**	**147704.24**	**5.39:1 (5.78:1)**
	TRANSPORT												
18	Himachal Road Transport Corpo-ration	15096.53	1544.45	-	-	16640.98	1127.28	-	-	-	3481.82	3481.82	0.21:1 (0.20:1)
	Total	**15096.53**	**1544.45**	-	-	**16640.98**	**1127.28**	-	-	-	**3481.82**	**3481.82**	**0.21:1 (0.20:1)**
	FINANCING												
19	Himachal Pradesh Financial Corpo-ration	2157.79$	-	-	659.32	2817.11	22.00	-	600.00	-	11494.98	11494.98	4.08:1 (3.88:1)
	Total	**2157.79**	-	-	**659.32**	**2817.11**	**22.00**	-	**600.00**	-	**11494.98**	**11494.98**	**4.08:1 (3.88:1)**
	Total-B (All sector-wise Statutory Corpora-tions)	**44654.32**	**1544.45**		**659.32**	**46858.09**	**5149.28**	**4894.96**	**12407.04**	**49620.19**	**113060.85**	**162681.04**	**3.47:1 (3.57:1)**
	Grand Total (A+B)	**56128.16**	**1903.05**	**704.50**	**763.63**	**59499.34**	**5232.70**	**4894.96**	**12407.04**	**50365.96**	**165560.56**	**215926.52**	**3.63:1 (3.72:1)**

Note:- Except in respect of companies and corporations which finalised their accounts for 1998-99 (Sr. No. 1, 2, 6, 14, 16, 17, 18 and 19) figures are provisional and as given by the companies/corporations.

$ *Includes share application money of Rs. 66.00 lakh.*

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

** *Loans outstanding at the close of 1998-99 represents long term loans only.*

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, 1.6 and 1.7 pages 4, 6, 8, 9, 11 and 12)

(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	(+)21.55	Nil comments	1180.08	(-)268.76	553.54	(+)41.11	7.43	-	Working
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Horticulture	June 1974	1998-99	1999	(-)33.36	Understatement of net loss by Rs. 16.30 lakh	1780.50	(-)2245.09	1480.25	(+)36.29	2.45	-	Working
3	Agro Industrial Packaging India Limited	Horticulture	February 1987	1996-97	1999	(-)161.48	Nil comments	1772.00	(-)2704.06	1210.41	(+)104.82	8.66	2	Working
	Total					**(-)173.29**		**4732.58**	**(-)5217.91**	**3244.20**	**(+)182.22**	**5.62**		
	INDUSTRY													
4	Himachal Pradesh State Small Industries and Export Corporation Limited	Industries	October 1966	1997-98	1998	(+)0.51	Nil comments	244.08	(-)257.59	(+)94.81	(+)0.51	0.54	1	Working
5	Himachal Pradesh Worsted Mills Limited	Industries	October 1974	1997-98	1998	(-)1.25	Not reviewed	92.00	(-)540.26	(-)59.75	(-)0.37	-	1	Under liquidation

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
6	Himachal Pradesh General Industries Corporation Limited	Industries	November 1972	1998-99	1999	(+)20.42	Nil comments	360.10	(+)24.59	(+)632.24	(+)34.38	5.44	-	Working
	Total					**(+)19.68**		**696.18**	**(-)773.26**	**667.30**	**(+)34.52**	**5.17**		
	ENGINEERING													
7	Nahan Foundry Limited	Industries	October 1952	1997-98	1998	(+)13.98	Not reviewed	387.00	(-)747.33	(-)213.05	(+)53.33	-	1	Closed
	Total					**(+)13.98**		**387.00**	**(-)747.33**	**(-)213.05**	**(+)53.33**	**-**	**-**	
	ELECTRONICS													
8	Himachal Pradesh State Electronics Development Corporation Limited	Industries	October 1984	1997-98	1998	(+)0.37	Not reviewed	371.67	(-)68.37	(+)350.54	(+)0.37	(+)0.11	1	Working
	Total					**(+)0.37**		**371.67**	**(-)68.37**	**(+)350.54**	**(+)0.37**	**(+)0.11**		
	HANDLOOM AND HANDICRAFTS													
9	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	Industries	March 1974	1997-98	1999	(+)35.27	Nil comments	278.66	(-)590.23	23.00	(+)59.30	257.83	1	Working
	Total					**(+)35.27**		**278.66**	**(-)590.23**	**23.00**	**(+)59.30**	**257.83**		
	FOREST													
10	Himachal Pradesh State Forest Corporation Limited	Forest	March 1974	1994-95	1999	(+)1.05	Over statement of profit by Rs. 60.98 lakh	1208.06	(-)1434.84	5038.94	934.25	18.54	4	Working
	Total					**(+)1.05**		**1208.06**	**(-)1434.84**	**5038.94**	**934.25**	**18.54**		
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS													
11	Himachal Pradesh Mahila Vikas Nigam	Welfare	April 1989	1996-97	1998	(+)0.84	Not reviewed	97.28	(-)1.43	38.32	(+)0.84	2.19	2	Working
12	Himachal Backward Classes Finance and Development Corporation	Welfare	January 1994	1996-97	1999	(+)7.23	Nil comments	54.99	(+)15.93	163.65	(+)11.50	7.03	2	Working

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
13	Himachal Pradesh Minorities Finance and Develop-ment Corpo-ration	Welfare	Septem-ber 1996	1997-98	1999	(-)0.20	Under state-ment of (i) paid up capital by Rs.26 lakh and (ii) loss by Rs.0.60 lakh	36.00	(-)0.85	50.13	(-)0.14	-	1	Wor-king
	Total					**(+)7.87**		**188.27**	**(+)13.65**	**252.10**	**12.20**	**4.84**		
	PUBLIC DISTRIBUTION													
14	Himachal Pradesh State Civil Supplies Corpo-ration Limited	Food & Supplies	Septem-ber 1980	1998-99	1999	(+)41.79	Nil com-ments	351.50	(+)129.00	985.57	(+)112.90	11.46	-	Wor-king
	Total					**(+)41.79**		**351.50**	**(+)129.00**	**985.57**	**(+)112.90**	**11.46**		
	TOURISM													
15	Himachal Pradesh Tourism Develop-ment Corpo-ration Limited	Tourism and Civil Aviation	Septem-ber 1972	1997-98	1998	(+)45.17	Nil com-ments	1229.86	(-)382.69	1545.21	(+)59.16	3.83	1	Wor-king
	Total					**(+)45.17**		**1229.86**	**(-)382.69**	**1545.21**	**(+)59.16**	**3.83**		
	FINANCING													
16	Himachal Pradesh State Industrial Develop-ment Corpo-ration Limited	Indus-tries	Novem-ber 1966	1998-99	1999	(-)197.83	Over-state-ment of net profit by Rs. 69.27 lakh	2959.40	(-)1931.88	4228.16	(+)206.74	4.89	-	Wor-king
	Total					**(-)197.83**		**2959.40**	**(-)1931.88**	**4228.16**	**(+)206.74**	**4.89**		
	Total-A (All sector-wise Govern-ment com-panies)					**(-)205.94**	-	**12403.18**	**(-)11003.86**	**16121.97**	**(+)1654.99**	**10.27**		

