REPORT

OF THE

COMPTROLLER

AND

AUDITOR GENERAL OF INDIA

For the year ended 31 March 2001

(COMMERCIAL)

GOVERNMENT OF HIMACHAL PRADESH

http://cagindia.org/states/himachalpradesh/2001

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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.

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. As per State Financial Corporations (Amendment) Act, 2000, CAG has the right to conduct the audit of accounts of Himachal Pradesh Financial Corporation in addition to the audit conducted by the Chartered Accountants appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. 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 2000-01 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 2000-01 have also been included, wherever necessary.

OVERVIEW

1 Overview of Government companies and statutory corporations

As on 31 March 2001, the State had 21 Public Sector Undertakings (PSUs) comprising of 18 Government companies (including two non-working companies) and three Statutory corporations against the same number of PSUs last year. In addition, there was one company under the purview of 619-B of the Companies Act, 1956 as on 31 March 2001.

The total investment in working PSUs increased from Rs. 3134.78 crore as on 31 March 2000 to Rs. 4324.37 crore as on 31 March 2001. The total investment in non-working PSUs remained Rs. 8.09 crore during this period.

The budgetary support in the form of capital, loans, subsidies and grants disbursed to the working PSUs increased from Rs. 76.70 crore in 1999-2000 to Rs. 85.66 crore in 2000-01. The State Government guaranteed loans aggregating Rs. 1528.23 crore obtained by seven Government companies and three Statutory corporations during 2000-01. The total amount of outstanding loans guaranteed by the State Government increased from Rs. 1623.62 crore as on 31 March 2000 to Rs. 3502.20 crore as on 31 March 2001.

Five working Government companies, two non-working Government companies and three working Statutory corporations have finalised their accounts for the year 2000-01. The accounts of remaining 11 working Government companies were in arrears for periods ranging from one year to five years as on 30 September 2001.

According to latest finalised accounts of 19 working PSUs (16 Government companies and three Statutory corporations), seven Government companies earned aggregate profit of Rs. 0.93 crore. 10 working PSUs (seven Government companies and three Statutory corporations) incurred aggregate loss of Rs. 87.20 crore as per the latest finalised accounts. Of the loss incurring working Government companies, two companies had accumulated losses aggregating Rs. 34.09 crore which exceeded their aggregate paid-up capital of Rs. 21.93 crore. Three Companies earned profit as per latest accounts but their accumulated losses aggregating Rs. 50.65 crore have exceeded their aggregate paid-up capital of Rs. 32.26 crore. All the three Statutory corporations incurred losses aggregating Rs. 77.17 crore and two loss incurring Statutory corporations had accumulated loss of Rs. 313.97 crore which exceeded their paid-up capital of Rs. 218.67 crore.

In Himachal Pradesh State Electricity Board, transmission and distribution loss was 20.48 *per cent* in 2000-01 against the norm of 15.5 *per cent* fixed by Central Electricity Authority. In Himachal Road Transport Corporation, the

Himachal Pradesh State Forest Corporation Limited:

- The Company did not recover excess loss of 538.465 M^3 timber and extended undue benefit of Rs. 0.85 crore to the contractor.

(Paragraph 4A.2.1)

Himachal Pradesh State Electricity Board:

- There was avoidable delay of 12 months in placing orders for electrical equipments which resulted in generation loss of 2.02 million units valued at Rs. 2.66 crore. Further, change in site for 66/22 KVA sub-station resulted in avoidable extra expenditure of Rs. 1.15 crore on civil works.

(Paragraphs 4B.1.1 and 4B.1.2)

- The Board did not recover Additional Consumption Deposit (ACD) of Rs. 2.27 crore from consumers resulting in loss of interest of Rs. 0.96 crore.

(Paragraph 4B.1.3)

- Non-levy of peak load charges amounting to Rs. 0.62 crore led to undue benefit to the consumer.

(Paragraph 4B.1.4)

CHAPTER 1

1 Overview of Government companies and Statutory corporations

1.1 Introduction

As on 31 March 2001, there were 18 Government companies (16 working companies and two non-working companies[#]) and three working Statutory corporations as against the same number of companies/corporations as on 31 March 2000. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by Government of India on the advice of Comptroller and Auditor General of India (CAG) as per provision of Section 619(2) of the 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 arrangements of the Statutory corporations are as shown 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

Non-working companies are those which are under the process of liquidation/closure/merger etc.

1.2 Working Public Sector Undertakings (PSUs)

1.2.1 Investment in working PSUs

As on 31 March 2001, the total investment in 19 working Public Sector Undertakings (16 Government companies and three Statutory corporations) was Rs. 4324.37 crore (equity: Rs. 648.86 crore, long term loans*: Rs. 3674.85 crore and share application money: Rs. 0.66 crore) as against 19 working PSUs (16 Government companies and three Statutory corporations) with a total investment of Rs. 3134.78 crore (equity: Rs. 609.58 crore, long term loans: Rs. 2523.04 crore and share application money: Rs. 2.16 crore) as on 31 March 2000. The analysis of investment in working PSUs is given in the following paragraphs.

1.2.1.1 Working Government companies

Total investment in 16 working companies as on 31 March 2001 was Rs. 2142.99 crore (equity: Rs. 154.85 crore and long-term loans: Rs. 1988.14 crore) as against total investment of Rs. 1142.68 crore (equity: Rs. 127.47 crore, long term loans: Rs. 1013.71 crore and share application money: Rs. 1.50 crore) as on 31 March 2000 in 16 working Government companies. The increase in investment was mainly due to investment in equity of two companies (Sr. No. 9 and 15 of Annexure-1) and raising of bonds by two companies.

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in Annexure-1.

Sector wise investment in working Government companies)

As on 31 March 2001, the total investment in working Government companies, comprised 7.23 *per cent* of equity capital and 92.77 *per cent* of loans as compared to 11.29 *per cent* and 88.71 *per cent,* respectively, as on 31 March 2000.

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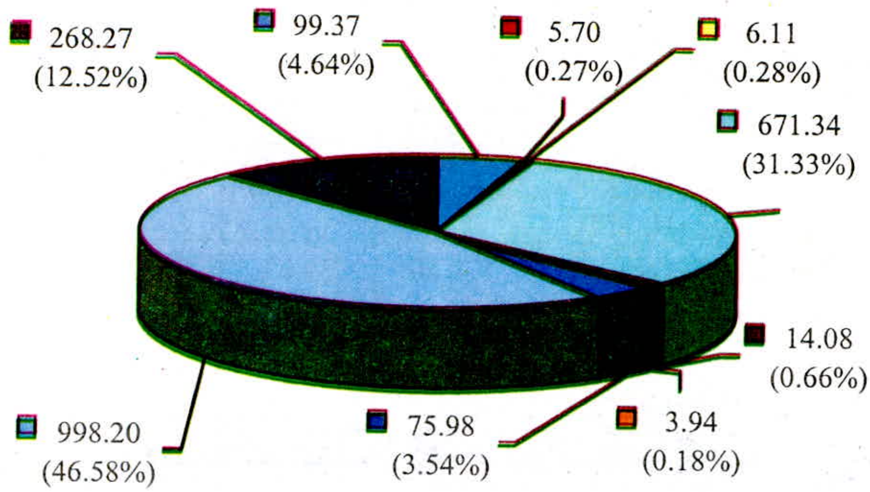
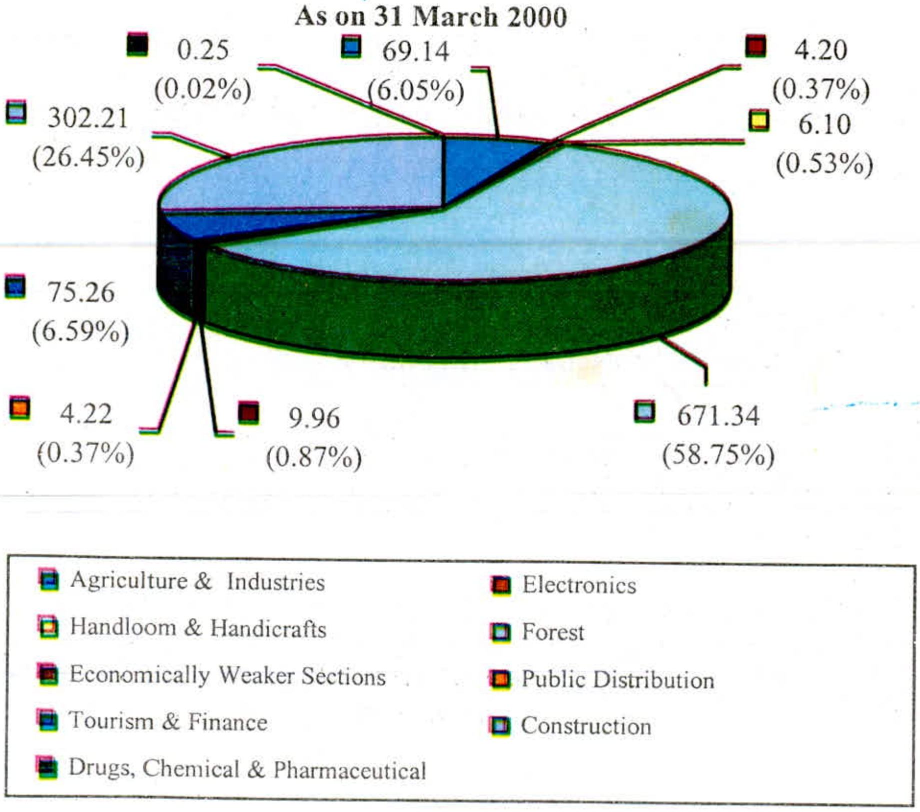
* *Long term loans mentioned in paragraphs 1.2.1 and 1.2.1.1 are excluding interest accrued and due on such loans.*

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2001 and 31 March 2000 are indicated below in the pie charts:

Sector-wise investment in working Government companies
(Rupees in crore)
As on 31 March 2001



As on 31 March 2000



Due to significant increase in long-term loans in the Himachal Pradesh Road and Other Infrastructure Development Corporation Limited (Rs. 770.00 crore) and Himachal Pradesh Health Systems Corporation Limited (Rs. 263.27 crore), the debt equity ratio of working Government companies as a whole increased from 7.86:1 in 1999-2000 to 12.84:1 in 2000-01.

1.2.1.2 Working Statutory corporations

The total investment in three working Statutory corporations at the end of March 2001 and March 2000 was as follows:

(Rupees in crore)

Name of corporation	1999-2000		2000-01	
	Capital	Loan	Capital	Loan
Himachal Pradesh State Electricity Board (HPSEB)	276.00	1355.89	276.00	1521.85
Himachal Road Transport Corporation (HRTC)	178.60	39.03	190.50	41.40
Himachal Pradesh Financial Corporation (HPFC)	28.17	114.41	28.17	123.46
Total	**482.77**	**1509.33**	**494.67**	**1686.71**

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is detailed in Annexure-1

As on 31 March 2001, the total investment in working Statutory corporations, comprised 22.68 *per cent* equity capital and 77.32 *per cent* loans as compared to 24.23 *per cent* and 75.77 *per cent,* respectively, as on 31 March 2000.

1.2.2 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

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

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to 14 working Government companies and three working Statutory corporations for the three years up to 2000-01 in the form of equity capital, loans, grants and subsidy is given below:

(Amount: Rupees in crore)

	1998-99				1999-2000				2000-01			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	6	0.83	3	51.49	6	5.81	2	14.19	6	26..09	1	11.90
Loans	-	-	1	48.95	1	0.09	1	2.21	3	6.51	-	-
Grants	1	0.34	-	-	2	2.89	-	-	3	0.66	-	-
Subsidy towards												
(i) Projects/ Progra-mmes/ Schemes	-	-	-	-	-	-	-	-	-	-	-	-
(ii) Other subsidy	5	6.21	1	42.33	3	24.51	1	27.00	7	13.37	2	27.13
Total Subsidy	5	6.21	1	42.33	3	24.51	1	27.00	7	13.37	2	27.13
Total outgo	9*	7.38	3*	142.77	11*	33.30	3*	43.40	14*	46.63	3*	39.03

During the year 2000-01 the Government had guaranteed the loans aggregating Rs. 1528.23 crore obtained by seven Government companies (Rs. 1176.67 crore) and three Statutory corporations (Rs. 351.56 crore). At the end of the year guarantees amounting to Rs. 3502.20 crore against 10 Government companies (Rs. 1917.81 crore) and three Statutory corporations (Rs. 1584.39 crore) were outstanding as against guarantees outstanding against 10 Government companies (Rs. 1058.56 crore) and three Statutory corporations (Rs. 565.06 crore) during the year 1999-2000. There was no case of default in repayment of guaranteed loans during the year. The Government had not forgone any amount by way of loans written off or interest waived or given moratorium on loan repayment during the year. The guarantee commission payable to Government by two Government companies and two Statutory corporations during 2000-01 was Rs. 0.10 crore and Rs. 3.87 crore, respectively.

* *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*

1.2.3 Finalisation of accounts by PSUs

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

However, as could be noticed from Annexure-2, out of 16 working Government companies, only five* companies and all the three Statutory corporations had finalised their accounts for the year 2000-01, within the stipulated period (30 September 2001). During the period from October 2000 to September 2001, 12 Government companies finalised accounts for previous years. The accounts of 11 Government companies were in arrears for periods ranging from one year to five years as on 30 September 2001 as detailed below:

Sr. No.	Year from which accounts are in arrears	Number of years for which accounts are in arrears	No of working Companies/Corporations		Reference to serial No. of Annexure-2	
			Government companies	Statutory corporations	Government companies	Statutory corporations
1	1996-97	5	1	-	8	-
2	1999-2000	2	3	-	10, 11 and 12	-
3	2000-01	1	7	-	1,2,3,6,7,14 and 16	-

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 measure had been taken by the Government and as a result, the investments made in these PSUs could not be assessed in audit.

* *Companies at Sr. No. 4, 5, 9, 13 and 15 of Annexure-2*

1.2.4 Financial position and working results of working PSUs

The summarised financial results of working PSUs (Government companies and Statutory corporations) as per latest finalised accounts are given in Annexure-2. Besides, statement showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts are finalised are given in Annexure-4 and 5 respectively.

According to latest finalised accounts of 16 working Government companies and three working Statutory corporations, seven companies and three corporations had incurred an aggregate loss of Rs. 10.03 crore and Rs. 77.17 crore, respectively, seven companies earned an aggregate profit of Rs. 0.93 crore. In respect of two companies, excess of expenditure over income is reimbursable by the State Government.

1.2.4.1 Working Government companies

1.2.4.1.1 Profit earning working companies and dividend

Out of five working Government companies (including two companies in respect of which excess of expenditure over income is reimbursed by the State Government) which finalised their accounts for 2000-01 by September 2001, three* companies earned an aggregate profit of Rs. 0.69 crore and only one company (Sr. No. 13 of Annexure-2) declared dividend aggregating Rs. 0.18 crore. The dividend as percentage of share capital (Rs. 11.08 crore) in above three profit making companies worked out to 1.62. The remaining two profit making companies did not declare any dividend. The total return by way of dividend of Rs. 0.18 crore worked out to 0.12 *per cent* in 2000-01 on total equity investment of Rs. 144.10 crore by the State Government in all Government companies as against 0.10 *per cent* in the previous year. The State Government has formulated (August 1982) a dividend policy for payment of minimum dividend of three *per cent*. However, these guidelines were complied by only one company.

Similarly, out of 11 working companies which finalised their accounts for previous years by September 2001, four companies earned an aggregate profit of Rs. 0.24 crore and only one company earned profit for two or more successive years.

1.2.4.1.2 Loss incurring working companies

Of the seven loss incurring working Government companies, two companies (Sr. No. 2 and 7 of Annexure-2) had accumulated losses aggregating Rs. 34.09

* *Sr. No 4, 5 and 13 of Annexure-2*

crore which exceeded their aggregate paid up capital of Rs. 21.93 crore. However, three companies (Sr. No. 3, 4 and 8 of Annexure-2) earned profit as per latest available accounts but their accumulated losses of Rs. 50.65 crore have exceeded their paid up capital of Rs. 32.26 crore.

Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity and subsidy, etc. According to available information the total financial support so provided by the State Government by way of equity and subsidy during 2000-01 to three companies (Sr. No. 2, 3 and 7 of Annexure-2), out of these five companies amounted to Rs. 12.13 crore.

1.2.4.2 Working Statutory corporations

1.2.4.2.1 Loss incurring Statutory corporations

All three working Statutory corporations incurred losses aggregating Rs. 77.17 crore for the year 2000-01. Himachal Road Transport Corporation and Himachal Pradesh Financial Corporation had accumulated losses aggregating Rs. 313.97 crore which exceeded their aggregate paid up capital of Rs. 218.67 crore. Despite their poor performance, State Government assisted Himachal Road Transport Corporation and Himachal Pradesh Financial Corporation through equity and subsidy of Rs. 39.03 crore during 2000-01.

1.2.4.2.2 Operational performance of working 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 18.11, 21.52 and 20.48 during 1998-99, 1999-2000 and 2000-01 respectively as against the norms of 15.5 *per cent* as fixed by Central Electricity Authority (CEA).

(ii) There was shortfall in generation compared to actual demand. The percentage of power purchased from outside agencies to its own generation which was 231.84 in 1999-2000 increased to 232.32 in 2000-01.

(b) Himachal Road Transport Corporation

The actual occupancy ratio was 67 *per cent*, 57 *per cent* and 59 *per cent* against the breakeven occupancy ratio of 73 *per cent*, 76 *per cent* and 69 *per cent* during the period 1998-99, 1999-2000 and 2000-01 respectively.

(c) Himachal Pradesh Financial Corporation

The percentage of overdue to total amount outstanding which was 82.87 *per cent* in 1999-2000 decreased to 81.65 *per cent* in 2000-01. The recovery was still very poor.

1.2.5 Return on Capital Employed

As per the latest finalised accounts (up to September 2001), the capital employed* worked out to Rs. 1407.43 crore in 16 working companies and total return+ thereon amounted to Rs. 6.63 crore which is 0.47 *per cent* as compared to total return of Rs. 13.14 crore (8.92 *per cent*) in the previous year (accounts finalised up to September 2000). Similarly, during 2000-2001, the capital employed in case of three working Statutory corporations as per the latest finalised accounts (up to September 2001) worked out to Rs. 2221.37 crore and total return thereon was Rs. 7.78 crore (0.35 *per cent*). The total return on capital employed was negative in 1999-2000. The details of capital employed and total return on capital employed in case of Government companies and Statutory corporations are given in Annexure-2.

1.3 Non-working PSUs

1.3.1 Investment in non-working PSUs

As on 31 March 2001, the total investment in two non-working Government companies was Rs. 8.09 crore (equity: Rs. 4.79 crore and long-term loans: Rs. 3.30 crore) indicating no change from that of position as on 31 March 2000.

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* *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.*

The classification of the non-working Government companies was as under:

Sr. No.	Status of non-working PSUs	Number of companies	Number of corporations	Investment			
				Companies		Corporation	
				Equity	Long term loans	Equity	Long term loans
(i)	Under liquidation	1[A]	-	0.92 (0.92)	2.76 (2.76)	-	-
(ii)	Under closure	1[B]	-	3.87 (3.87)	0.54 (0.54)		
(iii)	Under merger	-	-	-	-	-	-
(iv)	Others	-	-	-	-	-	-
	Total	2	-	4.79 (4.79)	3.30 (3.30)	-	-

(Figures in brackets are for previous years)

These two non-working Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for 9 to 12 years and substantial investment of Rs. 8.09 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or closure.

1.3.2 Total establishment expenditure on non-working PSUs

The year wise details of total establishment expenditure on non-working PSUs and the sources of financing them during last three years up to 2000-01 (September 2001) are given below:

Amount: Rupees in crore

Year	Number of PSUs	Total establishment expenditure	Financed by				
			Disposal of investment/ assets	Loans from private parties	Government by way of		Others
					Loans	Grants	
Government companies							
1998-99	2	0.02	-	-	-	-	0.02
1999-2000	2	0.02	-	-	-	-	0.02
2000-01	2	0.02	-	-	-	-	0.02

A *Sr. No. 20 of Annexure-1*

B *Sr. No. 21 of Annexure-1*

1.3.3 Finalisation of accounts by non-working PSUs

Both the non-working Government companies have finalised their accounts for the year 2000-01 within the stipulated period (September 2001).

1.3.4 Financial position and working results of non-working PSUs

The summarised financial results of non-working Government companies as per latest finalised accounts are given in Annexure-2.

The year wise details of paid-up capital, net worth, cash loss/cash profit and accumulated loss /profit of non-working PSUs as per their latest finalised accounts are given below:

Amount: Rupees in crore

Year	Paid-up capital	Net worth	Cash loss (-)/cash profit (+)	Accumulated loss (-)/ accumulated profit (+)
Non working companies				
1998-99	4.79	(-)8.05	(-)0.38	(-)13.27
1999-2000	4.79	(-)8.50	(-)0.41	(-)13.72
2000-01	4.79	(-)8.95	(-)0.47	(-)14.18

1.4 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 CAG of India in the Legislature by the Government:

Sr. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1	Himachal Pradesh State Electricity Board	1999-2000	2000-01	10.12.2001	The SAR is likely to be placed in ensuing session of the Legislature
2	Himachal Road Transport Corporation	1999-2000	2000-01	21.11.2001	-do-
3	Himachal Pradesh Financial Corporation	1999-2000	2000-01	21.11.2001	-do-

1.5 Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

During the year 2000-01 there was no case of disinvestment, privatisation and restructuring including cases of merger and closure relating to Government companies and Statutory corporations.

1.6 Results of audit by Comptroller and Auditor General of India

During the period from October 2000 to September 2001, the audit of accounts of 11 companies and three corporations was selected for review. The net impact of the important audit observations as a result of review of the PSUs was as follows:

Details		No. of accounts		Rupees in crore	
		Government companies	Statutory corporations	Government companies	Statutory corporations
		Working	Working	Working	Working
(i)	Decrease in profit	-	-	-	-
(ii)	Increase in profit	-	-	-	-
(iii)	Increase in losses	1 (Sr. No. 14 of Annexure-2)	3 (Sr. No. 17, 18 and 19 of Annexure-2)	0.02	66.08
(iv)	Decrease in losses	-	-	-	-
(v)	Non-disclosure of material facts	-	-	-	-
(vi)	Errors of classification	2 (Sr. No. 2 and 4 of Annexure-2)	-	2.40	-

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 in the succeeding paragraph.

1.6.1 Errors and omissions noticed in case of Government companies

(i) Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited

(Accounts for the year 1999-2000)

(a) The current liabilities and accumulated loss had been overstated by Rs. 1.50 crore due to non adjustment of grant-in-aid of Rs. 1.50 crore received from State Government during 1991-92 which was utilised by the company in the same year for the purpose it was received.

(b) The current liabilities and closing stock of fruit products had been understated due to non-inclusion of excise duty of Rs. 15.76 lakh payable on closing stock of fruit products.

(ii) Himachal Pradesh Tourism Development Corporation Limited

(Accounts for the year 1999-2000)

(a) Loss of Rs. 1.14 crore had been understated by Rs. 2.39 lakh due to non-inclusion of liability on account of electricity charges payable to Himachal Pradesh State Electricity Board (Rs. 0.97 lakh) and accountal of profit on sale of vehicle in the income for the year though the sale was not complete in 1999-2000 (Rs. 1.42 lakh).

(b) Fixed assets include Rs. 5.23 lakh being the value of furniture and fixtures, entertainment equipment, office equipment, utensils etc. which were unserviceable and were sold by auction for Rs. 0.08 lakh only. This fact had not been disclosed in the accounts.

(c) Assets created out of the grant-in-aid from the Central/State Government had not been depicted/accounted for as assets in the balance sheet. There was no evidence of depreciation having been provided on such assets. As the figures of these assets were not available so the element of depreciation, value of assets, etc. could not be quantified.

(iii) Himachal Pradesh Mahila Vikas Nigam

(Accounts for the year 1998-999)

Non-accountal of interest subsidy of Rs. 1.67 lakh payable to banks and recoverable from State Government had resulted in under statement of current liabilities (Interest subsidy) as well as current assets (Interest subsidy) to the extent of Rs. 1.67 lakh.

(iv) Himachal Pradesh State Small Industries and Export Corporation Limited

(Accounts for the year 2000-01)

(a) Due to non-meeting of the depreciation on fixed assets from the reserves created out of grants received for creation of fixed assets, as required vide Accounting Standard-12, Capital Reserve as well as Accumulated Loss has been overstated by Rs. 6.23 lakh.

(b) Non-accountal of stock-in-transit has resulted in understatement of 'Stock-in-Transit' and overstatement of 'Advance with suppliers' to the extent of Rs. 68.47 lakh.

1.6.2 Errors and omissions noticed in case of Statutory corporations

(i) Himachal Pradesh State Electricity Board

(Accounts for the year 2000-01)

Net deficit of Rs. 36.88 crore did not include the following:

• Provision for purchase of power and free share of power of Himachal Pradesh Government and surcharge payable to NHPC	Rs. 62.69 crore
• Cost of power sold to M/s ACC, Barmana during March 2000	Rs. 3.05 crore
• Employees cost not charged to revenue account	Rs. 2.00 crore
• Loss due to flood	Rs. 2.71 crore
• Provision for dishonoured cheques	Rs. 0.71 crore
• Other liabilities/provisions	Rs. 0.91 crore

Besides, net deficit was overstated by Rs. 7.08 crore due to

• Non-provision of interest recoverable from contractors	Rs. 4.25 crore
• Charging of depreciation on assets created out of reserve, to revenue account	Rs. 2.62 crore
• Others	Rs. 0.21 crore

(ii) Himachal Road Transport Corporation

(Accounts for the year 2000-01)

Loss of Rs. 34.76 crore did not include the following:

• Provision of interest payable on delayed payment of GPF contribution	Rs. 44.32 lakh
• Provision of 'No Fault Liability' in accidental cases	Rs. 19.50 lakh
• Provision of rent of building payable to Director Transport, Himachal Pradesh	Rs. 14.35 lakh
• Others liabilities/provisions	Rs. 10.03 lakh

(iii) Himachal Pradesh Financial Corporation

(Accounts for the year 2000-01)

The net loss (Rs. 5.52 crore) for the year had been understated by Rs. 21.37 lakh due to inclusion of interest not actually realised, in the income of the Corporation.

1.6.2.1 Audit assessment of the working results of State Electricity Board

Based on the audit assessment of the working results of the Board for three years up to 2000-01 and taking into consideration the major irregularities and omissions pointed out in the Separate Audit Reports (SARs) on the annual accounts of the Board and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed of the Board is as given below:

(Rupees in crore)

Sr. No.	Particulars	1998-99	1999-2000	2000-01
1	Net surplus/(-) deficit as per books of accounts	(-)6.27	(-)106.22	(-)36.88
2	Subsidy from the State Government	Nil	Nil	Nil
3	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-)6.27	(-)106.22	(-)36.88
4	Net increase/decrease in net surplus/ (-) deficit on account of audit comments on the annual accounts of the Board	(-)548.46	(-)439.73	(-)64.99
5	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)554.73	(-)545.95	(-)101.87
6	Total return on capital employed*	(-)511.65	(-)494.85	(-)38.47
7	Percentage of total return on capital employed	-	-	-

1.6.3 Persistent irregularities and system deficiencies in financial matters of PSUs

The following persistent irregularities and system deficiencies in the Himachal Pradesh State Electricity Board had been repeatedly pointed out during the

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

course of audit of its accounts but no corrective action had been taken so far:

(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 prepared.

(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. 2.46 crore were not carried out for long. As a result, some items, as old as of 1989-90 are still outstanding on this account.

1.7 Recommendations for closure of PSUs

One working Government company viz. Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (HPMC) had been incurring losses for five consecutive years (as per latest finalised accounts) leading to negative net worth. One Government company viz. Agro Industrial Packaging India Limited (AIPL) had incurred losses for last four years out of five years and had a negative net worth. In view of continuous losses, the Government may either improve performance of these two Government companies or consider their closure.

1.8 Response to Inspection Reports, Draft paras and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the head of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued upto March 2001 pertaining to 21 PSUs disclosed that 3138 paragraphs relating to 955 Inspection Reports remained outstanding at the end of September 2001. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2001 is given in Annexure-7.

Similarly, draft paragraphs and reviews are forwarded to the Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was however, observed that nine draft paragraphs and one draft review forwarded to the various departments during January 2001 to May 2001 as detailed in Annexure-8 had not been replied to so far.

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who failed to send replies to Inspection Reports/draft paragraphs/reviews as per the prescribed time schedule (b) action to recover loss/outstanding advances/overpayments in a time bound schedule and (c) revamping the system of responding to the audit observations.

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

The position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings as on 31 August 2000 was as under:

Period of Audit Report	Number of Reviews and Paragraphs			
	Appeared in the Audit Report		Pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1995-96	4	16	1	2
1996-97	5	13	2	10
1997-98	4	18	4	14
1998-99	5	18	4	14
1999-2000	3	17	3	17
Total	21	82	14	57

During the year 2000-01, the COPU met 15 times and discussed 4 reviews and 17 paragraphs.

1.10 619-B Companies

There was one company coming under Section 619-B of the Companies Act, 1956. Annexure-9 indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of the company based on its latest available accounts.

The Company was incorporated in January 1987 for manufacturing professional electronics equipment. The Company had not commenced commercial production till August 2001 and it is presently engaged in trading activities.

CHAPTER 2

2 Review on the working of Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited

Highlights

The Company was incorporated (June 1974) mainly to create infrastructure facilities to handle apple production in the State and was the procurement agency under the Market Intervention Scheme of the State Government. However, it could handle only 1.78 to 11.46 *per cent* of the total apple production in the State during 1996-97 to 2000-01.

(Paragraph 2.1 and 2.8)

An amount of Rs. 2.25 crore received as grant in aid from the Ministry of Food Processing Industries, Government of India for creation of capital assets was diverted for other purposes.

(Paragraphs 2.7(i) and (ii))

Fruit processing plant at Parwanoo and Jarol incurred losses amounting to Rs. 3.92 crore (1996-97 to 1999-2000) and Rs. 0.52 crore (1997-98 to 1999-2000) respectively mainly on account of under-utilisation of capacities.

(Paragraph 2.9.3)

The Company purchased pomace dryer at an extra cost of Rs. 0.49 crore and paid custom duty amounting to Rs. 0.16 crore without any documentary evidence

(Paragraph 2.9.3.6. (a))

Utilisation of cold store, Parwanoo ranged between 0.91 and 2.06 *per cent* and contributed towards losses amounting to Rs. 1.13 crore during 1997-98 to 1999-2000.

(Paragraph 2.9.4.1)

Failure of the Company to find marketing outlet for apple juice concentrate in domestic market compelled the Company to export product at a loss of Rs. 1.63 crore.

(Paragraph 2.10.5)

Out of the total 538 employees, 58 employees of different categories with annual salary incidence of Rs. 0.34 crore were surplus to the requirements of the Company.

(Paragraph 2.11 (i))

The Company has not laid down any credit policy and outstanding debtors which stood at Rs. 2.52 crore as on 31 March 1996 have increased to Rs. 3.26 crore as on 31 March 2000.

(Paragraph 2.13)

2.1 Introduction

The Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited was incorporated in June 1974 as a subsidiary of the Himachal Pradesh Agro Industries Corporation Limited mainly to create infrastructure facilities to handle apple production in the State. It became an independent Government Company on 25 March 1996.

2.2 Objects

The main objects of the Company are:

(i) to organise, initiate, promote, assist, develop and execute activities relating to the marketing and processing of apples in particular and other fruits and vegetables in general;

(ii) to undertake the procurement and supply of packing material to fruit growers;

(iii) to undertake the business of forwarding and transit warehousing; and

(iv) to set up, acquire, establish, purchase, sell and/or manage large scale commercial orchards on modern lines for feeding the canning and preservation units and for other such purposes.

In order to carry out the above activities, the Company runs four grading houses, six packing and grading houses, five cold stores in apple producing areas, four cold stores in terminal markets, two fruit processing plants and seven Regional Offices. In addition, the Company also took (July 1996) on lease a fruit processing plant at Jabli for 15 years from Himachal Fruit Growers Co-operative Marketing and Processing Society Limited (HIMPROCESS), Shimla. A five year restructuring plan to improve the working of the company has been discussed in paragraph 2.6.3 *infra*.

2.3 Organisational set up

The Management of the Company vests in a Board of Directors consisting of 13 members including Chairman, Vice-Chairman and the Managing Director.

The Managing Director, who is the Chief Executive, is assisted in his day-to-day business by the General Manager. The Company continued to function without a qualified Company Secretary from February 1990 in violation of the provisions of the Companies Act, 1956.

It was noticed during audit that there were frequent changes in the incumbency of the Managing Director. During the period under review 6 Managing Directors were appointed and 3 of them had tenure of less than a year.

2.4 Scope of Audit

A review on the working of the Company was last included in the Report of the Comptroller and Auditor General of India for the year 1995-96 (Commercial). The review was discussed by the Committee on Public Undertakings (COPU) in its meeting held in September 2001. The recommendations of the COPU were awaited (September 2001). During present review (December 2000 to March 2001), scrutiny of records of two fruit processing plants, three cold stores, four Regional Offices and the Head Office of the Company covering five years period ending 31 March 2001 was conducted. The points noticed are brought out in the succeeding paragraphs.

2.5 Funding

2.5.1 Capital structure

The authorised share capital of the Company was Rs. 20 crore divided into 20,00,000 equity shares of Rs. 100 each. The paid-up capital as on 31 March 2001 was Rs. 17.81 crore contributed by Government of Himachal Pradesh (Rs. 10.24 crore), Government of India (Rs. 1.50 crore), and Himachal Pradesh Agro Industries Corporation Limited (Rs. 6.07 crore).

2.5.2 Borrowings

The outstanding liability of loan and interest as on 31 March 2000 amounted to Rs. 12.13 crore and Rs. 10.66 crore respectively and principal of Rs. 5.78 crore was overdue to the State Government. It was observed that neither repayment of principal was made after February 1988 nor any provision made for the overdue interest of Rs. 8.04 crore.

In reply (August 2001) the Management stated that State Government had been requested to convert the loan of Rs. 4.38 crore paid upto the year 1990-91 into equity and Rs. 6.05 crore into interest free soft loan.

In addition, loan of Rs. 99.77 lakh and interest amounting to Rs. 31.15 lakh was also due to National Horticulture Board (NHB) as on 31 March 2000 and no provision has been made for interest of Rs. 10.99 lakh for the year 1999-2000.

The Management stated (August 2001) that the State Government had requested the Central Government to convert the loan due to NHB into grant-in-aid.

2.5.3 Cash Credit

The Company had been availing of cash credit against limit of Rs. one crore at the rate of 16 *per cent per annum* from the Himachal Pradesh State Co-operative Bank Limited secured against hypothecation of processed products lying in various godowns and State Government guarantee. An amount of Rs. 88.73 lakh was outstanding as on 31 March 2000 against cash credit.

2.6 Financial Position and working results

2.6.1 Financial Position

The financial position of the Company for the last five years ended 31 March 2000 is given in Annexure-10.

Accumulated loss of Rs. 28.24 crore eroded the paid up capital of the Company

It would be seen from Annexure that the accumulated loss of the Company amounting to Rs. 28.24 crore as on 31 March 2000 had eroded the paid-up capital of Rs. 17.81 crore by 158.56 *per cent.* The accumulated loss would further increase by Rs. 10.98 crore on account of non-provision of interest (Rs. 8.51 crore including interest of Rs. 36 lakh payable to State Bank of India, Madras), over-valuation of stock (Rs. 1.23 crore), short provision of doubtful debts (Rs. 72.45 lakh) and on account of other liabilities (Rs. 51.49 lakh). As on 31 March 2000 the net worth had completely eroded and stood at negative.

2.6.2 Working results

The working results of the Company for the five years up to 1999-2000 are given in Annexure-11.

It would be seen from Annexure that the company has been incurring losses during the last five years and the amount of loss increased from Rs. 1.99 crore during 1995-96 to Rs. 5.63 crore during 1999-2000.

As analysed in Audit the losses were mainly attributable to:

- frequent changes in management;
- Under-utilisation of the capacity of fruit processing plants, packing and grading houses and cold stores;
- high procurement cost of raw material;
- export of concentrate below production cost;
- surplus man power, and
- inadequate marketing efforts.

The reply (August 2001) of the Management that it had been able to restrict the losses within bounds is not tenable in view of the fact that the loss during 1999-2000 increased by Rs. 5.11 crore as compared to the loss for the year 1998-99.

2.6.3 Restructuring plan

In order to improve its working and to eliminate accumulated losses, the Company submitted (February 2000) a proposal for its restructuring to the State Government.

The measures for improvement included;

- utilisation of vacant plots of land at Kundli, Kiratpur, Calcutta, Banglore and Hyderbad;
- reduction of surplus manpower;
- dis-investment in Jarol plant;
- strengthening of market strategy;
- improve capacity utilisation of plants;
- to produce Apple Juice Concentrate to meet only domestic requirements;
- need to produce cider/wine and sale throughout the country;
- to tap institutional buyers for supply of fresh fruit and vegetables.