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
B	**Statutory Corporations**													
	POWER													
17	Himachal Pradesh State Electricity Board	MPP & Power	September 1971	1998-99	1999	(-)627.28	Under-statement of net deficit by Rs. 54845.59 lakh	27400.00	(+)12573.36	171144.85	(+)3680.48	2.15	-	Working
	Total					**(-)627.28**		**27400.00**	**(+)12573.36**	**171144.85**	**(+)3680.48**	**2.15**		
	TRANSPORT													
18	Himachal Road Transport Corpo-ration	Trans-port	October 1974	1998-99	1999	(-)1618.38	Net loss has been under-stated by Rs. 18.19 lakh	16640.98	(-)16566.28	3556.54	(-)1111.96	-	-	Working
	Total					**(-)1618.38**		**16640.98**	**(-)16566.28**	**3556.54**	**(-)1111.96**	**-**		
	FINANCING													
19	Himachal Pradesh Financial Corpo-ration	Indus-tries	Ist April 1967	1998-99	1999	(-)218.78	Net loss has been understated by Rs. 85.05 lakh	2817.11	(-)4808.55	(+)14466.58	(+)1173.43	8.11	-	Working
	Total					**(-)218.78**		**2817.11**	**(-)4808.55**	**(+)14466.58**	**(+)1173.43**	**8.11**		
	Total-B (All sector-wise Statutory corpo-ration)					**(-)2464.44**		**46858.09**	**(-)8801.47**	**(+)189167.97**	**(+)3741.95**	**1.98**		
	Grand Total (A+B)					**(-)2670.38**		**59261.27**	**(-)19805.33**	**(+)205289.94**	**(+)5396.94**	**2.63**		

(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 1999

(Referred to in paragraph No. 1.3 page 6)

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

Sl. No	Name of the Public Sector Under-taking	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 mora-torium allo-wed	Loans con-verted into equity during the year
		Central Govern-ment	State Govern-ment	Others	Total	Cash Credit from banks	Loans from other sources	Letters of credit opened by banks in res-pect of im-ports	Payment obligation under agree-ment with foreign consul-tants or contracts	Total	Loans repay-ment written off	Interest waived	Penal in-terest wai-ved	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	-	-	-	-	- (31.64)	-	-	-	- (31.64)	-	-	-	-	-	-
2	Himachal Pradesh Agro Industries Corporation Limited	-	15.00	-	15.00	- (102.02)	-	-	-	- (102.02)	-	-	-	-	-	-
3	Agro Industrial Packaging India Limited	-	450.00	-	450.00	- (1300.00)	-	-	-	- (1300.00)	-	-	-	-	-	-
4	Himachal Pradesh State Small Industries and Export Corporation Limited	-	0.50	-	0.50	-	-	-	-	-	-	-	-	-	-	-
5	Nahan Foundry Limited	-	-	-	-	- (159.74)	-	-	-	- (159.74)	-	-	-	-	-	-

** *Figures in brackets indicates 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	-	115.36	-	115.36	- (30.00)	-	-	-	- (30.00)	-	-	-	-	-	-
7	Himachal Pradesh State Forest Corporation Limited	-	-	-	-	-	- (45963.00)	-	-	- (45963.00)		-	-	-	-	-
8	Himachal Pradesh Minorities Finance and Develop-ment Corporation	-	-	-	-	-	- (100.00)	-	-	- (100.00)	-	-	-	-	-	-
9	Himachal Backward Classes Finance and Develop-ment Corporation Limited	-	-	-	-	-	- (351.38)	-	-	- (351.38)	-	-	-	-	-	-
10	Himachal Pradesh State Civil Supplies Corporation Limited	-	40.00	-	40.00	1000.00 (750.00)	-	-	-	1000.00 (750.00)	-	-	-	-	-	-
11	Himachal Pradesh State Industrial Develop-ment Corporation Limited	-	-	-	-	-	- (100.00)	-	-	- (100.00)	-	-	-	-	-	-
	Total-A	**-**	**620.86**	**-**	**620.86**	**1000.00 (2373.40)**	**- (46514.38)**	**-**	**-**	**1000.00 (48887.78)**	**-**	**-**	**-**	**-**	**-**	**-**
B	**Statutory Corporations**															
12	Himachal Pradesh State Electricity Board	-	-	-	-	-	11807.04 (36209.17)	-	-	11807.04 (36209.17)	-		-	-	-	-
13	Himachal Road Transport Corporation	-	4233.00	-	4233.00	1400.00 (3481.82)	-	-	-	1400.00 (3481.82)	-	-	-	-	-	-
14	Himachal Pradesh Financial Corporation	-	-	-	-	-	600.00 (8189.78)			600.00 (8189.78)						
	Total-B		**4233.00**	**-**	**4233.00**	**1400.00 (3481.82)**	**12407.04 (44398.95)**	**-**	**-**	**13807.04 (47880.77)**						
	Grant Total (A+B)		**4853.86**		**4853.86**	**2400.00 (5855.22)**	**12407.04 (90913.33)**	**-**	**-**	**14807.04 (96768.55)**						

Annexure-4

Statement showing financial position of Statutory corporations

(Referred to in paragraph No. 1.2.2 page 6)

(Rupees in crore)

1	Himachal Pradesh State Electricity Board			
	Particulars	**1996-97**	**1997-98**	**1998-99**
A	**Liabilities**			
	Equity Capital	234.00	234.00	274.00
	Loans from Government	389.27	448.63	496.20
	Other long-term loans (including bonds)	776.74	903.21	980.84
	Reserves and surplus	375.56	457.22	527.87
	Current liabilities and provisions	391.38	398.95	532.38
	Total-A	**2166.95**	**2442.01**	**2811.29**
B	**Assets**			
	Gross fixed assets	746.22	858.72	940.18
	Less: Depreciation	112.96	131.55	153.02
	Net fixed assets	633.26	727.17	787.16
	Capital works-in-progress	703.29	761.69	892.70
	Deferred cost	23.09	26.67	31.96
	Current assets	682.31	744.83	563.96
	Investments	123.99	180.51	529.48
	Miscellaneous expenditure	1.01	1.14	6.03
	Accumulated losses	-	-	-
	Total-B	**2166.95**	**2442.01**	**2811.29**
C	**Capital employed#**	**1627.48**	**1834.74**	**1711.44**
2	**Himachal Road Transport Corporation**			
	Particulars	**1996-97**	**1997-98**	**1998-99**
A	**Liabilities**			
	Capital (including capital loan & equity capital)	146.34	155.90	166.41
	Borrowings (Government) (Others)	- 29.41	- 30.98	- 34.82
	Funds=	77.28	94.81	-
	Trade dues and other current liabilities (including provisions)	33.21	39.61	28.45
	Total-A	**286.24**	**321.30**	**229.68**
B	**Assets**			
	Gross block	111.17	120.66	130.67
	Less: Depreciation	63.01	70.18	77.24
	Net fixed assets	48.16	50.48	53.43
	Capital works-in-progress (including cost of chassis)	1.86	1.97	1.29
	Investments	78.62	97.48	-
	Current assets, loans and advances	15.25	21.89	9.30
	Deferred cost	-	-	-
	Accumulated losses	142.35	149.48	165.66
	Total-B	**286.24**	**321.30**	**229.68**
C	**Capital employed#**	**32.06**	**34.73**	**35.57**

\# *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.*

3	Himachal Pradesh Financial Corporation			
	Particulars	**1996-97**	**1997-98**	**1998-99**
A	**Liabilities**			
	Paid-up capital	27.51	27.51	27.51
	Share application money	-	0.44	0.66
	Reserve funds and other reserves and surplus	5.02	4.97	4.97
	Borrowings:			
(i)	Bonds and debentures	78.32	80.02	81.90
(ii)	Fixed deposits	-	-	-
(iii)	Industrial Development Bank of India and Small Industries Development Bank of India	28.67	28.29	33.05
(iv)	Reserve Bank of India	-	-	-
(v)	Loan in lieu of share capital: (a) State Government (b) Industrial Development Bank of India	-	-	-
(vi)	Others (including State Government)	0.79	0.79	0.79
	Other liabilities and provisions	44.55	47.10	50.56
	Total-A	**184.86**	**189.12**	**199.44**
B	**Assets**			
	Cash and Bank balances	3.96	2.84	5.95
	Investments	0.07	0.07	0.07
	Loans and Advances	136.05	138.93	141.47
	Net fixed assets	0.19	0.18	0.34
	Other assets	44.59	47.10	51.61
	Miscellaneous expenditure	-	-	-
	Total-B	**184.86**	**189.12**	**199.44**
C	**Capital employed[@]**	**138.88**	**140.38**	**144.67**

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

@ *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 6 and 9)

(Rupees in crore)

1	Himachal Pradesh. State Electricity Board			
Sr. No.	Particulars	1996-97	1997-98	1998-99
1	(a) Revenue receipts (b) Subsidy/Subvention from Government Total	369.64 0.03 369.67	448.52 0.02 448.54	499.48 - 499.48
2	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	288.04	349.69	391.08
3	Gross surplus (+)/deficit (-) for the year (1-2)	81.63	98.85	108.40
4	Adjustments relating to previous years	(-)11.16	(-)7.93	(-)50.30
5	Final gross surplus(+)/deficit(-) for theyear (3+4)	70.47	90.92	58.10
6	Appropriations:			
	(a) Depreciation (less capitalised)	15.05	18.52	21.29
	(b) Interest on Government loans	2.08	2.08	1.46
	(c) Interest on others, bonds, advances etc. and finance charges	47.39	62.82	71.33
	(d) Total interest on loans and finance charges (b+c)	49.47	64.90	72.79
	(e) Less: Interest capitalised	18.85	21.95	29.71
	(f) Net interest charged to revenue (d-e)	30.62	42.95	43.08
	(g) Total appropriations (a+f)	45.67	61.47	64.37
7	Surplus(+)/deficit(-) before accounting for subsidy from State Government {5-6 (g)-1(b)}	24.77	29.43	(-)6.27
8	Net surplus(+)/deficit(-) {5-6(g)}	24.80	29.45	(-)6.27
9	Total return on capital employed*	55.42	72.40	36.81
10	Percentage of return on capital employed	3.40	3.95	2.15
2	**Himachal Road Transport Corporation**			
	Particulars	**1996-97**	**1997-98**	**1998-99**
	Operating (a) Revenue	128.82	171.34	176.14
	(b) Expenditure	145.57	174.75	192.08
	(c) Surplus(+)/Deficit(-)	(-)16.75	(-)3.41	(-)15.94
	Non-operating (a) Revenue	1.88	1.80	4.82
	(b) Expenditure	5.29	5.52	5.06
	(c) Surplus(+)/Deficit(-)	(-)3.41	(-)3.72	(-)0.24
	Total (a) Revenue	130.70	173.14	180.96
	(b) Expenditure	150.86	180.27	197.14
	(c) Net profit (+)/Loss (-)	(-)20.16	(-)7.13	(-)16.18
	Interest on capital and loans	5.29	5.52	5.06
	Total return on Capital employed	(-)14.87	(-)1.61	(-)11.12

* *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	**1996-97**	**1997-98**	**1998-99**
	1 Income (a) Interest on Loans	17.88	15.75	15.62
	(b) Other income	0.12	0.25	0.11
	Total-1	**18.00**	**16.00**	**15.73**
	2 Expenses			
	(a) Interest on long-term and short-term loans	12.98	13.18	13.92
	(b) Other expenses	4.90	2.68	3.99
	Total-2	**17.88**	**15.86**	**17.91**
	3 Profit before tax and non-performing assets (1-2)	(+)0.12	(+)0.14	(-)2.18
	4 Prior period adjustments	-	-	-
	5 Provision for tax	0.03	0.03	-
	6 Profit(+)/Loss(-) after tax	(+)0.09	(+)0.11	(-)2.18
	7 Provision for non-performing assets	12.09	2.01	2.18
	8 Other appropriations (special reserve for the purpose of Section 36 (I) (viii) of the Income Tax Act, 1961 and general reserve)	0.10	0.06	-
	9 Amount available for dividend	-	-	-
	10 Dividend paid/payable	-	-	-
	11 Total return on Capital employed@	0.98	11.28	9.56
	12 Percentage of return on Capital employed	0.71	8.03	6.61

@ *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 11)

(Rupees in crore)