Based on adoption of these measures the Company projected cash profit of Rs. 1.38 crore in 2004-05.

The State Government after considering (May 2000) the restructuring plan intimated the Company to get each of its cold store, processing units and its brand products valued by appointing consultants to obtain best value and to dispose off the assets in fixed time schedule within the current financial year.

The Board of Directors discussed the matter for disinvestment and authorised (August 2000) the Managing Director to proceed ahead in the matter. The Company has not started disposal of these properties so far (March 2001).

In its reply (August 2001) the Management stated that process for auctioning of its non-productive assets viz: Kiratpur Complex and shop in Padam Dev Commercial Complex, Shimla had been initiated but these could not be auctioned due to non-participation of parties in bids and receipt of bids on lower side respectively. This reply is not tenable as the aforesaid two complexes were not part of the disinvestment plan that was approved by BOD in August 2000.

2.7 Grants-in-aid

Grants-in-aid of Rs. 2.25 crore for creation of capital assets was diverted for other purposes

The Company received grants amounting to Rs. 3 crore from the Ministry of Food Processing Industries, Government of India for creation of capital assets during the years 1995-96 to 1999-2000. However, an amount of Rs. 2.25 crore was diverted for other purposes as discussed below:

2.7.1 Diversion of grants

2A.7.1 (i) Construction of cold stores

To provide storage facilities for fruits and vegetables in southern States, the Company decided (August 1994) to construct a cold storage of 2000 MT capacity at Banglore. The project at a cost of Rs. 3 crore was proposed to be financed by grants from Ministry of Food Processing Industries, Government of India (Rs. 2 crore) and from Company's own resources (Rs. 1 crore).

The Ministry of Food Processing Industries released grant-in-aid of Rs. 1 crore (January 1996) to construct a cold store at Banglore. The Company incurred expenditure of Rs. 1.19 lakh as development charges including Rs. 0.30 lakh as lease rent. However, the Company could not undertake construction as the land allotted (September 1994) by Agricultural Market Committee, Banglore on lease for a period of 30 years was cancelled (January 1996) as the Committee decided to develop the area into Banana market. An alternate piece of land was given (on the same terms and conditions) to the Company, the possession of which could not be taken because part of land was in possession of some other person, who had obtained stay order from the Court. However, the Company did not ask the concerned authorities for a plot at an alternate place.

Similarly, for construction of cold store at Hyderabad an amount of Rs. 25 lakh was received (March 1997) as grant-in-aid from the Ministry of Food Processing Industries. For this project possession of a plot measuring one acre allotted by the Agricultural Marketing Committee, Hyderabad had already been taken over (April 1996) without demarcation. The fencing work by the Company was objected to by the neighbourer and the matter was under dispute in the Court (December 2000). The Board of Directors in their meeting held in September 1998 decided that the company should take up the matter with the concerned authorities for an alternate plot but no action has been initiated so far for allotment of alternate plot.

The grant of Rs. 1.25 crore received (January 1996 –Rs. 1 crore and March 1997- Rs. 25 lakh) from the Government of India, Ministry of Food Processing Industries was diverted to other requirements of the Company.

The Management stated (August 2001) that the grants received were not sufficient for construction of cold storage and funding the construction from its own resources was not possible due to paucity of funds.

2.7.1 (ii) Installation of ultra filtration system

Expansion and innovation of Fruit Processing Plants in a phased manner was proposed (March 1996) by the Company at a cost of Rs. 2.50 crore for setting up of ultra filtration system (Rs. 1.50 crore), system for pomace handling and drying etc. (Rs. 50 lakh) steam boiler (Rs. 25 lakh) and utility and civil works (Rs. 25 lakh). The project cost was proposed to be financed by the Government of India (Rs. 1 crore) State Government (Rs. 50 lakh), institutional funding (Rs. 50 lakh) and from Company's own resources (Rs. 50 lakh).

The Ministry of Food Processing Industries, released Rs. 1 crore (March-June 1997) and the State Government released its share of Rs. 50 lakh grant in aid for the project but the setting up of ultra-filtration system was not undertaken by the Company and the grant-in-aid (Rs. 1 crore) received from the Ministry of Food Processing Industries meant for the project was diverted to other requirements.

Due to diversion of the funds to the tune of Rs. 2.25 crore, the Ministry of Food Processing Industries, stopped further financing of projects and directed (August 2000) the Company either to implement the project or to refund the grant in aid. The Company has neither refunded the funds nor completed the projects.

2.8 Procurement of apple

The Company was incorporated mainly to handle the marketing and processing of apples. The following table would reveal the apple production in the State and quantity procured by the Company during the last five years ending March 2001.

Year	Total production of apple in the State	Quantity procured by the Company	Percentage of procurement to total production
	In Metric Tonnes		
1996-97	288533	9245	3.20
1997-98	239253	9972	4.17
1998-99	393653	45103	11.46
1999-2000	49129	874	1.78
2000-01	372057	30712	8.25

The Company was the procurement agency under the Market Intervention Scheme (MIS) of the State Government. However, from the table above it would be seen that of the total apple production in the State the procurement by the company was less than five per cent of total production in the years 1996-97, 1997-98 and 1999-2000 and maximum procurement was only 11.46 *per cent* during 1998-99, thereby defeating the objective for which it was incorporated. Procurement and handling of only a small percentage of total production by the Company resulted in under utilisation of vast infrastructure facilities. Deficiencies noticed in the implementation of MIS were as under:

2.8 1 Reimbursement of losses under Market Intervention Scheme

As per the scheme for the apple season 1999 the procurement rate/support price of cull* apples was Rs. 3.75 per kg which was paid to the orchardists and was reimbursed by the Government to the Company. In addition, the Government also reimburses handling charges @ Rs. 1.30 per kg for the procured quantity. The Government is paid Rs. 2.25 per kg for cull apples procured and used in plants and in respect of quantity sold in markets, the net sale proceeds were credited to Government. However, on request of the Company the State Government revised the assistance pattern under the scheme for apple season 2000. As per revised pattern, the Company was provided Rs. 1 crore as handling charges for procuring quantities up to 12000 MT and Re. 0.70 per kg for the quantity in excess thereof. Besides, the sale

* *Cull apples are those which cannot be served as a table fruit*

proceeds of cull apples in open market was also to be retained by the Company. Thus, the apples used for processing come free of cost to the Company.

During apple season 2000, the Company procured 30,712 MT cull apple for Rs. 11.52 crore. In addition handling charges of Rs. 2.31 crore were recoverable under the scheme for which a claim has been lodged (February 2001) with the State Government. Against this claim, Rs. 4 crore had been advanced (August 2000) by the Government under MIS and the balance of Rs. 9.83 crore was yet to be received by the Company (March 2001).

2.9 Working of grading/packing houses, cold storages and plants

2.9.1 Grading and packing houses

The Company was running four (Rajgarh, Chindi, Tutupani and Reckong Peo) grading houses each with a capacity of 82000 boxes per annum. In addition, the Company was also running six (Patlikuhl, Bhunter, Oddi, Rohru, Jarol Tikkar and Gumma) packing and grading houses each with a capacity of 2.75 lakh boxes. The utilisation of packing and grading houses during the last five years ending 31 March 2001 was as under:

Capacity utilisation of grading and packing houses ranged from 0.40 *per cent* to 19.39 *per cent* only

Year	Total capacity per annum	Capacity during apple season (3 months)	Packing and grading of apples	Percentage of utilisation to	
				Total capacity	Apple season capacity
	(Boxes in lakh)				
1996-97	19.78	4.95	0.96	4.85	19.39
1997-98	19.78	4.95	0.27	1.37	5.45
1998-99	19.78	4.95	0.68	3.44	13.74
1999-2000	19.78	4.95	0.02	0.10	0.40
2000-01	19.78	4.95	0.39	1.97	7.88

From above, it would be seen that the actual utilisation was very low even during the apple season. It was noticed that four (Rajgarh, Chindi, Tutupani and Reckong Peo) grading houses and two (Bhunter and Patlikuhl) packing and grading houses could not be used due to non-availability of packing and grading business from orchardists since 1997-98. In reply, the Management stated (August 2001) that the low utilisation was due to the fact that the apple catchment areas are far from the packing and grading houses and the growers do not bring their produce to centres due to heavy transportation cost.

Efforts made by the Company to auction (June 2000) these packing and grading houses on seasonal basis did not yield any result as the highest bids received in most of the cases was less than the reserve price. The Company decided not to auction these packing houses and to do the job itself.

2.9.2 Cold stores in apple growing areas

The Company has five (Patlikuhl, Oddi, Jarol Tikker, Rohru and Gumma) cold stores in apple producing areas, with a capacity of storing 0.55 lakh boxes of 20 Kgs. each. The capacity utilisation in respect of these cold stores was as under:

	1996-97	1997-98	1998-99	1999-2000	2000-01
	(Boxes in lakh)				
Total capacity	2.75	2.75	2.75	2.75	2.75
Boxes stored	0.19	0.40	0.36	0.11	0.21
Utilisation percentage	6.91	14.55	13.09	4.00	7.64

Improper planning resulted in hiring of cold stores though its own cold stores remained under-utilised

From above, it would be seen that utilisation percentage of cold stores ranged between 4 and 14.55 *per cent* during 1996-97 to 2000-01. It was noticed in audit that during the year 1996-97 the Company failed to plan the utilisation of cold stores even for storing cull apple procured in these areas and it dispatched the same to processing plants resulting in glut at plants. As a result, the Company had to hire cold stores at Chandigarh for storing excess fruit received at Parwanoo plant which resulted in payment of avoidable storage charges and freight between Parwanoo and Chandigarh amounting to Rs. 2.07 lakh during 1996-97.

In reply (August 2001), the Management has accepted the fact and stated that due to heavy flow of fruit and to avoid complete losses the Company had to resort to private storage beyond the storage capacity at Parwanoo Plant. The reply is not tenable as private storage could have been avoided by resorting to utilisation of cold storages in apple producing areas itself so that there was no glut at Parwanoo.

2.9.3 Fruit processing plant

2.9.3.1 The Company established (September 1981) a Fruit Processing Plant at Parwanoo under the Apple Processing and Marketing Project at a cost of Rs. 4.10 crore. The Company took (April 1975) on lease another fruit processing plant at Jarol (Sundernagar) from the State Government at a nominal annual rent of rupee one. The Company without conducting any feasibility study also took (July 1996) on lease another Fruit Processing Plant at Jabli along with services of 15 employees with annual salary incidence of Rs. 13.61 lakh for 15 years from Himachal Fruit Growers Co-operative

Marketing and Processing Society Limited, Shimla at a lease rent of Rs. 5 lakh *per annum*. The working of these plants during the last four years ending 31 March 2000 is given in Annexure-12.

From the Annexure, it would be seen that the capacity utilisation of the Company's own Plant was very low even then it took other plant on lease.

Taking over of Jabli Plant on lease added to the losses of Parwanoo and Jarol Plants as the accumulated losses mounted to Rs. 3.92 crore and Rs. 0.52 crore as on 31 March 2000

Parwanoo and Jarol plants incurred losses amounting to Rs. 3.92 crore (1996-97 to 1999-2000) and Rs. 52.25 lakh (1998-99 and 1999-2000) respectively whereas Jabli plant earned profit of Rs. 38.29 lakh during 1996-97 to 1999-2000 (except 1997-98 when it sustained loss of Rs. 11.40 lakh). The plant was taken over by the Company as per the unanimous resolution of the sub-committee consisting of Commissioner-cum-Secretary (Horticulture), Managing Director (HPMC), Managing Director (HIMFED), Registrar Co-operative Societies and Director Institutional Finance. However, there was no mention in the resolution as to why the plant was given to HPMC on lease which was earlier run by NAFED on lease. The subsequent events show that the Company was compelled to run the plant.

It would thus be seen that taking over of Jabli Plant has adversely affected the financial results of Parwanoo and Jarol Plants where losses have been increasing year after year on account of shifting of activities relating to processing of citrus fruits and natural juices to Jabli plant, thereby leading to under utilisation of capacity and losses due to higher overheads.

The reply (August 2001) of the Management that taking over of Jabli plant has not adversely affected the financial results of Parwanoo and Jarol Plants is not tenable because losses of these plants have been increasing year after year on account of shifting of activities from other plants to Jabli.

2.9.3.2 Low recovery of Apple Juice Concentrate (AJC)

As per incentive/disincentive scheme introduced (May 2000) for the employees of the Company an incentive of 5 *per cent* was to be given to the plant staff if the recovery was higher than 1 kg of AJC out of 10 kg of apple. Similarly, if recovery is less than 1 kg of AJC from 10.5 Kg of apple then an amount equal to 5 *per cent* of less recovery was to be recovered from the staff.

During course of audit it was noticed that during apple season of the year 2000 under recovery of AJC against laid down norms worked out to 21.619 MT valued at Rs. 10.81 lakh in respect of Jarol plant. Neither recovery was made from employees for less recovery nor reasons for under recovery were investigated. Reasons for under recovery against norms were not on record.

In reply (August 2001), the Management stated that they have now laid down separate norms for Jarol Plant on account of technical reasons. However, the reply of the Management is not tenable as the scheme initially approved by the Board of Directors did not have separate norms for both the plants.

2.9.3.3 Procurement of apples at higher rates than the market rates

Non taking up of the matter with the State Government to restrict the price for its procurement resulted in extra payment of Rs. 2.00 crore

The State Government appointed the Company as procuring agency for apple under the Market Intervention Scheme. During the years 1997-98 to 1999-2000, the average sale rate of apple in the market was Rs. 2.06, Re. 0.58 and Rs. 1.36 per kg respectively but the Government charged Rs. 2.25 per kg from the Company for apple consumed in processing plants. The Company processed 20306.33 MT apple and paid Rs. 200.40 lakh (Rs. 17.06 lakh: 1997-98, Rs. 176.76 lakh: 1998-99 and Rs. 6.58 lakh: 1999-2000) more than the amount realised in terminal markets. Payment of higher rate for apple resulted in high cost of production and consequential loss. This also resulted in huge accumulation of stocks of apple juice concentrate due to low demand. The Company did not take up the matter with the State Government to restrict the price for its procurement to market price.

2.9.3.4 Injudicious purchase of juice extraction machine

Purchase of machine without considering suitability resulted in infructuous expenditure of Rs. 0.11 crore

Under the Market Intervention Scheme, citrus fruits with less than 40 mm dimension are also required to be procured. However, the Company imported (August 1996) 'Citrostar' a machine costing Rs. 11.03 lakh, which can handle non-graded fruits of dimensions varying between 40 and 100 mm only with juice recovery from 35 to 45 *per cent*. For fruits with less than 40 mm dimension the recovery was comparatively very less. Audit analysis (February 2001) revealed that percentage of juice recovery from 'Citrostar' during 1996-97 to 1998-99 ranged between 28.03 and 31.45 *per cent*, which was less than minimum juice recovery of 35 *per cent* as per specification of the machine. Juice concentrate worth Rs. 3.39 lakh (5.536 MTs) was obtained less. The Company has not been able to operate the machine during 1999-2000 and 2000-01 due to its un-suitability for fruits procured under MIS rendering the investment of Rs. 11.03 lakh largely unfruitful.

In reply (August 2001), the Management has accepted that the machine was not suitable for citrus fruits procured under MIS.

2.9.3.5 Purchase of plastic barrels

The Company invited (May 1998) tenders for purchase of plastic barrels of 210 litre capacity preferably with wide mouth opening for use in plants. The tender committee recommended the offer of M/s Time Packaging Limited, Chandigarh (who was second lowest) for consideration and negotiation. Accordingly, after negotiation the rate of Rs. 1029.43 per barrel of second lowest firm was approved (July 1998) against the lowest rate of Rs. 815.10 per barrel. The Company purchased 1910 barrels @ Rs. 1029.43 each by incurring extra avoidable expenditure of Rs. 4.09 lakh against the lowest tenderer. Reply (August 2001) of the management that the offer of the lowest party was incomplete in regard to specification was not substantiated by the proceedings of the Tender Committee.

2.9.3.6 Undue favour to supplier

(i) In response to tenders (June 1996) for supply of apple pomace* drying equipment three offers were received. The tender evaluation committee rejected the lowest offer of Rs. 21.44 lakh of M/s Mather and Platt, New Delhi on the grounds that the equipment did not seem to have been tested and the party did not furnish any reference list. Similarly, the offer of second lowest firm M/s Praj Industries, Pune for Rs. 40 lakh was also rejected on the ground that though the technology offered was imported but the equipment was to be indigenously manufactured and no attempt had been made by the firm earlier for pomace drying, hence, fabrication of equipment with imported technology could not be relied upon. The purchase committee recommended (June 1996) the purchase from M/s Penwalt Bertuzzi, who offered the dryer originally manufactured by M/s SIE of Italy at a cost of Rs. 70.47 lakh excluding taxes etc. The basis for selecting the party was that the party was manufacturing dryers for various applications and had supplied pomace drying units to one firm in Tanjania and the General Manager of the Company during his visit to the premises of the party at Italy was informed that the plant could also be used for drying other products and also that the supplier had a lot of data of experiments for drying of various other products. Considering the above the Purchase Committee (headed by the General Manager of the Company) came to the conclusion that though the cost was high but it would be more reliable, efficient and durable as it has a proven technology and purchase of dryer from the party was recommended. Pomace dryer unit was installed (September 1997) at a cost of Rs. 75.25 lakh by incurring an extra expenditure of Rs. 49.03 lakh (Rs. 70.47 lakh – Rs. 21.44 lakh) without giving any opportunity of negotiation to the lowest rate offering firm. The purchase was made without ascertaining the financial viability based upon cost benefit analysis.

Purchase of pomace dryer at an extra expenditure of Rs. 0.49 crore

The Management/Government stated (August 2001) that the lowest quoting firm had not given references for checking up the performance. Though the extra expenditure of Rs. 49.03 lakh was involved, the Company did not make any efforts to obtain details and verify performance of past supplies of this firm.

(ii) As per purchase order (September 1996), the supplier was to commission and hand over the system by 15 January 1997 and for delay compensation was leviable at half *per cent* per week subject to a maximum of 5 *per cent*. The supplier failed to deliver and commission the system within the stipulated period. The system was actually commissioned in November 1998 but the Company did not levy compensation of Rs. 3.76 lakh for the delay.

In addition, the Company on the request (August 1996) of the supplier, authorised (August 1996) the supplier to pursue the matter with the Ministry

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* *Apple pomace is residue obtained after extracting juice from apple*

of Environment and Forest, New Delhi for waiving off custom duty or substantial reduction in it for the equipment. However, the Company did not incorporate clause in the supply order for payment of custom duty based on documentary evidence. The custom duty amounting to Rs. 16.16 lakh was paid without confirming from the Ministry concerned about waiver/reduction, if any of the custom duty on the equipment.

As per terms of purchase order, the system was to operate on all types of fuels. However, as per commissioning report, the system was not capable of being operated on furnace oil. The Company neither took up the matter with the supplier nor encashed the performance guarantee of Rs. 7.52 lakh. The bank guarantee was allowed to lapse (January 1998) even before successful commissioning (November 1998) of the system.

2.9.3.7 (a) Fruit pulp preparation system

Non recovery of compensation for delay and non encashment of bank guarantee amounted to Rs. 0.19 crore

Prior to approval (June 1995) of Board of Directors, the Company invited (April 1995) tenders for purchase of fruit pulp preparation system and without ascertaining reasonability and competitiveness of rates in market, placed (December 1995) an order on turnkey basis for continuous fruit pulper preparation system on M/s Penwalt Bertuzzi for Rs. 1.20 crore excluding excise duty and taxes on single tender basis. The purchase order was revised (April 1996) for Rs. 1.32 crore, which provided waste handling system also. The Company on the request (March 1996) of the supplier without analysing the implications modified (April 1996) the purchase order from turn-key basis to an ordinary supply order, thus, relieving the supplier from the responsibility of commissioning the unit. Further, the maximum compensation payable for delay was also restricted to 5 *per cent* of the ordered value which was one and half *per cent* per week for delay in supply and commissioning in the original order without any limit. The system was supplied between June 1996 and September 1996 which was commissioned in December 1996.

Though the supplier failed to deliver and commission the system by the stipulated date of 15 June 1996 due to defects and malfunctioning of the system which took more than 3 years for their removal, compensation of Rs. 6.60 lakh (5 *per cent* of order value) was not recovered. Further, performance guarantee of Rs. 11.99 lakh furnished (February 1996) by the supplier was not extended after 7 November 1997 and allowed to lapse even before successful commissioning of the system.

Although the Company was aware that the offer of the supplier included Rs. 17.92 lakh on account of custom duty yet no clause was included in the purchase order for submission of documentary evidence for claiming custom duty. Custom duty of Rs. 17.92 lakh was thus paid on imported equipment without documentary evidence.

The Management/Government stated (August 2001) that the supplier did not agree to extend the validity of performance guarantee beyond 7 November 1997 on the ground that the Company had not released its payments in accordance with the provisions of purchase order and more than Rs. 13.27 lakh were payable to them. Besides, it was also stated by the Company that it did not recover penalty for delayed commissioning of the system as at the time of final settlement, the supplier raised the claim on payment of interest on account of delayed payments which otherwise were due to them in terms of purchase order.

Reply of the Management/Government is not tenable as financial interests of the Company were not kept in view while finalising payment terms of purchase order which provided for release of 100 *per cent* payment of supply of equipments without laying due emphasis for successful commissioning of the system, which resulted in delayed commissioning of system and non recovery of penalty of Rs. 6.60 lakh.

2.9.3.7 (b) Utilisation of Continuous Pulper Line

Absence of sufficient orders resulted in investment of Rs. 2.12 crore unfruitful

In the absence of sufficient orders from buyers, the utilisation percentage against installed capacity of Continuous Pulper line varied from 17.81 to 23.35 *per cent* and for Asceptic Bulk Packaging system ranged between 2.26 and 5.18 *per cent* during 1996-97 to 1999-2000. Due to such meagre utlisation investment of Rs. 2.12 crore on installation of these systems proved unfruitful.

In reply (August 2001), the Management/Government stated that the under utilisation of system was on account of lack of demand. However, there was nothing on record to show that any efforts were made in this regard.

2.9.3.8 Avoidable expenditure

The Company placed (May 1996) an order on M/s Fuel Pack Boiler and Engineering Company Private Limited Bombay for purchase of two boilers costing Rs. 15.30 lakh. Besides supply, the firm was also assigned the work of mounting and fitting of these boilers at a cost of Rs. 9.20 lakh. The first Boiler was to be supplied and commissioned by the first week of August 1996 and the second within four and a half months from the date of order and was to be commissioned within fifteen days from its delivery.

Non-removal of deficiencies in the boiler resulted in avoidable expenditure of Rs. 0.10 crore

The boilers were received at the Plant during June/July 1997. Some deficiencies were noticed during trial run (September/October 1997). However, the Company started operating the plant from September 1997 on light diesel oil (LDO) instead of furnace oil though as per terms of purchase order, boiler could be run on furnance oil. The boiler had to be run on LDO due to deficiencies in the boilers supplied by the party. Failure of the Company to take prompt action to remove the deficiencies resulted in avoidable expenditure of Rs. 10.18 lakh being the difference in the cost of LDO and furnace oil.

The reply (August 2001) of the Management that boilers could not be operated on furnace oil due to problems in ensuring supply of furnace oil was not tenable because the boilers could not be operated due to non insulation of steam and fuel lines of oil fixed boilers.

2.9.4.1 Utilisation of cold stores

Under utilisation of cold stores resulted in a loss of Rs. 1.13 crore

The Company did not utilise the storage capacity in a planned and effective manner to generate more revenue. The percentage utilisation of Parwanoo cold store ranged from 0.91 to 2.06 *per cent* during 1997-98 to 1999-2000 and incurred loss of Rs. 1.13 crore during 1997-98 to 1999-2000 mainly due to under utilisation. The Company instead of storing the Apple Juice Concentrate at cold store, Parwanoo continued to transfer the product to Bombay cold store, much in excess of average requirements of 60 MT at Bombay for domestic sale. As capacity utilisation in Bombay was above 80 per cent during the year 1997-98 to 1999-2000, accumulation of huge (263 MT to 407 MT) inventory in cold store Bombay deprived the Company of revenue which it could have earned from better utilisation of storage space.

While no reply for under utilisation of Parwanoo cold store during 1997-98 to 2000-01 has been given, for Bombay cold store the Management/Government stated (August 2001) that the Apple Juice Concentrate was temporarily stored before its export outside the country. The reply is not tenable as normally 263 MT to 407 MT of concentrate remained stored in Bombay Cold Storage for three years which cannot be termed as temporary store.

2.10 Marketing activities

Apart from receiving fruits from the growers for sale on commission basis in the terminal markets, the Company also makes outright purchases of apple and sells it in the terminal markets. Further, the sale of Apple Juice Concentrate (AJC) is made by the Company through wholesalers, retailers, kiosks put up by the Company and export to foreign countries. The marketing activities of the Company are discussed below:

2.10.1 Performance of dispensers

The following table gives the number of operational and non-operational dispensers held by the Company during the last five years ending March 2001.

Year	No of operational dispensers	No of non-operational dispensers	Total	Percentage of operational dispensers to total dispenser
1996-97	147	184	331	44.41
1997-98	162	183	345	46.96
1998-99	135	214	349	38.68
1999-2000	172	219	391	43.99
2000-01	175	243	418	41.87

From the table above it would be seen that the percentage of operational dispensers ranged from 38.68 to 46.96 during the last five years, as a result the Company even failed to maintain the volume of sale that was in 1995-96 as the domestic sale of apple juice concentrate declined from 501.97 MT in 1995-96 to 388.42 MT during 1999-2000.

In reply (August 2001), the Management/Government stated that due to competition the Company had not been able to get stalls in open auctions due to high bids given by private parties. It was further stated that people avoid drinking tap water and because ordinary water is added to Apple Juice Concentrate its demand has gone down. From the reply it is evident that the Management had not concentrated on adding improved quality water in order to attract the consumers. The present trend would otherwise lead to total decline in sales and a negative impact on its popularity.

2.10.2 Introduction of blended juices

The Company had introduced (April 1990) a product named `Apple Tapple' packed in tetra pack which became popular in the market. However, the Company, decided (June 1995) to introduce 8 blended juices packed in tetra pack with other brand names such as, Apple Apple, Mango Apple etc. having major contents of Apple Tapple. The Company incurred expenditure of Rs. 4.49 lakh on their inaugural launching and Rs. 54.03 lakh on advertisement on television during 1995-96 and 1996-97. But it failed to boost the sale as the sale of natural juices which was Rs. 3.78 crore during 1995-96, declined to Rs. 3.53 crore during 1996-97 and to Rs. 1.89 crore during 1997-98. The Company decided (May 2000) to reintroduce the original brand name Apple Tapple. Thus, lack of consistent approach to establish brand name resulted in unfruitful expenditure on inauguration and advertisement.

The Management/Government stated (August 2001) that advertisement and publicity expenditure incurred on television was a deferred revenue expenditure, the results of which could not be seen in a short period. Reply of the Management is not tenable as the advertisement on television has failed to boost the sale of juices during subsequent years also.

2.10.3 Running of branches

Non-performing branches incurred losses amounting to Rs. 0.39 crore on account of high administrative costs

The unit-wise working results of marketing activities revealed that in Delhi Region, Jaipur branch was running in loss continuously and Lucknow and Bhopal branches had also incurred losses in three years (except Lucknow: during 1997-98 and Bhopal: during 1996-97). The losses amounted to Rs. 16.85 lakh during these years in these branches. Similarly, all the three (Nagpur, Pune and Ahmedabad) branches under the control of the Mumbai Region were also incurring losses year after year and the losses amounted to Rs. 22.33 lakh during 1996-97 to 1999-2000. The main reason for these losses was the high administrative costs.

In the meeting (November 1997) of Regional Managers of the Company, it was decided that non-performing offices should be closed down. However, even after expiry of more than three years no follow up action was taken to apprise the Board of Directors about the decision in the matter.

The Management/Government stated (August 2001) that the branches are running in loss due to high administrative cost and efforts were being made to improve the working of these branches. Reply of the Management is not tenable as the Company had failed to take measures to close down/improve the working of loss making branches even after 4 years from the date the decision was taken by the Regional Managers.

2.10.4 Idle investment

The Company acquired leasehold rights of shops at Nagpur (August 1994), Pune (May 1995) and Ahmedabad (July 1996) from Agriculture Produce Marketing Committees of these cities on payment of Rs. 3.77 lakh, Rs. 2 lakh and Rs. 2.50 lakh respectively for expansion of its trading in fruits. It was noticed in audit that the trading of fresh fruits handled by all these branches was only Rs. 9.41 lakh during last five years ending March 2001. Pune branch (1997-98, 1999-2000 and 2000-01), Nagpur branch (1998-99, 1999-2000 and 2000 01) and Ahmedabad branch (1995-96, 1996-97, 1999-2000 and 2000-01) have not handled any fruits during these years. Thus, investment of Rs. 8.27 lakh on acquiring leasehold rights for use of property had not served the purpose and resulted in locking up of scarce resources of the Company. Reasons for not handling fruits were not made known to audit.

In reply, the Management/Government stated (August 2001) that efforts were being made to increase the business of these branches. However, no concrete proposals have been evolved.

2.10.5 Export of apple juice concentrate

The Company was not able to expand domestic market for apple juice concentrate produced at its Plants, thus creating an imbalance in production and sale leading to average accumulation of 1068 MTs of apple juice valued at Rs. 4.83 crore during the period from 1996-97 to 1999-2000.

Export of apple juice concentrate at a loss of Rs. 1.63 crore

To reduce its stocks, the Company exported 1195.40 MT of apple juice concentrate during the period 1996-97 to 2000-01 at a loss of Rs. 1.63 crore. Thus, lack of proper production planning and inadequate marketing has resulted in distress sale of apple juice concentrate.

The Management/Government stated (August 2001) that it had to incur loss on export of AJC which had accumulated due to less domestic demand. The reply substantiates that there was lack of proper production planning.

2.11 Manpower

(i) The Company has not laid down norms for assessment of manpower based on work load handled especially in view of the fact that activities of fruit procurement, processing, packing and grading houses and cold stores in apple growing areas are seasonal in nature. The Company also did not review the available manpower.

Annual incidence of Rs. 0.34 crore towards salary of 58 surplus employees

Out of the total manpower of 538 employees, the Company assessed (May 2000) 58 employees of different categories with annual salary incidence of Rs. 33.87 lakh as surplus after adjustment of 20 employees of the Company in Government departments.

The Management/Government stated (August 2001) that process for deployment of surplus staff in other Departments/Corporations/Boards was underway to cut staff cost.

(ii) Engagement of 35 casual workers by the Plant Manager of Jarol Plant in April 1997 and permitting them to work continuously for more than 240 days in a year in contravention of company's instructions (July 1996) resulted in permanent annual financial burden of Rs. 7.09 lakh to the Company.

The Management/Government stated (August 2001) that the concerned officer has been charge sheeted and enquiry was in progress.

2.12 Non execution of agreement

The Company let out 6380 square feet (1084 square feet in May 1992 and 5296 square feet in April 1993) area of its building at Nigam Vihar to Director, Rural Development and Panchayati Raj, Himachal Pradesh. However, no agreement for renting out was entered into. After prolonged deliberations the Deputy Commissioner Shimla fixed the rent at Rs. 3.75 per square feet against Rs. 1.32 per square feet paid by the department till April 1997 when the accommodation was vacated by it. The Company did not pursue vigorously the matter for recovery of Rs. 8.73 lakh being the difference of rent fixed and paid.

In reply (August 2001), the Management/Government stated that the matter has now been taken up with the Commissioner-cum-Secretary Rural Development Department and Panchayati Raj, Shimla.

2.13 Sundry debtors

The amount recoverable from sundry debtors increased by 29.37 *per cent* during the last four years

The Company has not laid down policy for credit sales. Sundry debtors which stood at Rs. 2.52 crore as on 31 March 1996 increased (29.37 *per cent*) to Rs. 3.26 crore as on 31 March 2000.

Out of the total debtors of Rs. 3.26 crore, debtors amounting to Rs. 1.12 crore were outstanding for the period from 1975-76 to 1996-97. Of these, the Company considered Rs. 80.23 lakh doubtful. Debtors amounting to Rs. 15.36 lakh have become time-barred due to non-initiation of timely action for recovery for which no responsibility has been fixed. Suits for recovery of Rs. 90.13 lakh were pending in various courts. Decrees of Rs. 4.54 lakh awarded in favour of the Company between 1982-83 to 1997-98 were yet to be executed, as the parties were not traceable. Thus, lack of proper monitoring and extension of unauthorised credit has resulted in accumulation of debtors.

The reply (August 2001) of the Management/Government that allowing credit in the business is a part and parcel of the commercial activity without which no activity is possible in the market, does not hold good in view of the fact that the Company had not laid down any credit policy in this regard so far (August 2001).

Conclusion

The Company has failed in its main objective of successfully marketing and processing of apples in particular and other facilities in general for which the Company was incorporated.

The vast infrastructural facilities *viz*: packing and grading houses, cold storages in apple growing areas and fruit processing plants have remained under-utilised to a great extent mainly on account of high production cost and inadequate marketing efforts. Besides, surplus manpower, unproductive capital investment, huge accumulation of debtors and unprofitable export have contributed towards losses, which had completely eroded the paid up capital of the Company.

To improve its working the Company should optimally utilise the capacities of fruit processing plants, packing and grading houses, cold stores etc. and strengthen the marketing net work besides timely realisation of dues and reduction of manpower.

CHAPTER 3

3 Review on the Material Management and Inventory Control in Himachal Pradesh State Electricity Board

Highlights

The Board purchased various items of stores during the period from 1996-97 to 2000-2001 amounting to Rs. 455.83 crore representing 13.64 *per cent* of the total expenditure of Rs. 3342.15 crore during the period.

(Paragraph 3.1)

Local firms who were entitled to concessional rates of excise duty and were not required to pay Central Sales Tax as well as freight charges were allowed rates at par with outside firms resulting in avoidable expenditure of Rs. 0.33 crore and Rs. 0.17 crore respectively on the orders placed between June 1997 and July 2000.

(Paragraph 3.4.3.1)

Delay in procurement of material for construction of Thein-Jessore Transmission Line resulted in non evacuation of free power of 15.34 million units valued at Rs. 3.53 crore from Punjab State Electricity Board.

(Paragraph 3.4.3.3)

The Board incurred loss of interest of Rs. 2.16 crore as the material worth Rs. 3.24 crore procured was lying idle due to lack of synchronisation of the line with the civil works of the project.

(Paragraph 3.4.3.6)

Before finalisation of the site for out door substation, the equipment worth Rs. 0.62 crore were procured out of which material valued at Rs. 0.34 crore was lying unutilised since April 1995. Similarly, 6137 metre cable of different specifications valued at Rs. 0.59 crore was lying unutilised for the period ranging between 46 and 60 months in four stores.

(Paragraphs 3.4.3.8 & 3.4.3.9)

The Board had been holding excess inventory above the norm which

ranged between Rs. 5.99 crore and Rs. 10.96 crore during last 5 years with consequential interest loss of Rs. 1.15 crore per year.

(Paragraph 3.5.1)

In 11 stores of the Board, 1903 items valued at Rs. 2.21 crore were lying from 3 to 35 years and were yet to be declared as non-moving for final disposal.

(Paragraph 3.6.5)

3.1 Introduction

Material Management (MM) and Inventory Control is an integrated approach to the planning, procurement, transportation, storage and utilisation of material inputs with a view to control material cost and inventories. For efficient management, economical procurement and effective control, the Board established Central Purchase Organisation (CPO). The Board purchased various items of stores during the period from 1996-97 to 2000-01 amounting to Rs. 455.83 crore which represented 13.64 *per cent* of the total expenditure amounting to Rs. 3342.15 crore during the same period. The expenditure on procurement of stores thus require efficient material management and inventory control, which *inter alia* includes purchases at right time at right cost without locking up scarce money in high value items. The efficient material management should ensure uniform flow of material of requisite quantity and quality at the desired locations and timely utilisation with a minimum storage cost.

3.2 Organisational set-up

The CPO of the Board is headed by Chief Engineer (MM) who is assisted by five Executive Engineers and nine Assistant Executive Engineers. Besides, Design Directorates of transmission and generation wings headed by Deputy Chief Engineers and assisted by Executive Engineers and Assistant Executive Engineers are also responsible for procurement of specialised electrical equipments meant for major transmission lines, sub-stations and power houses. The Chief Engineer (MM) looks after the material management and is responsible for procurement of general items of stores pertaining to the system upto 33 KV, including cement, steel and miscellaneous items. The inspection of material, inventory control, market research, vendor development, standardisation, material planning and disposal of surplus and obsolete material is also undertaken by this wing. The material procured is stored in 88 stores each attached to a division (operation wing-49, transmission wing-13, construction wing-19 and generation wing-7) under the overall control of Chief Engineers of respective wings.