1	Himachal Pradesh State Electricity Board			
	Particulars	**1996-97**	**1997-98**	**1998-99**
	Installed capacity	**(MW)**		
	(a) Thermal	-	-	-
	(b) Hydro	299.37	299.17	299.17
	(c) Gas	-	-	-
	(d) Other	0.13	0.13	0.13
	Total	**299.50**	**299.30**	**299.30**
	Normal maximum demand	470.00	474.00	565.00
	Power generated:	**(MKWH)**		
	(a) Thermal	-	-	-
	(b) Hydro	1252.00	1306.00	1484.49
	(c) Gas	-	-	-
	(d) Other	-	-	-
	Total	**1252.00**	**1306.00**	**1484.49**
	Less: Auxiliary consumption			
	(a) Thermal (Percentage)	-	-	-
	(b) Hydro (Percentage)	4.00 (0.32)	3.35 (0.26)	3.67 (0.25)
	(c) Gas (Percentage)	-	-	-
	(d) Other (Percentage)	-	-	-
	Total (Percentage)	**4.00 (0.32)**	**3.35 (0.26)**	**3.67 (0.25)**
	Net power generated	1248.00	1302.65	1480.82

	Particulars	1996-97	1997-98	1998-99
	Power purchased:	**(MKWH)**		
	(a) With in the State			
	-Government:	-	-	-
	-Private:	-	-	-
	(b) Other States (c) Central Grid	2019.00	2287.60	2228.11
	Total power available for sale	3267.00	3590.25	3708.93*
	Power sold:			
	(a) With in the State	1758.00	1946.55	2066.02*
	(b) Outside the State	977.00	954.20	971.55
	Transmission and distribution losses	532.00	689.50	671.56
	Load factor (Percentage)	47.74	49.81	56.62
	Percentage of transmission and distribution losses to total power available for sale	16.28	19.20	18.11**
	Number of villages/town electrified	16832	16832	16832
	Number of pump sets/wells energised	4780	5098	5392
	Number of sub-stations	-	-	-
	Transmission/distribution lines (in Kms)			
	(a) High/medium voltage	20000.85	21039.36	22078.93
	(b) Low voltage	43039.33	43883.25	45142.64
	Connected load (in MW)	1827.94	1974.94	2128.30
	Number of consumers	1231101	1286812	1364684
	Number of employees	28349	24526	28739
	Consumer/employees ratio	43:1	52:1	47:1

* *Sale and purchase of power includes 291.930 MU which actually was neither purchased nor sold but was wheeled through HPSEB transmission system.*

** *Transmission and distribution losses work out to 19.43 per cent instead of 18.11 per cent if the power wheeled on the Board's system is excluded from sale and purchase of power.*

	Particulars	1996-97	1997-98	1998-99
	Total expenditure on staff during the year (Rs. in crore)	139.44	163.09	202.11
	Percentage of expenditure on staff to total revenue expenditure	41.78	40.00	44.38
	Units sold			
	(a) Agriculture (Percentage share to total units sold)	11.00 (0.63)	11.00 (0.57)	12.00 (0.58)
	(b) Industrial (Percentage share to total units sold)	1060.00 (60.30)	1182.00 (60.74)	1249.00 (60.45)
	(c) Commercial (Percentage share to total units sold)	121.00 (6.88)	135.00 (6.94)	140.00 (6.78)
	(d) Domestic (Percentage share to total units sold)	427.00 (24.29)	474.00 (24.35)	539.00 (26.09)
	(e) Others (Percentage share to total units sold)	139.00 (7.90)	144.00 (7.40)	126.00 (6.10)
	Total	**1758**	**1946**	**2066**

		1996-97	1997-98	1998-99
	Particulars	**(Paise per KWH)**		
	(a) Revenue (excluding subsidy from Government)	135.15	154.62	164.44
	(b) Expenditure*	106.83	122.91	129.30
	(c) Profit(+)/Loss (-)	(+)28.32	(+)31.71	(+)35.14
	(d) Average subsidy claimed from Government (in Rupees)	-	-	-
	(e) Average interest charges (in Rupees)	11.20	14.81	14.18

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

2	Himachal Road Transport Corporation			
	Particulars	**1996-97**	**1997-98**	**1998-99**
	Average number of vehicles held	1711	1742	1780
	Average number of vehicles on road	1666	1696	1738
	Percentage of utilisation of vehicles	97	97	98
	Number of employees	8917	9270	9229
	Employee vehicle ratio	5.2:1	5.3:1	5.2:1
	Number of routes operated at the end of the year	1627	1656	1748
	Route kilometres	1.98	2.02	2.08
	Kilometres operated (in lakh)			
	(a) Gross	1284.54	1342.94	1380.38
	(b) Effective	1271.55	1329.45	1365.26
	(c) Dead	12.99	13.49	15.12
	Percentage of dead kilometres to gross kilometres	1.01	1.00	1.10
	Average kilometres covered per bus per day	211	217	217
	Operating revenue per kilometre (Paise)	1017	1289	1311
	Average expenditure per kilometre (Paise)	1174	1342	1428
	Profit(+)/Loss (-) per kilometre (Paise)	(-)157	(-)53	(-)117
	Number of operating depots	23	23	23
	Average number of break-down per lakh kilometres	0.04	0.05	0.06
	Average number of accidents per lakh kilometres	0.17	0.15	0.12
	Passenger kilometres operated (in crore)	584.91	598.25	628.02
	Occupancy ratio (percentage)	65	66	67
	Kilometres obtained per litre of:			
	(a) Diesel Oil	3.40	3.42	3.43
	(b) Engine Oil	514	547	591

(Rupees in crore)

3	Himachal Pradesh Financial Corporation						
	Particulars	**1996-97**		**1997-98**		**1998-99**	
		Number	Amount	Number	Amount	Number	Amount
	Applications pending at the beginning of the year	25	5.63	29	2.60	45	5.90
	Applications received	199	31.78	242	34.01	215	28.66
	Total	**224**	**37.41**	**271**	**36.61**	**260**	**34.56**
	Applications sanctioned	135	17.60	190	20.06	145	19.34
	Applications cancelled/with-drawn/rejected/reduced	60	17.22	36	10.81	74	12.37
	Applications pending at the close of the year	29	2.59	45	5.74	41	2.85
	Loans disbursed	108	15.50	143	16.77	111	14.71
	Loans outstanding at the close of the year	1645	136.05	1642	138.93	1608	141.48
	Amount overdue for recovery at the close of the year						
	(a) Principal	-	38.80	-	48.11	-	47.61
	(b) Interest	-	57.12	-	64.79	-	74.68
	Total		**95.92**		**112.90**		**122.29**
	Amount involved in recovery certificate cases	340	17.00	330	20.25	277	19.41
	Total	**340**	**17.00**	**330**	**20.25**	**277**	**19.41**
	Percentage of overdue to the total loans outstanding	-	70.50	-	81.26	-	86.44