3.3 Scope of audit

A review on material management and inventory control was last included in the Report of the Comptroller & Auditor General of India for the year 1994-95 (Commercial) and was discussed by the Committee on Public Undertakings (COPU) during July 2000. The recommendations of the Committee were received in March 2001. However, action taken report was awaited (August 2001). Further, a review on the procurement, performance, maintenance and repair of transformers also appeared in the Report of the Comptroller and Auditors General of India for the year ended 31 March 2000 (Commercial), which is yet to be taken up for discussion by COPU. The present review conducted during November 2000 to March 2001 is based on test check of records of 25 stores out of 88 stores of the Board for the last five years ending 2000-01. The results of examination are discussed in the succeeding paragraphs.

3.4 Material management

3.4.1 Purchase procedure

The Purchase Manual of the Board prescribes procedure for purchase and control of inventory. The manual does not provide for any mechanism for vendor rating by monitoring the performance of the contractors at appropriate levels. All purchases are made by Central Purchase Organisation (CPO) and Design Directorates of transmission and generation wings of the Board excepting local purchases which are made by the field offices. Purchases are finalised by Store Purchase Committee (SPC) at various levels (Chief Engineer up to Rs. 25 lakh; Member up to Rs. 100 lakh and Board beyond Rs. 100 lakh). Field officers make local purchases under the powers delegated as detailed below:

(Figures in Rupees)

Authority	Reserve stock limit/Works	Rate contract		Centrally Purchased items in emergency.	Stock/works	Proprietary items.
		COS@	DGSD#			
Chief Engineer	15 lakh	Full	-	5 lakh	2 lakh	Full
Superintending Engineer	2 lakh	1 lakh per item maximum 10 lakh	2 lakh per division per annum	2 lakh	0.5 lakh per item 3 lakh per division per annum	0.25 lakh Max. 2 lakh per annum
Executive Engineer	-	0.2 lakh per item Max. 1 lakh per annum	0.5 lakh per item Max. 2 lakh per annum		0.2 lakh Max. 2 lakh per annum.	0.1 lakh Max. 1 lakh per annum

3.4.2 Material Budget

For exercising effective control over purchases, the Manual prescribes preparation of material budget based on requirements of field units to ensure correctness of general budget required to be submitted to the State Government in February each year. The gross requirement of materials was being worked out at division level and forwarded to the respective Chief Engineers which form part of the general budget of the Board. However, no comprehensive material budget was being prepared separately.

3.4.3 Deficiency in purchase management

(i) The position of year-wise purchases made during the last 5 years ending March 2001 is given below:

(Rs. in crore)

	1996-97	1997-98	1998-99	1999-2000	2000-01 (Provisional)
Total expenditure	457.16	638.79	697.02	888.18	661.01
Expenditure on purchases	69.97	78.96	116.93	97.96	90.00
Purchases as % age of total expenditure	15.30	12.40	16.80	11.02	13.62

It would be seen from above that expenditure on purchases ranged from 11.02 *per cent* to 16.8 *per cent* of the total expenditure during last five years.

(ii) The Board issued 577 purchase orders valued at Rs. 184.39 crore for the purchase of material (other than for transformers), machinery and

@ Controller of Stores

\# Director General Supplies and Disposals equipment during the year from 1996-97 to 2000-01. During test check of records of procurement of material in operation, transmission and generation wings in 13 cases deficiencies having financial implications of Rs. 11.81 crore were noticed which are discussed in detail in subsequent paragraphs.

3.4.3.1 Injudicious absorption of statutory levies and freight charges in the ex-works rates of suppliers

As per terms and conditions of tender inquiries issued between the year 1997 and 2000 for supply of ACSR conductor, AAA conductor, cables, wire and energy meters etc., the tenderers were required to quote firm rates of the material and where the prices were not firm, variable price with 15 per cent price variation or maximum ceiling quoted by any other participant tenderer were acceptable. The price variation was to be governed as per formula recognized by IEEMA[@], CACMAI[#] or any Government agency.

Local firms were given additional benefit of Rs. 0.50 crore due to not negotiating for firm ex-works price and benefit of freight & CST as per outside firms

In 9 cases the rates quoted by eligible outside firms were lower than the rates quoted by local firms. In order to give order preference, the local firms were given counter offers to supply material at the lowest rates quoted by outside firms. The local firms agreed to counter offers and purchase orders amounting to Rs. 9.55 crore were placed between June 1997 and July 2000 at FOR rates. The element of excise duty payable by local firms ranged from 0 to 12 *per cent* as against 15 *per cent* quoted by lowest tenderer. The Board placed orders on local firms also at lowest all inclusive rates, payable to outside firms. This resulted in undue payment of Rs. 33.39 lakh in excess of actual duty incidence suffered by the local firms. Similarly, in four cases the freight charges quoted by the outside firms were higher than local firms. Besides, the outside firms had quoted Central Sales Tax (CST) @ 2.24 *per cent* and 4 *per cent*. No sale tax was payable by local firms (being SSI units) by virtue of exemption granted by State Government. In order to bring the FOR rates of local firms at par with first lowest outside firms, the elements of freight and CST quoted by the outside firms were also absorbed in the ex-works rates of local firms in such a manner that the FOR rates of local firms and outside firms remained the same. Thus the benefit of freight and CST amounting to Rs. 16.51 lakh had also been passed on to the local firms by absorbing the same in their ex-works price. Thus, Board's failure to place orders with reference to basic price and applicable taxes/duties, freight, etc. resulted in undue benefit of Rs. 0.50 crore to the local firms.

3.4.3.2 Non placement of repeat orders

As per standard clause of purchase orders the Board has the right to place orders for 25 *per cent* additional quantity of material at the existing rates

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@ Indian Electronics & Electricals Manufacturers Association

\# Cable & Conductors Manufacturers Association of India

Non-placement of repeat order, lead to extra expenditure of Rs. o.10 crore

within six months of issue of previous orders. It was noticed in audit that in six cases repeat orders were not placed on the suppliers during the year 1995-96 and 1997-98 on the plea that there was no additional requirement for the material in the field units. However, fresh orders were placed on other firms at higher rates on the basis of the requirements received from the field units within six months time, resulting in extra expenditure of Rs. 10.38 lakh.

3.4.3.3 Delay in procurement of material

Delay in procurement of material for the construction of transmission line led to non-evacuation of free share of power valued at Rs. 3.53 crore.

In order to draw 4.6 percent share of free power generated at Thein Dam, a 220 KV transmission line from Thein Dam to Jassore was to be completed by June 1998. The Executive Engineer Transmission Division Jassore, submitted the project profile of tower location and size of conductor required for the construction of above line to the Director Design (Transmission) in September 1997. The Board took 15 months in processing and approving of purchase proposal. Purchase orders for the procurement of tower material and conductor were issued in February 1999 and the supply of material was to be completed by December 1999. However, audit scrutiny revealed that major portion of the quantity of material was supplied by the firm between February 2000 and August 2000 and the line was completed in March 2001. It was further seen that two units of Thein Dam Project were commissioned in August 2000 and the Board requested (September 2000) the Punjab State Electricity Board (PSEB) to adjust their share in accordance with the procedure laid down by Northern Region Electricity Boards (NREB) under displacement* mode as the work of transmission line was in progress. The PSEB did not agree (November 2000) because as per the bilateral agreement the power could only be drawn through actual evacuation. Thus, delay in the construction of transmission line led to revenue loss of Rs. 3.53 crore as the Board could not draw its share of free power from PSEB to the extent of 15.34 million units.

3.4.3.4 Avoidable payment of interest

Delay in verification of invoices led to avoidable payment of differential interest of Rs. 0.14 crore

A purchase order for procurement of hydro generating equipment for Ganwi Power House valued at Rs. 26.42 crore was placed on M/s BHEL in November 1996. As per Clause 6 of the agreement the payments were to be released within 30 days of the receipt of invoices failing which the Board was liable to pay interest @ 20 *per cent per annum* or 2.5 *per cent* above bank rate whichever was higher. The project was to be financed by Power Finance Corporation (PFC) as loan. It was noticed during the audit of Ganwi Power House Division that 4 to 82 days were taken for verification after receipt of equipment at site/store and finally the payments were released after a delay of 5 to 229 days. Delay in verification led to avoidable payment of differential interest of Rs. 13.86 lakh (amount payable to BHEL less amount payable to PFC on the loan amount) during the period from March 1998 to August 2000.

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* To receive share of power at some other point

The Executive Engineer of Ganwi Power House Division stated (December 2000) that the period of 30 days fixed for releasing the payment was insufficient as measurement of material and verification of invoices at various stages require more than 50 days. Reply of the Executive Engineer is not tenable as the issue was not taken up with higher authorities explaining the time required for verification of bills/invoices and moreover the delay ranged up to 229 days which was unreasonable.

3.4.3.5 Procurement of construction machinery without genuine requirement at project site

Machinery valued at Rs. 0.49 crore remained un-utilised as similar machinery were procured by the contractor as per terms of agreement

Tender specifications for construction of Larji Hydro Electric Project were finalized in August 1998. The work was awarded to two construction companies in April, 1999 and May, 2000 with the stipulation that they shall arrange their own machinery for the execution of the project for which they were allowed 90 *per cent* interest free machinery advance. It was noticed in audit that while the tender specifications of the project were under finalisation, the Chief Engineer (MM) procured (December 1997 and May 1998) machinery such as tipper, wheel dozer etc. valued at Rs. 21.36 lakh for use in the project. It was further seen that after finalisation of the tender specifications of the project in August 1998, machinery worth Rs. 27.46 lakh was also procured in August 1998 and June 1999. All these machineries could not be used in the Project as the construction companies had procured their own machinery as per tender condition and terms of agreement.

3.4.3.6 Procurement of material without synchronizing of line with the civil works of the project

Construction of 132 KV double circuit line from Larji to Hamirpur with World Bank assistance was linked with the execution of Larji Hydro Electric Project under State Plan. On the basis of price level of December 1994 total construction cost of Larji Project was estimated to Rs. 559.53 crore (Civil works: Rs. 299.30 crore, Generation: Rs. 214.60 crore and Transmission: Rs. 45.63 crore). It was seen in audit that against the above projections the budget allotment between 1990 and 1995 was Rs. 41.54 lakh only under State Plan. Thus, due to insufficient allocation of funds the civil works of the project could not be executed. In the meantime the Board procured material for construction of Larji Hamirpur line amounting to Rs. 7.09 crore (Line material Rs. 5.23 crore, Sub-station equipments Rs. 0.52 crore and Power Line Carrier Communication (PLCC) equipments Rs. 1.34 crore) during the period from April 1994 to November 1995. As the execution of Larji Hydro Electric project was delayed due to paucity of funds the Board decided (May 1995) to defer the construction of above line for the time being. Audit scrutiny revealed that out of above material, line material costing Rs. 2.41 crore and PLCC equipments Rs. 82.93 lakh were diverted/used on other works, sub-station equipment valued at Rs. 48.74 lakh and PLCC equipments valued at Rs 12.20 lakh were consumed at 132 KV Sub Station Hamirpur during December 1996 which remained unused due to non construction of Larji-

Due to non-synchronisation of line with the civil work, stores valued at Rs. 3.24 crore was lying idle which led to interest loss of Rs. 2.16 crore

Hamirpur line. The remaining material valued at Rs 3.24 crore remained unutilised in the stock. The Director Design (Transmission) stated (November 2000) that the material would be utilized during the year 2001-2002 for construction of Larji-Hamirpur line now proposed to be terminated at Kangoo. Thus, due to non synchronizing of Hamirpur-Larji line with the civil works of the projects, the material worth Rs. 3.24 crore procured in advance for the Hamirpur-Larji line resulted in locking of funds for over 5 years and loss of interest of Rs. 2.16 crore @ 10.5 *per cent* per annum payable on World Bank loan.

3.4.3.7 Procurement of conductor without assessing correct requirement of snow bound area.

It was noticed in audit that in anticipation of the final approval of the scheme for construction of 22 KV line from Nathpa to Akpa and Akpa to Pooh the Executive Engineer, Electrical Division, Reckong Peo indented (January 1995 to February 1997) 123.95 Km AAA conductor of 7/4.26 mm size valued at Rs. 41.47 lakh from circle store Nogli (Rampur). The scheme approved in January 1997 envisaged use of ACSR conductor. The strength of line structures constructed for laying of ACSR conductor as per approved scheme was inadequate to withstand the weight of AAA conductor and the same was returned back (January-March 2000) to circle store Nogli after a period ranging from 42 months to 47 months. Besides, the Board had to incur avoidable incidental expenditure on transportation and storage amounting to Rs. 3.91 lakh.

3.4.3.8 Excess procurement of material due to change in scope and design of transmission works.

A scheme for construction of 66 KV single circuit transmission line from Gumma to Kotkhai with outdoor type 66/22 KV sub station at Kotkhai was approved by the Board in August 1992. Accordingly, sub station material valued at Rs. 62.49 lakh was procured between February 1995 and April 1995 in anticipation of finalisation of the site for sub-station. The site was finalised in February 1999 at Hulli. This required change of design as well. As a result thereof material valued at Rs. 33.88 lakh became surplus. Thus, procurement of sub-station material before finalisation of site resulted in un-utilisation of material valued at Rs. 33.88 lakh and interest burden of Rs. 32.67 lakh as on 31 March 2001.

3.4.3.9 Injudicious procurement of cables

Cable valued at Rs. 0.59 crore procured between August 1996 and March 1997 remained unutilised

Power cable of different specifications are procured by the Central Purchase Organisation and Design Directorates on specific demand received from field units. Scrutiny of records revealed that out of 8722 metre cable procured between April 1996 and May 1997 in four stores, 1728 metre was utilised on the works, 857 metre was transferred to other units and the remaining 6137 metre costing Rs. 59.42 lakh was lying unutilised for the period ranging from

46 months to 60 months as on 31 March 2001 as detailed below:

		Receipt		Issue/Transfer		Balance		
Name of store	XLPE 3 core Cable	*Qty. (Mts.)*	*Month*	*Qty. (Mts.)*	*Month*	*Qty. (Mts.)*	*Value (Rs. in lakh)*	Remarks
Solan	500 mm	1028	April 1996	127 210*	Dec 1997 to Oct 1999 Nov. 1996	691	5.45	Declared surplus(Oct. 2000)
	70 mm	2703	December 1996	978 647*	Dec 1996 to Feb 2001 June 1998 Nov. 2000	1078	6.24	-do-
Una	400 mm	1022	May 1997	-	-	1022	15.55	The sub-stations were energised between May and Sept. 1997 by using cable of 240 mm.
Jassure	300 mm	736	May 1997	-	-	736	2.11	The sub-stations for which the cable was procured against the purchase order of November 1996 were already energised in Aug 1996 by procuring cable from other units.
	400 mm	1701	May 1997	-	-	1701	22.01	-do-
Shimla	70 mm	1532	March 1997	623	Dec. 1999 To Oct. 2000	909	8.06	Reasons for non-utilisation not available on record.
Total		8722		1728 857*		6137	5942	

Thus, excess procurement of cables than the requirements lacked justification. Moreover, reasons for utilisation of cable of different specification in Una sub-stations were not available on records.

3.4.3.10 Material lying idle

(i) On the specific design submitted by Bhaba Power House, a 10 ton capacity electric powered haulage winch with dimension of 2.10 metre x 2.50 metre costing Rs. 8.99 lakh was procured in March 1999. During its installation at site, the Executive Engineer (Civil Maintenance Division - Bhabanagar) observed that the winch of above dimension could not be crossed at RD 400 metres due to its defective design provided by the Board. As such

* Transfer to other stores

the winch was lying un-utilized at Bhabanagar.

(ii) 18.620 Kms ACSR Panther Conductor valued at Rs. 8.72 lakh procured during 1993 against 132 KV transmission line from Giri to Kala Amb and Giri-Solan-Kunihar was declared surplus after energisation of these lines in October/December 1996 and was still lying in the stores.

3.4.3.11 Excess payment of Rs 3.27 lakh

For procurement of conductor and transformers for the year 1998-99, three purchase orders were issued in July 1998 and August 1998. The delivery of material was to be completed by February 1999. The rates allowed were inclusive of ED up to 13-15 *per cent* payable on production of documentary proof and any statutory variation therein was to be absorbed in Board's account. It was noticed in audit that the firms did not supply the material within the agreed schedule of despatch i.e. by February 1999 and instead the supply was completed by December 1999. In the meantime the rates of ED were raised from 15 to 16 *per cent*. The enhanced excise duty was not payable on delayed supplies of material as per contract. The Board, however, allowed payment of excise duty on enhanced rate resulting in excess payment of Rs. 3.27 lakh.

3.4.3.12 Local Purchases

The Board issued instructions from time to time that material purchased locally shall be used within 3 to 6 months failing which responsibility shall be fixed of the procurement officers. However, test check of records revealed the following:

(i) Material (HRC fuses, Dead end clamps, Petroleum jelly, MS nuts & bolts etc.) valued at Rs. 85.74 lakh purchased by the field officers in 11 units during the period from April 1997 to March 2000 was lying unutilized in the stores for a period ranging from 12 months to 76 months. In Electrical Divisions Rampur and Bilaspur material of Rs. 21.46 lakh purchased by the field officers was lying unused in the stores for period ranging from 12 months to 24 months and material worth Rs. 13.14 lakh was lying in the store of transmission division, Bilaspur for period ranging from 24 months to 36 months.

(ii) All purchases are required to be made through open/limited tenders except for an item which the Board may specifically reserve for purchase from particular supplier in very exceptional circumstances of emergent nature. Such items may be purchased on single tender basis with the approval of SPC up to maximum value of Rs. 0.50 lakh. The Chief Engineer, (Central Zone) and Superintending Engineer (Operation) Circle Bilaspur placed 27 purchase orders between September 1998 and April 2000 for procurement of sodium vapour lamps, capacitor check meters, AC watt meters, air cooled welding sets etc. costing Rs. 17.41 lakh without calling for tenders/quotations, on the plea that these items fall under the category of proprietary nature. The plea taken by the field officers was not tenable as these items were available from many sources in the open market.

(iii) Workshop equipments valued at Rs. 14.05 lakh were purchased by the Chief Engineer (M&T) Bilaspur during the period from October 1998 to January 2000 without budget provisions and remained unutilised. Such items are to be purchased only by CPO.

3.5 Inventory holding

Inventory holding is an essential function and involves taking decision when to buy and how much to buy and its objective is to minimize the inventory holding while maximizing the availability of materials. In order to achieve this objective, the Board has fixed minimum/maximum limit of each item of stores. To exercise the control the Chief Purchase Officer (CPO) is required to prepare six monthly reports for inventory holdings for the perusal of the Board. It was seen in audit that CPO prepared quarterly reports on inventory holding in Operation wing only which were submitted to Member (Operation) and were never brought to the notice of the Board. Test check of records revealed the following deficiencies in the inventory holding.