Annexure-7

Statement showing the financial position of the Company for the last four years ending 1997-98

(Referred to in paragraph No. 2A.6 page 23)

(Rupees in lakh)

	1994-95	1995-96	1996-97	1997-98
Liabilities				
(a) Paid-up capital	1772.00	1772.00	1772.00	1772.00
(b) Reserve and surplus (Deferred Government grant)	1040.01	1072.01	912.33	786.82
(c) Borrowings	2489.66	1683.67	1300.00	1300.00
(d)Trade dues and other current liabilities (including provisions)	208.04	210.24	776.30	1054.44
Total	**5509.71**	**4737.92**	**4760.63**	**4913.26**
Assets				
(e) Gross block	3091.44	2996.09	3036.57	3056.63
Less: Depreciation	1092.85	1295.08	1515.10	1712.55
(f) Net fixed assets	1998.59	1701.01	1521.47	1344.08
(g) Capital work-in-progress	27.08	17.43	.	.
(h) Current assets, loans and advances	1333.60	396.31	465.25	464.12
Intangible assets				
(i) Misc. expenses	92.31	79.12	68.63	55.14
(ii) P & L account	2056.41	2542.58	2704.05	3048.94
(iii) Preliminary expenses	1.72	1.47	1.23	0.98
Total	**5509.71**	**4737.92**	**4760.63**	**4913.26**
Capital employed*	3151.23	1904.51	1210.42	753.76
Net worth**	661.57	220.83	(-)89.58	(-)546.24

* *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 Company for the last four years ending 1997-98

(Referred to in paragraph No. 2A.6 page 23)

(Rupees in lakh)

	1994-95	1995-96	1996-97	1997-98
(A) Operative revenue				
(a) Sales	107.25	523.00	1010.32	847.79
(b) Accretion (+)/Decretion (-) in stock	14.44	(-)12.03	(-)2.67	3.90
Total	**121.69**	**510.97**	**1007.65**	**851.69**
(B) Operating expenses				
(c) Raw material	107.61	479.59	831.24	709.35
(d) Stores and spares	1.27	3.11	4.02	6.12
(e) Power and fuel	13.90	24.14	33.12	41.14
(f) Freight and handling	0.19	1.73	2.42	10.24
(g) Interest and bank charges	282.27	347.49	266.93	303.59
(h) Employees cost	35.65	58.56	70.75	84.70
(i) Commission on sale	0.32	1.28	15.25	2.42
(j)Depreciation	330.61	202.47	220.05	197.82
(k) Others	27.20	22.25	6.38	17.71
Total	**799.02**	**1140.62**	**1450.16**	**1373.09**
(C) Operating loss (B-A)	**677.33**	**629.65**	**442.51**	**521.40**
(D) Non-operating income	15.61	114.84	211.96	138.55
(E) Non-operating expenses	51.50	64.51	69.07	37.29
(F) Net loss	**713.22**	**579.32**	**299.62**	**420.14**

Annexure-9

Statement showing the licenced capacity, installed capacity and utilisation of capacity

(Referred to in paragraph No. 2A. 7.1 page 23)

	1994-95		1995-96		1996-97		1997-98	
	Sheets MT	Boxes Million	Sheets MT	Boxes Million	Sheets MT	Boxes Million	Sheets MT	Boxes Million
1. Licenced capacity	30000	18	30000	18	30000	18	30000	18
2. Installed capacity	30000	18	30000	18	30000	18	30000	18
3. Utilisation expected as per DPR	27000	16.20	27000	16.20	27000	16.20	27000	16.20
4. Actual utilisation	508	0.63	2330	2.42	3827	3.97	3172	3.33
	Per cent							
5. Percentage of utilisation	1.88	3.89	8.26	14.94	14.17	24.51	11.75	20.56
6. Shortfall	98.12	96.11	91.74	85.06	85.83	75.49	88.25	79.44

Annexure-10

Statement showing average cost of production, sale and loss in respect of commercial cartons.

(Referred to in paragraph No. 2A.7.3.2 page 26)

		1994-95	1995-96	1996-97	1997-98 (Provisional)
		(Rupees in lakh)			
1	Cost of total paper consumed	101.65	464.12	727.79	668.22
2	Cost of paper consumed for commercial cartons	36.69	51.77	35.44	60.99
3	Percentage of paper consumed in commercial cartons to total paper	36.09	11.15	4.86	9.12
		(Rupees in lakh)			
4	Total expenditure	136.01	191.04	247.42	292.65
5	Cost of commercial cartons produced				
	(a) Cost of paper	36.69	51.77	35.44	60.99
	(b) Production expenses (4x3)	49.08	21.30	12.02	26.68
	(c) Interest (5(a)+(b)x17.5%x1/2)	7.50	6.39	4.15	7.67
	(d) Depreciation	7.22	3.85	1.62	1.75
	Total	100.49	83.31	53.23	97.09
		(In Numbers)			
6	Number of cartons produced	3,93,146	3,41,989	1,32,597	1,59,314
7	Number of cartons sold	3,96,971	3,24,557	1,11,691	1,65,087
		(In Rupees)			
8	Sales realised	24,80,243	47,00,348	35,49,797	53,37,931
9	Scrap sales	2,78,157	1,77,026	1,27,297	4,29,101
	Total (8&9)	27,58,400	48,77,374	36,77,094	57,67,032
10	Average sale per carton	6.95	15.02	32.92	34.93
11	Average cost per carton	25.56	24.36	40.14	60.94
12	Average loss per carton	18.61	9.34	7.22	26.01
13	Loss on production	73,16,447	31,94,177	9,57,350	41,43,757

Annexure-11

Statement showing average cost of production of horticulture carton during 1996-97

(Referred to in paragraph No. 2A.7.4.1 (a) page 26)

Sr. No	Particulars	Total expenditure (In Rupees)	Percent-age	Expenditure on horticulture cartons (In Rupees)
1	Total value of paper consumed	7,27,79,139		
2	Cost of paper consumed for horticulture cartons			6,90,45,318
3	Percentage of cost of paper consumed for horticulture cartons to total paper consumed		94.87	
4	Cost of paper consumed			6,90,45,318
5	Production expenses	2,10,08,618	-do-	1,99,30,876
6	Financial expenses	2,66,93,191	-do-	2,53,23,830
7	Depreciation	2,20,05,000	-do-	44,04,389
	Total			**11,87,04,413**
8	Cartons produced (Nos.)	36,02,772		
9	Cost per carton (in Rs.)			32.95
10	Sale price per carton (in Rs.)			31.00
11	**Loss per carton (in Rs.)**			**1.95**

Annexure-12

Details showing the losses incurred by five hotels during the last five years ending March 1999

(Referred to in paragraph No. 2B.6 (a) page 37)

Name of Hotel	Year of completion	Cost of expansion/ construction (Rs. in lakh)	Occupancy percentage										Loss (Rs. in lakh)
			1994-95		1995-96		1996-97		1997-98		1998-99		
			Season	Off Season	Season	Off Season	Season	Off Season	Season	Off Season	Season	Off Season	
Renuka, Renukaji	1994	39.60	33.11	32.52	18.58	18.28	21.93	15.12	34.50	15.42	33.67	17.37	20.25
Baghal, Darlaghat	1997	68.27	-	-	-	-	-	-	6.69	7.58	22.02	6.79	11.98
Pabbar, Hatkoti	1996	66.25	-	-	-	--	17.62	10.43	27.23	13.83	19.12	12.91	14.10
Uhl, Joginder Nagar	1994	5.02	25.18	7.92	22.26	9.87	21.24	9.20	24.31	11.84	19.05	12.84	11.43
Hatu, Narkanda	1996	63.34	-	-			30.97	14.04	29.03	19.85	39.79	20.15	27.44
Total		**242.48**											**85.20**

Annexure-13

Statement showing occupancy and tariff structure (season) during five years ended 1998-99

(Referred to in paragraph No. 2B.6 (b) page 37)

Sr. No	Name of Hotel	1994-95		1995-96		1996-97		1997-98		1998-99	
		AT*	OP**	AT*	OP**	AT*	OP**	AT*	OP**	AT*	OP**
		Rs.		Rs.		Rs.		Rs.		Rs.	
1	Tourist Banglow Solan	175	63.02	275	58.40	225	57.98	275	39.96	325	33.02
2	Hotel Mandav Mandi	417	51.32	533	44.13	550	56.98	550	55.65	633	40.81
3	Hotel Uhl Joginder Nagar	450	25.18	400	22.26	400	21.24	400	24.31	450	19.05
4	Yatri Niwas Chamunda	275	62.84	350	53.92	425	47.63	475	41.53	475	46.44
5	Yatri Niwas Dharamsala	350	68.96	450	73.26	500	72.83	550	45.71	675	42.74
6	Hotel T.Bud Palampur	550	32.73	600	54.36	775	48.26	850	46.34	850	42.02
7	Hotel Jwalaji Jwalaji	725	52.17	825	51.16	850	52.45	925	50.36	1025	44.06
8	Hotel Kunjam Manali	-	-	1075	65.32	1075	65.60	1133	59.31	1183	54.48
9	Hotel Parvati Manikaran	300	43.11	300	34.20	300	33.26	350	32.43	400	32.68
10	Hotel Castle Naggar	400	54.09	500	54.55	650	45.43	700	24.46	917	15.58
11	Hotel Shiwalik Parwanoo	583	68.61	717	60.09	883	67.04	1050	60.29	1117	57.73
12	Hotel Yamuna Paonta	417	36.61	433	28.14	433	14.01	483	58.06	550	33.49
13	Hotel Renakaji Ranukaji	300	33.11	475	18.58	600	21.93	575	34.50	575	33.67
14	Hotel Hatu Narkanda	-	-	-	-	750	33.97	900	29.03	900	39.79
15	Hotel Srikhand Sarahan	450	26.37	550	23.52	600	24.76	650	28.60	750	31.30
	Average	**414.76**	**47.54**	**585.71**	**45.81**	**601.06**	**44.02**	**657.73**	**42.03**	**721.66**	**37.33**

* **A.T.** *Average Tariff*

** **O.P.** *Occupancy percentage*

Annexure-14

Financial statement showing plan outlay, budget allocation and actual expenditure during the VII Plan period 1985-90

(Referred to in paragraph No. 3A.4 page 52)

Sr. No	Particulars	VII Plan		
		Proposed outlay	Budget allotment	Actual expenditure
		(Rs. in lakh)		
1	Power			
	(i) Medium and large projects	12100	15804.00	16295.00
	(ii) Micro/Mini Hydel projects	3000	43.50	25.39
	(iii) Survey and investigation	1000	578.50	692.48
2	Transmission and distribution	8100	2735.78	2851.15
3	Subsidy for Harijan houses	200	92.40	81.94
4	Rural electrification	4000	3246.00	5742.28
	Total	**28400**	**22500.18**	**25688.24**

Annexure-15

Statement showing surplus and return on capital employed during the VII Plan

(Referred to in paragraph No. 3A.4 page 52)

	1985-86	1986-87	1987-88	1988-89	1989-90
Revenue					
Sale of power	37.50	54.10	61.50	67.58	87.33
Other	1.17	10.51	8.81	1.36	1.92
Total	**38.67**	**64.61**	**70.31**	**68.94**	**89.25**
Expenditure					
Purchase of power	5.35	14.26	24.12	15.23	17.52
Running and maintenance	15.73	18.16	24.06	24.13	29.88
Employees cost	7.25	8.37	12.27	16.79	22.84
Administration expenses	1.57	1.43	1.78	2.13	2.75
Depreciation	2.03	2.78	2.89	3.63	5.15
Interest and finance charges	29.55	38.46	19.19	6.01	12.22
Other debits/credits	(-)14.55	21.99	2.58	(-)70.70	4.75
Total	**46.93**	**105.45**	**86.89**	**(-)2.78**	**95.11**
Surplus (+)	-	-	-	71.72	-
Deficit (-)	8.26	40.84	16.58	-	5.86
Accumulated surplus (+)	-	-	-	-	-
Deficit	20.11	60.95	77.53	5.81	11.67
Employees cost (Rupees in crore)	7.25	8.37	12.27	16.79	22.84
Employees cost (per Kwh sold in paise)	9.2	9.4	11.2	13.8	15.4
Revenue per Kwh (in paise)	49	73	64	57	60
Expenditure per Kwh (in paise)	78	95	78	56	61
Return on capital employed (in percentage)	5.69	(-)0.86	6.01	3.26	5.18

Annexure-16

Statement showing the hydro electric power projects planned for execution during the VII Plan period

(Referred to in paragraph No. 3A.6 page 54)