3.5.1 Non-adhering to average stock level

The recommendation of consultant (Tata Consultancy) accepted by the Board (September 1993) provided that average stock equivalent to 3 months consumption should be maintained in order to effect maximum saving in inventory holding. However, the average stock level was ranging between 3.72 months and 4.12 months consumption during the last five years as detailed below:

(Rs. in crore)

	1996-97	1997-98	1998-99	1999-2000	2000-01
Opening Balance	22.29	28.94	30.72	49.85	32.68
Add Purchases	69.97	78.96	116.93	97.96	90.00
Inter Unit Transfers (Net)	4.11	0.66	6.72	1.40	3.76
Material Stock adjustment	11.06	11.49	12.79	12.91	12.88
Less Issue (Annual consumption)	78.50	89.33	117.30	129.44	106.15
Closing Balance	28.94	30.72	49.85	32.68	33.17
Average closing stock	25.61	29.82	40.29	41.26	32.92
Average stock required as pe recommendation.	19.62	22.33	29.33	32.36	26.54
Excess stock w.r.t. recommendation.	5.99	7.49	10.96	8.90	6.38
Average stock held in terms months consumption	3.91	4.01	4.12	3.82	3.72

Excess inventory above the norm ranged between Rs. 5.99 crore and Rs. 10.96 crore during last five years

It would be seen from above that during 1996-97 to 2000-2001 the excess holding increased from Rs. 5.99 crore in 1996-97 to Rs. 10.96 crore in 1998-99 and decreased to Rs. 6.38 crore in 2000-2001.

Due to non-adhering to the accepted average stock level the Board had been deprived of total saving in inventory holding on an average amounting to Rs. 7.95 crore during the above period and consequential interest loss of Rs. 1.15 crore per year worked out at the rate of 14.5 *per cent* per annum on the excess stock holding.

3.5.2 Excess stock holding of non-critical items

The Board has classified various items of stock in two categories. Centrally procured material is termed as critical whereas the material purchased by the field units is termed as non-critical. Based on the recommendation of Tata Consultancy/Utility Management Services (UMS) studies, the Board has fixed a ratio of 85 per cent and 15 *per cent* of critical and non-critical items to be held in the stock of Operation Wing. However, the Board instructed that value of non critical stores should not exceed 15 to 20 *per cent* of the total stock held. It was noticed in audit that the ratio of non-critical items during the four years ending March 2001 ranged between 31.06 *per cent* to 47.63 *per cent* as tabulated below:

Year	Total Stock	Stock of Non Critical Items		
		Existing	Required	Excess
	(Rs. in crore)			
1997-98	19.78	7.55 (38.17%)	3.96	3.59
1998-99	24.40	7.58 (31.06%)	4.88	2.70
1999-2000	20.10	7.59 (37.76%)	4.02	3.57
2000-2001	17.49	8.33 (47.63%)	3.50	4.83

Stock of non-critical items ranged between 12.43 and 72.78 per cent as against the norms of 20 *per cent*

Test check of records in 11 stores revealed that the closing stock of non-critical items during the three years upto 1999-2000 ranged between 12.43 *per cent* and 72.78 *per cent* as against the prescribed maximum norms of 20 *per cent.* In Electrical Division Manali closing stock of non-critical items was ranging between Rs. 61.51 lakh and Rs. 25.99 lakh representing 41.60 *per cent* and 65.58 *per cent* of total stock which indicated that the field unit had been purchasing the non-critical items in excess of immediate requirements. On being pointed out in audit the Chief Engineer (MM) stated that the consumption pattern of critical and non-critical items worked out to 75 *per cent* and 25 *per cent* as such the stock holding of these items should remain in this ratio. Even this ratio was not being maintained and was above 30 *per cent.*

3.5.3 Non-acceptance of store transfer advices by recipient units.

According to the procedure prescribed by the Board the Inter Unit transfer of material should be adjusted through Advice Transfer Debit (ATDs) within a maximum period of three weeks from its receipt so that its adjustment in the account could be carried out. It was seen in audit that ATDs for the material transferred by 8 divisions between August 1993 and December 2000 valued at Rs. 2.56 crore were awaiting adjustment/acceptance for a long period. In Electrical Division, Kangra ATDs amounting to Rs. 1.34 crore were awaiting adjustment/acceptance for a period ranging from 2 to 88 months. As a result material remained under suspense head awaiting final adjustment in the store accounts. Except issue of reminders in routine, no action was taken at higher level to expedite the adjustments. In the absence of acceptance, chances of mis-appropriation/defalcation could not be ruled out.

3.6 Store management

The receipt, issue and storage of material is managed through 88 divisional stores. The indenting officers are required to draw material against approved quantity as specified in the sanctioned estimates of works. The consumption of material in works is monitored by the Chief Engineers of the respective wings. Following points have emerged on a test check of records in 25 stores.

3.6.1 Unjustified drawal of stores.

(a) Information collected from 16 stores and test check of 9 stores (out of 25 stores) revealed that during the period from 1995-96 to 1999-2000, material valued at Rs. 10.50 crore was drawn in excess of the requirements. On the other hand the period of return of material to the stores after completion of the works ranged between 1 to 49 months resulting in locking up of funds during the period. Excess drawal of stores resulted in avoidable handling charges of Rs. 31.49 lakh.

Materials worth Rs. 11.65 crore were drawn from the stores in excess of the requirement

(b) In addition to above, in the following cases the material drawn from the stores was lying unutilized at the site for a period ranging from 3 to 96 months:

(i) Sub-station equipments/material valued at Rs. 6.23 lakh drawn from the store between March 1993 and August 1999 for 33/11 KV sub-station at Sandhol under REC Scheme No. 060218 was lying unutilized as the site development of the sub-station was still in progress (March 2001). Similarly, line material (Poles, conductor, stay sets etc.) valued at Rs. 13.34 lakh drawn from the store between March 1999 and March 2000 in anticipation of approval of construction of 33 KV HT line connecting Sandhol sub-station from Dharampur was lying unutilised at site.

(ii) Tenders for the construction of 33 KV HT line (2^{nd} feeder) from Naggar to Prini estimated to cost Rs. 46.28 lakh (approved in August 1999) were invited in January 2000 and were awaiting finalisation (March 2001). However, material valued at Rs. 16.26 lakh was drawn from the store in September 1999, which was lying unutilized at the site.

(iii) Material in excess of requirement valued at Rs. 40.25 lakh drawn from the store between March 1998 and March 2000 for construction of 33 KV lines (2nd. feeder) from Koti sub-station to Chamba and Holi to Pilli was lying at site after the completion of these lines in January 2000 and March 2000. Similarly material valued at Rs. 22.88 lakh drawn in excess between March 1998 and August 2000 for construction of Ghanwi Power House commissioned in December 2000 was lying unutilized at the site.

(iv) For construction of second circuit of 220 KV transmission line (Tower No. 1 to 58) from Khodri to Majri, line accessories valued at Rs. 16.08 lakh were procured (September 1996 and May 1997) and issued to the works in January 1998. It was seen in audit that the purchase order for conductor was placed in January 1999 the supply against which was still awaited (March 2001). Thus, the line accessories were lying unutilized at site since its drawal from the store.

Thus, materials worth Rs. 11.65 crore were drawn from the stores in excess of the requirements of works in the above mentioned instances.

3.6.2 Non utilisation of material

(i) Based on specific requirement of Chief Engineer (Operation) for the year 1998-99, the CPO procured 567 electronic trivector meters valued at Rs. 67.24 lakh during December 1998. Of these, 49 meters valued at Rs. 5.80 lakh were lying un-utilized (March 2001) in the stock of various divisions. The meters could not be utilised due to non-availability of current transformers/potential transformers (CTs/PTs).

(ii) Circuit breaker, line traps and current voltage transformer (CVTs) costing Rs. 14.82 lakh procured between January 1995 and November 1995 for terminal bay at 132 KV sub-station Kangra, could not be utilized as the land for 132 KV terminal bay at 132/33 KV sub-station at Kangra was in the possession of Operation wing and was not handed over to the Transmission wing of the Board (March 2001).

3.6.3 Physical verification

Physical verification of store items is being done by the store verifier once in a year under the control of Chief Accounts Officer of the Board. During physical verification, the shortages noticed are transferred to material suspense account *viz.* 'shortages in stock-pending investigation and adjustment'. Shortages of Rs. 58.52 lakh were noticed in 32 stores during the period from 1996-97 to 1999-2000. Out of this shortages of Rs. 30.11 lakh were adjusted/recovered, remaining shortages of Rs. 28.41 lakh were awaiting final adjustment (March 2001). Similarly, surplus stores of Rs. 65.42 lakh were noticed during the above period, out of which surplus stores of Rs. 42.85 lakh only had been adjusted so far (March 2001).

3.6.4 Non verification of material.

(a) Manual of Instructions of the Board prescribes that all material lying at site should be physically checked once in a year. During test check of records in 25 units, it was, however noticed that these instructions were not followed.

Thus, material costing Rs. 1.07 crore lying at sites at the end of March 2001 remained unverified.

(b) T&P valued at Rs. 52.37 lakh were issued to the individuals engaged in maintenance and construction works in Electrical Division Rampur (Rs. 23.95 lakh), Electrical Division, Bilaspur (Rs. 14.91 lakh) and Ganwi Power House Division, Jeori (Rs. 13.51 lakh) during 1998-99 and 1999-2000. Details of individuals to whom these were issued were neither maintained nor physically verified.

3.6.5 Non-moving stores

The stock verifiers are required to indicate in their physical verification reports (PVRs), the duration of each item kept in store. The Executive Engineers incharge of store are required to supplement the PVRs by classifying the disposable material as surplus, obsolete, unserviceable and scrap.

1903 non-moving items valued at Rs. 2.21 crore in 11 stores were awaiting disposal for the last 3 to 35 years

The Circle offices are further required to decide and declare disposable material within 45 days of finalization of above classification by the Executive Engineers. Test check of 25 stores revealed (March 2001) that in 11 stores 1903 items valued at Rs. 2.21 crore were non-moving and were not declared as such for the period ranging from 3 to 35 years as detailed below.

Sr. No	Period	Critical Items		Non-Critical Items	
		No.	Value	No.	Value
		(Rs. In lakh)			
1.	More than 10 years old	222	99.82	1283	4.22
2.	More than 5 years but less than 10 years old	79	18.66	53	4.29
3.	More than 3 years but less than 5 years old	131	64.26	135	29.77
	Total	**432**	**182.74**	**1471**	**38.28**

Reasons for not preparing the reports based on the above classification and non utilisation of material lying in the stores were neither investigated nor action to dispose of the same was taken.

In the following cases article declared surplus, unserviceable and obsolete were awaiting disposal.

(i) 132 KV isolators, circuit breakers along with tools and accessories valued at Rs. 6.48 lakh and tower material, former boxes, GSS wire etc. costing Rs. 5.33 lakh were procured between June 1977 and September 1977 in Parwanoo store and classified as obsolete by Transmission Division, Una in October 1999.

(ii) Spare parts of vehicle and machinery costing Rs. 5.28 lakh procured in April 1992 in Bhaba construction division No. I. were declared surplus to the requirement in January 1999.

(iii) Machinery valued at Rs. 70.11 lakh procured for execution of various hydel projects between 1970 and April 1998 was transferred to Larji Hydel

Project. The Executive Engineer Larji Construction Division No. IV observed that machinery valued at Rs. 24.49 lakh was out of order which required major repair. This machinery could not be utilised as all the civil and mechanical works were got executed through private construction companies who had been deploying their own machinery on the project. The machinery was declared (September 2000) surplus which was awaiting final disposal (March 2001).

3.6.6 Delay in disposal of scrap

Regular disposal of obsolete, unserviceable, scrap and surplus material is required to be done at Superintending Engineers level once in a year. The Board was not maintaining consolidated position regarding accumulation of disposable material including scrap prior to August 1999. Up to 1999-2000 and during 2000-01, the disposable material worth Rs. 54.09 lakh and Rs. 113.09 lakh was lying in the stores. Out of this, materials worth Rs. 41.50 lakh and Rs. 76.25 lakh were disposed of during the respective years. Out of 25 stores test checked in audit, final disposal of scrap had been delayed in six units for the period ranging from 29 to 76 months resulting in locking up of funds of Rs. 27.95 lakh and consequential interest loss of Rs. 13.55 lakh as detailed hereunder:

(i) Disposal of 21.559 MT copper scrap valued at Rs. 24.14 lakh collected in 4 divisions between December 1994 and October 1998 was approved by the Board in September 1999. The tenders were invited thrice between October 1999 and February 2000. However, the same could not be disposed of as one of the tenderer of second tender obtained stay order from the court for alleged replacement of bid papers by the concerned officers.

(ii) Tender for Aluminum mixed scrap worth Rs. 3.81 lakh condemned in 1996 were invited in November 1997. Since the price offered by the highest bidder was Rs. 2.73 lakh being less than the reserve price, the Board decided to re-auction the same in May 1998. However, the reserve price of the scrap was revised and conveyed to the concerned Division in September 2000. The scrap was awaiting disposal (March 2001).

3.6.7 Theft of material

129 cases of theft of material from lines and stores valued at Rs. 31.02 lakh as on 31 March 2000 were reported in 16 divisions out of 25 divisions test checked. Out of these, in 98 cases (Rs. 21.06 lakh) reports of police investigations were awaited, in 28 cases (Rs. 8.16 lakh) the culprits were not traceable but the field units had not submitted these cases to the Board for writing-off the losses. Three cases (Rs. 1.80 lakh) were submitted (July 1995) to the Board for writing-off the loss, however, the approval was awaited (March 2001).

Conclusion

The Board incurred 14 per cent average expenditure annually on purchase of stock and material for operation and maintenance of generating stations and transmission and distribution lines. Against average stock holding of 3 months consumption, actual stock ranged between 3.72 and 4.12 months consumption. It resulted in average over stocking by Rs. 7.95 crore and consequential interest loss of Rs. 1.15 crore per year. Improper assessment of requirement, lack of control over material purchased by the field officers and consumption thereof led to excess/idle inventory holding. Corrective measures are, therefore, called for to strengthen the system and procedures with a view to exercise an effective control over material purchase, consumption and inventory so as to make them more cost-effective.

CHAPTER 4

MISCELLANEOUS TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

4A GOVERNMENT COMPANIES

4A.1 Himachal Pradesh State Civil Supplies Corporation Limited

4A.1.1 Avoidable payment of interest

Delay in affording credit of sale proceeds deposited with the collecting branches of banks into main collection account resulted in avoidable payment of interest of Rs. 0.35 crore on cash credit.

For transferring sale proceeds of field retail shops, LPG agencies, petrol pumps, godowns, etc, the Company had opened collection accounts with the branches of nationalised banks and State Level Co-operative banks within the State. On an average about Rs. 50 lakh per day is being remitted from these branches to their main offices at Shimla for credit to the main collection account of the Company. The consortium of these banks decided (September 1991) that all the member banks will afford credit of sale proceeds within a week from the date of deposit. However, no penal action was proposed in the event of default by any member bank. The Company has cash credit arrangements also with these banks to meet its day to day requirement.

Banks made a delay ranging from one day to 301 days in transferring funds resulting in avoidable payment of interest on cash credit

A test check of records for the years 1997-98, 1998-99 and 1999-2000 revealed (May 2000) that five[@] banks involved in the process of transfer of cash from the field had delayed credits ranging from 0.31 lakh to 147.40 lakh into main collection account of the Company at Shimla beyond a week's time ranging from one day to 301 days. This resulted in avoidable payment of interest of Rs. 35.21 lakh (1997-98: Rs. 6.32 lakh, 1998-99: Rs. 17.34 lakh and 1999-2000: Rs. 11.55 lakh) at a rate of 16 *per cent* per annum on availing of cash credit from the consortium of banks. Had the sale proceeds deposited with the field banks been transferred within the stipulated period of one week, the Company's cash credit could have been reduced to the extent funds

@ *H.P. State Co-operative Bank, State Bank of India, State Bank of Patiala, UCO Bank and Kangra Central Co-operative Bank* remained in pipeline and consequential less payment of interest on cash credit.

The Company took up the matter with the concerned banks only in January 1999 to pay interest for the period of delay in affording credit to the main collection account. No progress in this regard was made in the absence of any firm commitments and the Banks continued to delay in affording credits.

The Government stated (March 2001) that efforts were being made to streamline the system to curtail delays and to minimise interest loss. However, the fact remains that the consortium will not be liable to pay interest in the absence of any firm commitment to this effect by the consortium.

4A.2 Himachal Pradesh State Forest Corporation Limited

4A.2.1 Undue favour to the contractor

The Company did not recover excess loss of 538.465 M^3 timber and extended undue benefit of Rs. 0.85 crore to contractor.

The Company entered into (October 1996) an agreement with Shri Ran Singh labour supply mate (LSM) for floating and carriage of timber through river (ghall) in respect of lot Nos. 3/93-97-2/3-Toshnala* and 2/5-Khirganga*. According to the agreement, the LSM was responsible for loss, if any, beyond five *per cent* during the period the timber remained in his custody for floating and carriage to roadside depot.

It was noticed (February 2000) in audit that the Company handed over (October 1996) 90,839 scants** having volume of 8,283.908 M^3 of timber (Kail: 1421.809 M^3 and Fir: 6,862.099 M^3) to the LSM for floating through the river and carriage to roadside depot. According to the afloat account prepared by the Asstt. Manager, Kasol (Distt. Kullu), only 86,292 scants having volume of 7,685.972 M^3 (Kail: 812.254 M^3 and Fir: 6,873.718 M^3) including *chhanda collection**** were received at Himkashth Sale Depot (HSD). Audit scrutiny revealed that the Asstt. Manager calculated floating loss for timber of Kail at 16.28 *per cent* (167.661 M^3) and that of Fir at 3.33 *per cent* (241.868 M^3) indicating overall loss as 4.94 *per cent* by clubbing both the species as one lot as per Sale Depot Account. The calculation of loss on the basis of timber received at the HSD was not appropriate since the LSM was responsible for the carriage of timber upto roadside depot only whereas the

* *These are name of forest*

** *Scants represents timber logs*

*** *Timber separated from the ghall lot in water*

Instead of recovering Rs. 0.85 crore for shortages of 538.465 M^3 in kail timber, the Company released security deposit

Assistant Manager has worked out the loss up to HSD. The actual loss of Kail timber worked out to 609.555 M^3 and after adjustment of permissible ghall floating loss at five *per cent,* excess loss was 538.465 M^3. On the other hand there was excess receipt of 11.619 M^3 of Fir timber. The investigation of the Sub-divisional Manager also could not identify the reasons for shortages. The Company released the security deposit without recovering the loss amounting to Rs. 84.87 lakh worked out at an average sale price of Rs. 15761 per M^3. Thus, undue favour amounting to Rs. 84.87 lakh was extended to the contractor.