Sr. No.	Name of Project	Year in which execution of project started	Target date of commissioning	Actual date of completion	Delay in completion of project	Initial cost	Revised cost estimates	Final cost	Cost overrun due to delay in commencement of project	Cost overrun due to delay in completion of work
Spilled over projects from VI Plan					Months	Rupees in lakh				
1	SVP Bhaba	1981-82	March 1987	July 1989	25	4943.07	11058.00	23978.00	6114.93	12920.00
2	Andhra	1978-79	March 1982	December 1987	68	946.53	3015.04	5761.59	2068.51	2746.55
New projects executed during VII Plan										
3	Gaj	1987-88	March 1993	June 1996	38	1286.00	2741.00	7548.64	1455.00	4807.64
4	Baner	1987-88	March 1993	August 1996	40	720.46	2301.00	6878.69	1580.54	4577.69
5	Thirot	1986-87	October 1993	July 1995	20	435.00	1652.56	6018.05	1217.56	4365.49
	Total					**8331.06**	**20767.60**	**50184.97**	**12436.54**	**29417.37**
	Grand Total								**41853.91**	

Annexure-17

Statement showing cost of generation during VII Plan period

(Referred to in paragraph No. 3A.7 (b) page 56)

Sr. No	Particulars	1985-86	1986-87	1987-88	1988-89	1989-90
1	Gross generation (MU)	596.82	614.29	517.81	698.83	935.50
2	Less Auxiliary consumption (MU)	2.12	2.32	2.10	2.51	4.12
3	Net generation (MU)	594.70	611.97	515.71	696.32	931.38
4	Add power purchased (MU)	392.12	505.16	875.59	801.96	887.55
5	Power available for sale (MU)	986.82	1117.13	1391.30	1498.28	1818.93
6	Power sold (MU)	787.24	882.38	1091.45	1211.95	1477.98
7	Cost of purchase of power (Rs. in lakh)	535.17	1422.42	2411.52	1523.00	1751.63
8	Revenue from sale of power (Rs. in lakh)	3750.65	5410.10	6149.62	6757.64	8733.03
9	Total expenditure (Rs. in lakh)	6180.24	8375.42	8507.88	6797.95	9083.27
10	Gross revenue (Rs. in lakh)	3868.39	6460.62	7031.26	6893.19	8925.03
11	Cost of sales per unit (Paise)	78	95	78	56	61
12	Realisation per unit (Paise)	49	73	64	57	60
13	**Loss/profit per unit (Paise)**	**(-) 29**	**(-) 22**	**(-) 14**	**(+) 1**	**(-) 1**

Annexure-18

Statement showing scheme-wise phasing of funds, budget allotment and expenditure during the VII Plan period

(Referred to in paragraph No. 3A.9.1 page 58)

Sr. No.	Name of scheme	Sanctioned amount	As per VII Five Year Plan.	1985-86	1986-87	1987-88	1988-89	1989-90	Total
		(Rs. in lakh)		(Rupees in lakh)					
1& 2	220 KV S/C Trans. Line from Khodri to Majri and sub-station at Majri	888.480	Financial requirement	450.00	225.00	150.00	50.00	-	875.00
			Budget Provision	37.53	178.00	175.41	154.65	91.61	637.20
			Expenditure	41.10	186.36	166.43	185.23	89.77	*668.89
3	132 KV line from Kunihar to Barotiwala	665.000	Financial requirement	-	100.00	250.00	285.00	30.00	665.00
			Budget provision	-	12.60	101.15	277.96	108.77	500.48
			Expenditure	-	-	9.95	11.28	5.00	*26.23
4	220/132 KV 2x80 MVA Sub-station at Kunihar	900.000	Financial requirement	300.00	300.00	150.00	150.00	-	900.00
			Budget provision	17.00	227.62	276.47	255.54	108.75	885.38
			Expenditure	25.68	265.72	375.63	315.82	163.64	*1146.49
5	132 KV line from Jassur to Dehra	784.000	Financial requirement	320.00	200.00	200.00	300.00	60.00	**1080.00
			Budget provision	29.00	58.80	70.35	101.38	148.00	407.53
			Expenditure	268.77	45.33	95.29	142.57	158.35	*710.31
6	132 KV Trans. Line from Hamirpur to Dehra-Kangra	511.899	Financial requirement	50.00	165.00	150.00	150.00	150.00	665.00
			Budget provision	0.54	24.90	58.53	85.52	143.98	313.47
			Expenditure	-	-	-	-	-	-
7	66/11 KV 6.3 MVA and 60/11 KV 2 MVA Sub-station Kasauli and Kandaghat	220.000	Financial requirement	-	-	-	120.00	100.00	220.00
			Budget provision	-	4.20	-	-	-	4.20
			Expenditure	-	-	-	-	-	-
8	132 KV Trans. Line from Giri to Kala Amb and sub-station at Kala Amb.	310.665	Financial requirement	-	250.00	100.00	50.00	-	400.00
			Budget provision	-	-	-	-	1.72	1.72
			Expenditure	(-)2.92	-	(-)0.31	0.22	0.52	(-)2.49
9	66 KV line from Jutogh to Gumma	65.849	Financial requirement	50.00	30.00	5.00	-	-	85.00
			Budget provision	-	-	-	-	-	-
			Expenditure	-	-	-	-	-	-
10	66 KV line from Andhra to Kotkhai	130.000	Financial requirement	-	-	-	70.00	72.00	142.00
			Budget provision	-	-	-	-	-	-
			Expenditure	-	-	-	-	-	-

* *The expenditure in respect of schemes at Sr. No. 1,2,3,4 and 5 was Rs. 686.40 lakh, Rs. 307.95 lakh, Rs 1188.37 lakh and Rs. 959.84 lakh at the end of March 1999.*

** *Includes the financial requirement of 132 KV line from Jassur to Dalhousie with 132/33 KV sub-station at Dalhousie and 220/132 KV sub-station at Jassur.*

Annexure-19

Statement showing phasing of funds and budget allotment for Rural Electrification Schemes

(Referred to in paragraph No. 3A.11 (b) page 64)

Sr. No.	Year	No. of schemes sanctioned	Phasing of funds (Rs. in lakh)	No. of schemes to be taken	Budget allotment (Rs. in lakh)	No. of schemes actually executed	Expenditure (Rs. in lakh)
1	2	3	4	5	6	7	8
1.	1985-86	16	275.58	-	-	10	18.86
2.	1986-87	36	662.24	16	62.09	30	182.43
3.	1987-88	44	820.56	32	187.35	45	641.72
4.	1988-89	54	884.69	46	274.61	51	384.57
5.	1989-90	54	840.25	59	396.92	60	418.55
6.	1990-91	39	583.75	64	426.54	62	498.32
7.	1991-92	20	372.32	59	266.17	60	393.71
8.	1992-93	15	204.71	64	370.87	58	315.01
9.	1993-94	10	113.01	61	212.25	49	202.56
	Total		**4757.11**		**2196.80**		**3055.73**

Annexure-20

Statement showing the physical and financial achievements of system improvement schemes sanctioned during the VII Plan period

(Referred to in paragraph No. 3A.12.1 page 66)

Scheme Code No.	Particulars	Targets	Achievements	Percentage	Sanctioned amount	Expenditure
					(Rupees in lakh)	
060196, 060197, 060198, 060199	33 KV HT line (Km)	172.84	123.30	71.34	891.91	867.33
	33 KV sub-station (No.)	15	13	86.67		
	11 KV HT line (Km)	269.00	178.16	66.23		
	Aug. of HT line (Km)	591.49	21.64	3.66		
	Distribution sub-station (No.)	174	139	79.88		
060207	33 KV HT line (Km)	19.00	0.95	5	176.22	157.40 (civil works not executed)
	33 KV sub-station (No.)	1	-	-		
	11 KV line (Km)	18.25	17.25	94.52		
060208	33 KV HT line (Km)	19.00	13.15	69.21	136.24	127.15
	11 KV line (Km)	28.15	13.67	48.55		
	33 KV sub-station (No.)	2	2	100		
					1204.37	**1151.88 (95.64%)**
060213	33 KV HT line (Km)	52	Scheme withdrawn during 1992	-	179.85	36.26
	33 KV sub-station (No.)	2	-	-		
	Aug. of sub-station (No.)	3	2	66.66		
	11 KV line (Km)	54.09	-	-		

Scheme code	Schedule date of completion	Actual date of completion	Delay
060196	March 1992	March 1996	48 months
060197	March 1992	March 1994	24 months
060198	March 1992	In progress	-
060199	March 1992	July 1996	52 months
060207	March 1993	June 1996	39 months
060208	March 1993	March 1996	36 months

Annexure-21

Statement showing loss due to transmission and distribution losses in excess of CEA norm during the period 1994-95 to 1998-99

(Referred to in paragraph No. 3B.5.4 page 75)

Particulars	1994-95	1995-96	1996-97	1997-98	1998-99	Total
Power available for sale (MUs)	2824.884	3156.000	3267.000	3590.250	3708.930	16547.064
Power sold (MUs)	2333.579	2634.000	2735.000	2900.750	3037.570	13640.899
T&D loss (MUs)	491.305	522.000	532.000	689.500	671.360	2906.165
Percentage of T&D loss to total power available for sale (%)	17.39	16.54	16.28	19.20	18.10	17.56
T&D loss in excess over CEA norm of 15.5 *per cent* (MUs)	53.448	32.820	25.615	133.012	96.476	341.479
Average per unit revenue realised on sale of power (in paise)	109.42	114.95	135.15	154.62	164.44	-
Loss of revenue due to T&D loss in excess over CEA norm (Rs. in crore)	**5.85**	**3.77**	**3.46**	**20.57**	**15.86**	**49.51**

Total loss of revenue to T&D loss in excess over CEA norm = Rs. 49.51 crore

Annexure-22

Statement showing financial position of Himachal Pradesh Financial Corporation for the five years upto 1998-99

(Referred to in paragraph No. 3C.5 page 81)

	Particulars	1994-95	1995-96	1996-97	1997-98	1998-99
		(Rupees in lakh)				
A.	**Liabilities**					
1.	Paid-up capital	2552.16	2663.40	2751.01	2795.11	2817.11
2.	Reserves & Surplus	491.11	492.14	502.19	497.46	497.46
3.	Borrowings:					
	i) Bonds	6957.28	7657.28	7832.28	8002.28	8189.78
	ii) Others	3557.37	3010.43	2867.35	2828.75	3305.20
4.	Subvention paid by the State Government on account of Dividend	55.00	78.76	78.76	78.76	78.76
5.	Other Liabilities & Provisions	236.29	234.48	284.27	338.55	466.15
6.	Provisions for non-performing assets	1597.43	2961.16	4170.34	4371.57	4589.76
	Total (A)	**15446.64**	**17097.65**	**18486.20**	**18,912.48**	**19944.22**
B.						**Assets**
1.	Cash and Bank Balances	321.15	304.27	396.30	284.19	594.50
2.	Investments	8.43	6.55	6.55	6.55	6.55
3.	Loans and Advances	13189.11	13524.65	13605.35	13,892.73	14147.65
4.	Net Fixed Assets	9.70	10.35	19.42	18.58	34.07
5.	Dividend Deficit Account	55.00	78.76	78.76	78.76	78.76
6.	Others Assets	265.82	212.96	209.48	260.10	274.14
7.	Profit & Loss Account	1597.43	2960.11	4170.34	4371.57	4808.55
	Total (B)	**15446.64**	**17097.65**	**18486.20**	**18,912.48**	**19944.22**
C	**Capital employed***	**13543.43**	**13690.58**	**13888.04**	**14038.22**	**14466.58**
D	**Net worth****	**1445.84**	**195.43**	**(-)917.14**	**(-)1079.00**	**(-)1493.98**

* *Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, bonds, debentures, reserves, borrowings (including refinance) and deposits.*

** *Represents paid up capital plus reserves and surplus less intangible assets.*

Annexure-23

Statement showing the amount sanctioned, disbursed, recovered and in default

(Referred to in paragraph No. 3C.6 page 81)

Sr. No.	Particulars	1994-95	1995-96	1996-97	1997-98	1998-99
		(Rupees in Lakh)				
1.	Amount for which loan applications were considered	3071.11	4219.93	3741.28	3661.43	3455.94
2.	Gross sanctions	2120.47	2550.29	1759.86	2006.70	1933.78
3.	Amount disbursed	1471.37	1938.17	1643.48	1760.29	1573.28
4.	Amount due for recovery:					
	(a) At the beginning of the year	10621.43	12324.35	13208.12	13853.29	15718.27
	(b) Due during the year	5443.86	4579.18	4147.97	5027.46	5670.80
	(c) Total recoverable	16065.29	16903.53	17356.09	18880.75	21389.07
	(d) Amount rescheduled	630.62	623.87	518.99	261.55	368.99
	(e) Net amount recoverable	15434.67	16279.66	16837.10	18619.20	21020.08
5.	Amount actually recovered during the year:					
	(a) Against old dues	1185.27	1581.12	1259.42	720.53	626.46
	(b) Against current demand	1925.05	1490.42	1724.39	2180.40	2263.36
	(c) Total recovery	3110.32	3071.54	2983.81	2900.93	2889.82
6.	Arrears at the end of the year	12324.35	13208.12	13853.29	15718.27	18130.26
7.	Percentage of recovery:					
	(a) Against current demand	35.36	32.55	41.57	43.37	39.91
	(b) Against total demand	20.15	18.87	17.72	15.58	13.75

H.P.G.P. Shimla - 5438-AG/2000-23-3-2000-500.