The matter was reported to the Government/Company in March 2001; no replies have been received (August 2001).

4A.2.2 Loss due to incorrect fixation of targets

Non fixation of targets for conversion of trees into commercial sizes on the basis of manual provisions resulted in loss of Rs. 0.10 crore.

Company sustained loss of Rs. 0.10 crore due to wrong fixation of targets

Work of felling, conversion and carriage of lot No. 1/94-97-2/52-Spurnala consisting of 2255 trees (volume 10011.395 M^3) of dia class of IV, III, IIA and above was awarded to M/s Madan Lal & Sons @ Rs. 790 per M^3. Conversion percentages in different sizes *viz.* sawn, axehewn and round ballies have been prescribed in the Manual (Procedure and Instructions for the Timber Extraction Works and Working of Himkasth Sale Depot Manual). The Management, however, issued (September 1993) further instructions that the conversion percentage for different sizes shall be fixed by the concerned Divisional Manager after inspecting the lot before calling tender and the conversion percentage would be entered into the agreement. Clause 12 (a) of the standard form of agreement also provides that in case the contractor extracts more Hakkaries (a lower grade timber), he will be liable for penalty @ 1.5 times and @ 1.25 times of tendered rates for sawn sizes and axehewn respectively.

The Divisional Manager, Kullu arbitrarily fixed the norms, without inspecting the lot as per Management instructions and these norms were much lower than that of Manual.

Due to fixation of lower targets the Divisional Manager paid bonus of Rs. 0.94 lakh for extra conversion of sawn size as per the targets fixed by him. However, as per the provision of Manual the contractor would be liable to pay penalty amounting to Rs. 9.33 lakh (Sawn -144.893 M^3 @ Rs. 1185 per M^3 and Axehewn - 771.117 M^3 @ Rs. 987 per M^3).

The Government in its reply (August 2001) stated that conversion percentage were based on the percentages fixed as per the targets fixed in the Divisional Managers' meeting held on 13 July 1993, however, the contention of the

Management is not tenable as the targets fixed by Divisional Manager were not based on physical inspection.

4A.3 Himachal State Industrial Development Corporation Limited

4A.3.1 Non-recovery of liquidated damages

Company did not recover liquidated damages amounting to Rs. 0.19 crore from the contractor even though he delayed completion of work by 436 days.

The work of development of Export Promotion Industrial Park (EPIP) at Baddi (Distt. Solan) was awarded (29 June 1996) to M/s Aggarwal and Company (Contractor), Mani Majra, Chandigarh at an estimated cost of Rs. 1.88 crore. The work was to be completed within fifteen months from the 15th day of the issue of the award letter. In case of failure, the contractor was liable to pay compensation equal to one *per cent* of the tendered cost of the whole work for every day of delay subject to maximum of ten *per cent* or smaller amount, as may be decided.

The contractor made a delay of 436 days in completion of work, the Company did not recover the liquidated damages of Rs. 0.19 crore

During audit, it was noticed (April 2000) that due to some land dispute, the work remained suspended for a period from 22 November 1996 to 28 February 1997. The contractor failed to complete the work within the stipulated/deemed stipulated period. The Company issued (November 1997) notice to the contractor to complete the work at the earliest and advised to apply for extension of time in proper form. The contractor did not apply for extension of time. However, the Company allowed provisional extensions four times i.e. up to 15 January 1998, 30 June 1998, 31 October 1998 and 15 March 1999 without prejudice to its right to recover the liquidated damages. The contractor completed the work on 30 March 1999 i.e. after a delay of 436 days (excluding the period from 22 November 1996 to 28 February 1997). Thus, even though the delay was attributable to the contractor, the Company did not recover the liquidated damages amounting to Rs. 18.80 lakh i.e. ten *per cent* of the tendered cost. Reasons for not recovering liquidated damages were neither available on record nor furnished to audit despite repeated reminders (August 2001).

The matter was reported to the Government/Management in March 2001; no replies have been received (August 2001).

4B Statutory Corporation

4B.1 Himachal Pradesh State Electricity Board

4B.1.1 Generation loss

Avoidable delay of 12 months in placing orders for electrical equipments resulted in generation loss of 2.02 million units valued at Rs. 2.66 crore.

Inordinate delay in placing orders resulted in generation loss of 2.02 million units

Power House of Andhra Hydel Project (3 units of 5.65 MW capacity) was damaged due to flash floods in August 1997. For re-furbishment of the Power House, M/s Bharat Heavy Electricals Limited (BHEL) proposed (September 1997) to replace the Regulation Cubicles of all the three units and offered (January 1998) to supply the required equipments on rebate ranging from 8 to 10 *per cent*. The Chairman of the Board directed (December 1997/ January 1998) the authorities concerned to restore all civil works by May 1998 and to place an open order on M/s BHEL with the delivery period of three months for all the electrical equipments required for restoration of the damaged Power House so that all the three units could be run during the ensuing monsoon season. Initially order was placed for Unit I and III.

It was noticed in audit (December 1999) that the Units-I & III of the Power House were re-commissioned during May and August 1998 respectively by dismantling Unit-II. But the supply order for procurement of equipments/parts, (propriety items of M/s BHEL) for Unit-II was placed in August 1999, with delivery period of 6 months, after lapse of a period of 12 months from re-commissioning of Units-I & III. The equipments were received in February 2000 and Unit-II was re-commissioned by the end of July 2000. Being the propriety item, had the Board placed orders on M/s BHEL in August 1998, the Unit-II would have been operational by July 1999. The inordinate delay in placing orders led to generation loss of 2.02 million units valued at Rs. 2.66 crore during peak season period of August-September 1999 and May-July 2000. The reasons for the inordinate delay of one year (between August 1998 and August 1999) in placing orders for the commissioning of Unit II were neither available on record nor furnished to Audit (July 2001).

The Chief Engineer (Generation) stated (April 2001) that there was no generation loss due to delay in re-commissioning of Unit-II as the water was not sufficient even for running Units-I & III of the Power House as the trench weir work was not completed by the Civil Wing of the Board. The reply is not tenable as the Board should have ensured completion of trench weir work in time to avoid generation loss.

The matter was reported to the Government/Board in April 2001; no replies have been received (August 2001).

4B.1.2 Change in site without recording reasons

Change in site for 66/22 KVA sub-station resulted in avoidable extra expenditure of Rs. 1.15 crore on civil works.

Change in site resulted in extra expenditure of Rs. 1.15 crore

A Scheme estimated at a cost of Rs. 2.91 crore for construction of 66 KV line from Gumma to Kotkhai with 66 KVA sub-station at Kotkhai was sanctioned (August 1992) by the Board. Sites at three places viz., 'Chhaila', 'Sainj' and 'Bajori' were considered for construction of the sub-station. Instead of selecting one of the three sites, the Board approved (December 1993) another site at 'Hully' without recording reasons for the change and incurred an expenditure of Rs. 1.48 crore (up to March 2000) on civil works which were started during 1996-97. Thus, change of site, resulted in extra-expenditure of Rs. 1.15 crore on civil works (compared with the most economical site available at 'Sainj' at a cost of Rs. 33 lakh).

The matter was reported to the Government/Board in April 2001; no replies have been received (August 2001).

4B.1.3 Non-recovery of Advance Consumption Deposit

The Board did not recover additional Consumption Deposit of Rs. 2.27 crore resulting in loss of interest of Rs. 0.96 crore.

The Board failed to raise demand of Rs. 2.27 crore on account of additional consumption deposits resulting in loss of interest of Rs. 0.96 crore

(a) As per practice prevailing, the Board under clause-22 of the 'Abridged Conditions of Supply' of Sales Manual Part-I, has been recovering enhanced/additional Advance Consumption Deposit from the consumers whose energy bills are generally not safeguarded by the amount of Advance Consumption Deposit already deposited by them. During audit it was noticed (April 1999) that the average amount of monthly energy bills for the period from November 1998 to January 1999 in respect of 9 consumers was Rs. 3.76 crore against which the Board had deposits of Rs. 1.55 crore only as security/ACD leaving the gap of Rs. 2.21 crore. But the Board did not raise the demand of additional deposit on this account from these consumers till March 2001. Thus, non-recovery of enhanced/additional deposits of Rs. 2.21 crore not only affected the liquidity position of the Board but also resulted in loss of interest during January 1999 to March 2001 to the order of Rs. 96.30 lakh worked out at the rate of 14.5 *per cent per annum* as the Board has been availing overdraft facility.

The Deputy Chief Engineer, Operation, Solan stated (March 2000) that the consumers had been making regular payments of energy bills and the increase in the amount of their energy bills was due to periodic increase in tariff rates as such no demand for additional deposit was raised. The reply is not tenable as the clause *ibid*, was introduced to safeguard the interest of the Board in recovering the amount of energy bills in the event of non-payment/disconnection etc.

(b) Instruction No. 33 read with clause 27 of the Abridged Conditions of Supply of Sales Manual Part-I provides *inter alia* that a consumer shall not without previous consent in writing of the Board transfer his interest under the agreement of supply of energy. The new consumer has to pay the ACD and monthly service rentals even if no disconnection/reconnection may be involved or the cost of the service line had been paid by the old consumer.

A company viz. M/s Sirmour Alloys (P) Limited was incorporated in June 1991 to take over the business of the partnership firm (M/s Indian Looms). The bills for consumption of power by new concern were continued to be issued in the name of the partnership firm and the change in the nature of consumer was made only in January 1999. This resulted in non-recovery of revenue amounting to Rs. 6.12 lakh on account of Advance Consumption Deposit (Rs. 2.83 lakh) and monthly service rentals (Rs. 3.29 lakh).

The Chief Engineer (Operation) South stated (5 June 2000) that the change of name of M/s Indian Looms to M/s Sirmour Alloys had been done as per Companies Act 1956 and the original consumer remained the same. The contention of the Management is not acceptable as ACD shall be recovered in all cases of change of name (s), excepting where an existing company changes its name.

The matters were reported to the Government/Board in February 2001; no replies had been received (August 2001).

4B.1.4 Short recovery of peak load hours charges

Non-levy of peak load charges amounting to Rs. 0.62 crore led to undue benefit to the consumer.

Non-imposition of penal provisions resulting in short recovery of Rs. 0.62 crore

Clause (I) of Part-I (General) of tariff notification as amended from time to time provides that supplies to the consumers of Large Industrial (LS-I & LS-2) categories etc., shall not be available during peak load hours except in cases where separate sanction of the Board is obtained by the consumers for this purpose. Board has to levy peak load exemption charges wherever exemption is granted. Further clause 18 (a) read with Clause 18 (c) of the Abridged

Conditions of Supply of Sales Manual Part-I, *inter-alia,* empowers the Board to disconnect the supplies of those consumers who contravene the provisions *ibid*, or breach the agreement entered into in this regard with the Board. For defaults, the monthly demand charges plus energy charges shall be increased by the same ratio as the number of peak load hours bears to the total hours in the month.

It was noted (April 1998) in audit, that three consumer M/s Malwa Cotton and Spinning Mills, M/s Gujarat Ambuja Cement Limited and M/s ACC, Barmana operated their industries during peak load hours without obtaining prior sanction of the Board but were billed at normal rate of tariff only. Their bills were not increased proportionately as required under the provisions *ibid.* This resulted in short-recovery of revenue amounting to Rs. 62.41 lakh (Malwa Cotton and Spinning Mills- Rs. 55.11 lakh, Gujrat Ambuja Cement Limited-Rs. 3.84 lakh and ACC-Rs. 3.46 lakh).

The Chief Engineer (Commercial) stated (September 1998 and January 1999), that the consumer at Sr. No. 1 above had applied for the exemption but the delay for granting exemption was on the part of the Board and bills have been rightly made at normal tariff and other two consumers, the infringement charges had been billed at maximum overall rate to cover the violations. The reply is also not tenable as peak load exemption charges are to be levied in case of such consumers who had obtained even sanction for running the industry during peak load hours.

The matter was reported to the Government/Board in April 2001; no replies have been received (August 2001).

4B.1.5 Overpayment of arrangers fee

Incorrect interpretation of condition of appointment letter of arrangers resulted in excess payment of arrangers fee of Rs. 0.41 crore.

For mobilisation of funds amounting to Rs. 125 crore through private placement of non-SLR Bonds, the Board accepted (26 November 1996) the offer of M/s SBI Capital Markets Limited to work as adviser and lead arranger to the issue. The offer stated that in the event of more than one arranger being appointed, all the arrangers should act as a team and the fee structure of the arrangers would be as under:

For mobilisation upto Rs. 75 crore-	0.50 *per cent* of the total amount
For mobilisation in excess of Rs. 75 crore and upto Rs. 100 crore-	0.70 *per cent* of the total amount
For mobilisation in excess of Rs. 100 crore but less than Rs. 125 crore-	0.90 *per cent* of the total amount
For mobilisation of funds for the total issue of Rs. 125 crore-	1.00 *per cent*

Incorrect interpretation of provisions of appointment letters of arrangers resulted in excess payment of Rs. 0.41 crore

The Board appointed (November 1996) four parties as lead/co-arrangers with the condition that although the fee would be calculated separately for each arranger according to the funds mobilised by them, the fee so calculated will accrue to a common pool and shared equally among all the arrangers including the lead arranger. SBICAPs, for his role and other various actions as lead arranger will get 0.05 *per cent* at each of the slabs within the levels indicated above. But the Board, instead of working out the fee separately for each arranger pooled the funds mobilised for working out the arrangers fee and paid a sum of Rs. 92.87 lakh at the rate of 0.90 *per cent* on the total sum of Rs. 103.19 crore mobilised through these arrangers for the issue. Thus, instead of paying fee on the amounts arranged by individual arranger, the Board made payment on the total amount arranged leading to excess payment of fee to the extent of Rs. 41.27 lakh.

In reply (October 1999), the Board/Government stated that all the arrangers were to act as one team and that the rate of fee was to be applied on the basis of total amount mobilised and not on the amount mobilised by each of the arrangers. The reply is not tenable because the appointment letters issued to the individual arranger did not indicate that funds arranged shall be pooled for the purpose of deciding the rate of fee.

The matter was reported to the Government/Board in April 2001; no replies have been received (August 2001).

4B.1.6 Avoidable expenditure in rock bolting

The Board incurred avoidable expenditure of Rs. 0.32 crore by not excluding the variations in rock-bolting from deviation limit.

Work for construction of Traffic Tunnel near barrage site of Larji Hydel Project, was awarded (October 1998) to M/s Prem Laxmi Company, Mumbai. which *inter-alia*, provided execution of additional work up to 20 *per cent* at the original rate. The rates beyond deviation limit were to be intimated by the contractors and were to be decided according to clause 12 (A) of the agreement. Both rock-bolting and grouting work were interrelated and subject to wide variations. The Board stipulated while awarding the contract that irrespective of actual quantity of grouting, the work would be paid at originally agreed rate. However, no such stipulations were made for rock bolting work.

The Board did not exempt rock bolting from deviation limit resulting in avoidable expenditure of Rs. 0.32 crore

It was noticed in audit (January 2000) that as per work order, rock-bolting etc., of 17,626 running meters was to be done at the rate of Rs. 320 per metre. Total rock-bolting of 39,808 running metres was got executed and the rate of Rs. 320 per running metre was paid to the contractor for 21,151 running metres (including 3,525 running metres- 20 *per cent* deviation). For remaining rock-bolting of 18,657 running metres, the rate of Rs. 489 per running metre (higher by 52.81 *per cent*) was paid (May 2000). Thus, failure of the Board to club rock bolting work along with grouting for payment at original rates resulted in extra expenditure of Rs. 31.53 lakh which could have been avoided.

The Chief Engineer, Larji Hydel Project stated (January 2001) that the higher rate for additional quantity of rock bolting was allowed as per Clause 12 (A) of the contract agreement. However, the fact remains that there was no justification for ignoring the rock bolting from exempting the deviation limits along with grouting in view of the wide variations.

The matter was reported to the Government/Board in February 2001; no replies have been received (August 2001).

4B.1.7 Non-recovery of interest

The Board incurred a loss of Rs. 0.25 crore due to non-incorporation of reciprocal interest clause in the agreement.

Interests of the Board were not safeguarded in respect of non-adjustment of "Interest free advances" within due dates of supplies

Clause 3.1, 3.2 and 3.6 (b) of agreement entered into with M/s Bharat Heavy Electricals Limited for supply of 2x11.25 MW Hydro Generating Sets for Ganwi Hydro Electric Project provided for payment of interest free advance to the supplier equal to 20 *per cent* of the cost of machinery. This advance was to be adjusted against the supply invoices on *pro-rata* basis. The agreement also provided interest at the rate of 20 *per cent per annum* or two and half *per cent* above the bank rate (whichever was higher) in case payments were not made by the Board within 30 days of receipt of invoices. However, in case of supplier not adhering to schedule of delivery no provision for recovery of the interest on advance that remained unadjusted for the period of delay was included in the agreement to safeguard the interest of the Board. The equipments were to be delivered between November 1997 and October 1998. In terms of the agreement, BHEL was given advance of Rs. 5.27 crore in November 1996 and July 1997 which was to be adjusted against the invoices of material despatched up to October 1998.

The supplier, however, started despatching equipments in March 1998 and completed the supplies in April 2000. Interest amounting to Rs. 67.06 lakh was paid to the supplier on payments delayed beyond 30 days from the date of receipt of the invoices. In the absence of enabling clause the Board could not recover interest amounting to Rs. 24.85 lakh in respect of advances remaining unadjusted due to delayed supplies.

The Chief Engineer (Generation) stated (February 2001) that Rs. 82.87 lakh had been recovered as liquidated damages charges from the bills of the supplier which were higher than the interest liability payable to him. The reply is not tenable as liquidated damage is levied for expected loss of revenue from generation due to delay in commissioning and hence was related to performance of contractual obligations. However, financial interests of the Board were not safeguarded by inclusion of appropriate clause for levy of interest.

The matter was reported to the Government/Board in April 2001; no replies have been received (August 2001).

4B.1.8 Loss due to negligence of contractor

The Board sustained a loss of Rs. 0.23 crore due to the negligence of the contractor and non-invoking of risk and cost clause.

Non providing of hill treatment by the contractor resulted into land slide and consequential loss of Rs. 0.23 crore

The turn key contract for design and execution of Bhabha Power House Project (3 MW) provided (October 1994) that during excavation of sites for construction of switch yard & Power House supporting system in case of necessity would be provided by the contractor. However, the contractor (M/s Crompton Greaves Limited, Chandigarh) did not provide the soil supporting system of rock bolting. Therefore the Director (Planning) directed (November 1997) the contractor to provide the hillside treatment/rock-bolting etc., as per the site conditions but the contractor did not act accordingly and the site developed at a cost of Rs. 23.22 lakh was covered with debris due to heavy land slide (March 1998). The Committee constituted (May 1998) for inspecting the site observed that the landslide occurred due to non-providing of hill treatment by the contractor. The balance works were taken over by the Board in September 1998 to be executed at the cost and risk of the contractor under the provisions of clause 33 (d) of the agreement *ibid* and the sites of both the works were changed.

During audit, it was noticed that on the request of the contractor, the Board entered into supplementary agreement (May 2000) for the remaining electro-mechanical and other works with the same contractor. It was also decided to execute the remaining civil works by the Board without any obligation on the part of the contractor. Thus, due to non-enforcing the risk and cost clause and exonerating the contractor from any obligation the expenditure of Rs. 23.22 lakh incurred on the site development could not be recovered from the contractor.

The Chief Engineer (Project) stated (October 2000) that the Committee constituted (September 1999) to assess the payment/recovery due from the contractor was yet to submit its recommendations to the Board for final decision. The reply is not tenable as the prospects of recovery of Rs. 23.22 lakh are remote since the contractor has already been exonerated from obligations.

The matter was reported to the Government/Board in April 2001; no replies have been received (August 2001).

4B.1.9 Un-authorised revision of pay and allowances

Grant of pay and allowances in deviation of approved policy resulted in avoidable payment of Rs. 0.10 crore.

Inadmissible payments of Rs. 0.10 crore to Board's employees

The Secretariat allowance, on the pattern of Himachal Pradesh State Government, was admissible to only 72 employees of the Board who were posted in the Board's Secretariat, i.e. offices of the Chairman, Members and Secretary (HPSEB). In audit it was, however, noticed (November 2000) that the Board granted secretariat allowance at the rate of Rs. 40.00 per month (with effect from 1 December 1995) to all 149 class-IV (Non-technical) cadre (141 peons, 4 chowkidars and 4 sweepers) posted in the Board's offices at Kumar House. This allowance was enhanced to Rs. 80.00 per month to these employees and also paid at the rate of Rs. 160.00 per month to daftries (9 employees) with effect from 1 September 1997. Thus, allowing allowances to all the class-IV employees posted at Kumar House, the Board made inadmissible payment of Rs. 3.97 lakh to employees who were not involved in secretarial activities.

Further, in view of the Board's decision (January 1979) that scales of Punjab State Electricity Board (PSEB) were to be followed, the Chairman of the Board approved revision (July 1998) of the pay scales of work-charged staff (helpers, welders and mechanics- the cadres emerged in HPSEB from August 1997) provisionally with the direction to correct the scales so as to bring the same at par with PSEB scales. However, the Board did not correct the scales as per the above decision of the Chairman resulting in over payment of Rs. 5.56 lakh to work-charged staff (exclusive of DA) up to March 2001.

The Board stated (January 2001) that they were following mixed pattern of pay scales and the deviations in granting pay scales to its employees were made with the approval of the Whole Time Members'. The reply is not tenable as the Whole Time Members are not competent to approve the higher scales to a group of employees in deviation of the policy of the Board/Government.

The matter was reported to the Government in April 2001; no replies had been received (August 2001).

4B.1.10 Non recovery of energy charges

Application of incorrect multiplying factor led to non-recovery of energy charges amounting to Rs. 0.12 crore.

Due to incorrect application of multiplying factor, the Board was deprived of revenue of Rs. 0.12 crore

During a surprise inspection (April 1997) the Executive Engineer, Flying Squad of the Board detected 27 *per cent* slow running of meter installed at the premises of M/s Shaboo Cylinders, Kala Amb and directed the concerned Sub-Division to recast the account of the consumer since installation (27 December 1996) of the meter. It was, however, noticed in audit (March 1999) that the slow running of the meter detected by Flying Squad was in fact a case of application of incorrect multiplying factor of 1200 instead of 1800. The Board applied the correct multiplying factor of 1800 from April 1998 onwards instead of from the date of installation as detected by the Flying Squad. The recovery amounting to Rs. 12.07 lakh for the period prior to April 1998 was stayed (May 1999) by the Chief Electrical Inspector and the recovery could not be made so far (September 2001).

The Chief Engineer (Operation) South, admitted (May 2000) the above facts.

The matter was reported to the Government/Board in February 2001; no replies have been received (August 2001).

4B.1.11 Undue favour to a consumer

Dishonoured cheques (Rs. 0.38 crore) were returned to the consumer and the Board did not initiate action against the defaulter under the Negotiable Instrument Act.

Instruction No. 24 (ii) of Abridged Conditions of Supply of Sales Manual Part-I lays down that in case the bill is not paid in full within due date, the Board gives seven days notice in writing and thereafter in case of failure to deposit the amount the consumer shall be liable to have his power supply disconnected. Further, instruction No. 284 of Sales Manual Part-II as amended in May 1989 prohibits the Board from accepting outstation cheques against energy consumption charges.

No action was taken under Negotiable Instrument Act against the consumer for dishonoured cheques.

During audit of Sub-division, Damtal in December 2000, it was noticed that M/s Jawalajee Alloys Steel Private Limited was a regular defaulter in making the payment of its energy dues. Between October 1999 and December 1999, an amount of Rs. 56.36 lakh became due from the consumer, of which the consumer paid Rs. 28.54 lakh during October (Rs. 12.94 lakh) and December

(Rs. 15.60 lakh) 1999. In the meantime a sum of Rs. 29.03 lakh became due for the month of January and February 2000. Against the outstanding dues the consumer issued three outstation cheques for Rs. 37.60 lakh (in December 1999- Rs. 13.96 lakh; in January 2000- Rs. 9.43 lakh and in February 2000-Rs. 14.21 lakh). The concerned Sub-division deposited these cheques in the Bank, which were dishonoured in April 2000 on the ground that the amount of cheques in figures and words differed and also exceeded the arrangement. The consumer got its power supply disconnected (March 2000) due to fire in the unit.

Instead of taking action against the consumer under Negotiable Instrument Act by filing FIR for criminal proceedings, the concerned Assistant Engineer returned the cheques to the consumer in May 2000 along with objections of the bankers. The legal notice on the consumer was issued by the Board in April 2001. The amount was yet to be recovered (June 2001).

The matter was reported to the Government/Board in February 2001; no replies have been received (August 2001).

Shimla
The 25 FEB 2002

(SATISH LOOMBA)
Accountant General (Audit)
Himachal Pradesh

Countersigned

V. K. Shunglu

New Delhi
The 28 FEB 2002

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

ANNEXURES

Annexure-1

(Referred to in paragraph Nos. 1.2.1.1, 1.2.1.2 & 1.2.2)

Statement showing particulars of up-to-date paid-up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2001 in respect of Government companies and Statutory corporations.

(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 2000-01					Equity/loans received out of Budget during the year		Other loans received during the year@	Loans **Outstanding at the close of 2000-01			Debt equity ratio for 2000-01 (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	**Working Government companies**												
AGRICULTURE AND ALLIED													
1	Himachal Pradesh Agro Industries Corporation Limited	984.08	196.00	-	-	1180.08	-	-	-	110.89	74.82	185.71	0.16:1 (0.17:1)
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	1023.50	150.00	-	607.00	1780.50	-	-	-	1474.66	-	1474.66	0.83:1 (0.69:1)
3	Agro Industrial Packaging India Limited	1675.00	-	-	97.00	1772.00	-	-	-	2491.00	-	2491.00	1.41:1 (-)
	Total	**3682.58**	**346.00**	-	**704.00**	**4732.58**	-	-	-	**4076.55**	**74.82**	**4151.37**	**0.88:1 (0.30:1)**
	INDUSTRY												
4	Himachal Pradesh State Small Industries and Export Corporation Limited	246.08	-	-	-	246.08	-	-	-	-	-	-	-

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
5	Himachal Pradesh General Industries Corporation Limited	497.79	-	-	12.31	510.10	-	-	-	297.46	-	297.46	0.58:1 (-)
	Total	**743.87**	-	-	**12.31**	**756.18**	-	-	-	**297.46**	-	**297.46**	**0.39:1 (-)**
	ELECTRONICS												
6	Himachal Pradesh State Electronics Development Corporation Limited	371.67	-	-	-	371.67	-	150.00	-	198.31	-	198.31	0.53:1 (0.13:1)
	Total	**371.67**	-	-	-	**371.67**	-	**150.00**	-	**198.31**	-	**198.31**	**0.53:1 (0.13:1)**
	HANDLOOM AND HANDICRAFTS												
7	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	410.16	3.00	-	-	413.16	1.00	-	-	197.61	-	197.61	0.48:1 (0.48:1)
	Total	**410.16**	**3.00**	-	-	**413.16**	**1.00**	-	-	**197.61**	-	**197.61**	**0.48:1 (0.48:1)**
	FOREST												
8	Himachal Pradesh State Forest Corporation Limited	1171.12	-	-	-	1171.12	-	-		-	65962.95	65962.95	56.32:1 (56.32:1)
	Total	**1171.12**	-	-	-	**1171.12**	-	-	-	-	**65962.95**	**65962.95**	**56.32:1 (56.32:1)**
	CONSTRUCTION												
9	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	2500.00	-	-	-	2500.00	2000.00	-	77000.00	-	97320.00	97320.00	38.93:1 (59.44:1)
	Total	**2500.00**	-	-	-	**2500.00**	**2000.00**	-	**77000.00**	-	**97320.00**	**97320.00**	**38.93:1 (59.44:1)**

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												
10	Himachal Pradesh Mahila Vikas Nigam	125.18	9.60	-	-	134.78	-	-	-	-	-	-	-
11	Himachal Backward Classes Finance and Development Corporation Limited	196.60	-	-	-	196.60	40.00	1.00	-	1.00	844.81	845.81	4.30:1 (2.64:1)
12	Himachal Pradesh Minorities Finance and Development Corporation	92.42	-	-	-	92.42	17.00	-	-	-	138.38	138.38	1.50:1 (1.91:1)
	Total	**414.20**	**9.60**	-	-	**423.80**	**57.00**	**1.00**	-	**1.00**	**983.19**	**984.19**	**2.32:1 (1.59:1)**
	PUBLIC DISTRIBUTION												
13	Himachal Pradesh State Civil Supplies Corporation Limited	351.50	-	-	-	351.50	-	500.00	-	42.30	-	42.30	0.12:1 (0.20:1)
	Total	**351.50**	-	-	-	**351.50**	-	**500.00**	-	**42.30**	-	**42.30**	**0.12:1 (0.20:1)**
	TOURISM												
14	Himachal Pradesh Tourism Development Corporation Limited	1229.86	-	-	-	1229.86	-	-	-	-	132.77	132.77	0.11:1 (0.04:1)
	Total	**1229.86**	-	-	-	**1229.86**	-	-	-	-	**132.77**	**132.77**	**0.11:1 (0.04:1)**
	DRUG, CHEMICALS AND PHARMACEUTICALS												
15	Himachal Pradesh Health Systems Corporation Limited	500.00	-	-	-	500.00	475.00	-	26327.00	-	26327.00	26327.00	52.65:1 (-)
	Total	**500.00**	-	-	-	**500.00**	**475.00**	-	**26327.00**	-	**26327.00**	**26327.00**	**52.65:1 (-)**

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	FINANCING												
16	Himachal Pradesh State Industrial Development Corporation Limited	3035.02	-	-	-	3035.02	75.62	-	-	82.38	3117.71	3200.09	1.05:1 (1;11:1)
	Total	**3035.02**	**-**	**-**	**-**	**3035.02**	**75.62**	**-**	**-**	**82.38**	**3117.71**	**3200.09**	**1.05:1 (1;11:1)**
	Total-A (All sector-wise Government companies)	**14409.98**	**358.60**	**-**	**716.31**	**15484.89**	**2608.62**	**651.00**	**103327.00**	**4895.61**	**193918.44**	**198814.05**	**12.84:1 (7.86:1)**
	B Working Statutory corporations												
	POWER												
17	Himachal Pradesh State Electricity Board	27600.00	-	-	-	27600.00	-	-	22468.32	432.75	151752.89	152185.64	5.51:1 (4.91:1)
	Total	**27600.00**	**-**	**-**	**-**	**27600.00**	**-**	**-**	**22468.32**	**432.75**	**151752.89**	**152185.64**	**5.51:1 (4.91:1)**
	TRANSPORT												
18	Himachal Road Transport Corporation	17505.53	1544.45	-	-	19049.98	1190.00	-	-	-	4139.77	4139.77	0.22:1 (0.22:1)
	Total	**17505.53**	**1544.45**	**-**	**-**	**19049.98**	**1190.00**	**-**	**-**	**-**	**4139.77**	**4139.77**	**0.22:1 (0.22:1)**
	FINANCING												
19	Himachal Pradesh Financial Corporation	2157.79	-	-	659.32	2817.11#	-	-	1272.50	-	12345.78	12345.78	4.38:1 (4.06:1)
	Total	**2157.79**	**-**	**-**	**659.32**	**2817.11**	**-**	**-**	**1272.50**	**-**	**12345.78**	**12345.78**	**4.38:1 (4.06:1)**
	Total-B (All sector-wise Statutory corporations)	**49263.32**	**1544.45**	**-**	**659.32**	**49467.09**	**1190.00**	**-**	**23740.82**	**432.75**	**168238.44**	**168671.19**	**3.41:1 (3.13:1)**
	Grand Total (A+B)	**61673.30**	**1903.05**	**-**	**1375.63**	**64951.98**	**3798.62**	**651.00**	**127067.82**	**5328.36**	**362156.88**	**367485.24**	**5.66:1 (4.10:1)**

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
C	**Non-working companies**												
	INDUSTRY												
20	Himachal Worsted Mills Limited	-	-	47.00	45.00	92.00	-	-	-	6.00	269.84	275.84	3.00:1 (3.00:1)
	Total	-	-	**47.00**	**45.00**	**92.00**	-	-	-	**6.00**	**269.84**	**275.84**	**3.00:1 (3.00:1)**
	ENGINEERING												
21	Nahan Foundry Limited	387.00	-	-	-	387.00	-	-	-	54.35	-	54.35	0.14:1 (0.14:1)
	Total	**387.00**	-	-	-	**387.00**	-	-	-	**54.35**	-	**54.35**	**0.14:1 (0.14:1)**
	Grand Total-C	**387.00**	-	**47.00**	**45.00**	**479.00**	-	-	-	**60.35**	**269.84**	**330.19**	**0.69:1 (0.69:1)**
	Grand Total (A+B+C)	**62060.30**	**1903.05**	**47.00**	**1420.63**	**65430.98**	**3798.62**	**651.00**	**127067.82**	**5388.71**	**362426.72**	**367815.43**	**5.62:1 (4.10:1)**

Note:- Except in respect of companies and corporations which finalised their accounts for 2000-01 (Sr. No. 4, 5, 9, 13, 15, 17, 18, 19, 20 and 21) figures are provisional and as given by the companies/corporations.

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

** *Loans outstanding at the close of 2000-01 represents long term loans only.*

Includes share application money of Rs. 66.10 lakh.

Annexure-2

(Referred to in paragraph Nos. 1.2.3, 1.2.4.1.1, 1.2.4.1.2, 1.2.5, 1.3.3 & 1.3.4)

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

(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
1	2	3	4	5	6	7	8	9	10	11	12	13	14
A	**Working Government companies**												
	AGRICULTURE AND ALLIED												
1	Himachal Pradesh Agro Industries Corporation Limited	Horticulture	September 1970	1999-2000	2000-2001	(-)87.87	Nil comments	1180.08	(-)356.63	469.74	(-)67.21	-	1
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Horticulture	June 1974	1999-2000	2000-2001	(-)578.75	General comments on the Balance Sheet	1780.50	(-)2824.44	1013.44	(-)490.94	-	1
3	Agro Industrial Packaging India Limited	Horticulture	February 1987	1999-2000	2000-01	(+)3.95	Nil comments	1772.00	(-)3387.05	1115.46	(+)198.98	17.84	1
	Total					**(-)662.67**		**4732.58**	**(-)6568.12**	**2598.64**	**(-)359.17**	-	-
	INDUSTRY												
4	Himachal Pradesh State Small Industries and Export Corporation Limited	Industries	October 1966	2000-01	2001-02	(+)11.26	General Comments	246.08	(-)264.00	86.40	(+)11.26	13.03	-
5	Himachal Pradesh General Industries Corporation Limited	Industries	November 1972	2000-01	2001-02	(+)3.41	Nil Comments	510.10	(-)127.78	663.27	(+)39.32	5.93	-
	Total					**(+)14.67**		**756.18**	**(-)391.78**	**749.67**	**(+)50.58**	**6.75**	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14
	ELECTRONICS												
6	Himachal Pradesh State Electronics Development Corporation Limited	Indus-tries	October 1984	1999-2000	2000-01	(-)83.90	Nil comm-ents	371.67	(-)202.31	219.51	(-)82.85	-	1
	Total					**(-)83.90**		**371.67**	**(-)202.31**	**219.51**	**(-)82.85**	**-**	-
	HANDLOOM AND HANDICRAFTS												
7	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	Indus-tries	March 1974	1999-2000	2000-01	(-)12.66	Nil comm-ents	412.16	(-)584.27	56.58	(+)10.69	18.89	1
	Total					**(-)12.66**		**412.16**	**(-)584.27**	**56.58**	**(+)10.69**	**18.89**	-
	FOREST												
8	Himachal Pradesh State Forest Corpo-ration Limited	Forest	March 1974	1995-96	1999-2000	(+)19.27	Over statement of profit by Rs. 1.50 crore	1208.06	(-)1414.25	3359.22	(+)676.78	20.15	5
	Total					**(+)19.27**		**1208.06**	**(-)1414.25**	**3359.22**	**(+)676.78**	**20.15**	-
	CONSTRUCTION												
9	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	Public Works	June 1999	2000-01	2001-02	**	Nil comm-ents	2500.00	-	98217.39	-	-	-
	Total					-		**2500.00**	-	**98217.39**	-	-	-
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS												
10	Himachal Pradesh Mahila Vikas Nigam	Welfare	April 1989	1998-99	2001-02	(+)0.96	General comments on Balance Sheet	129.78	(+)0.96	66.19	(+)0.96	1.45	2
11	Himachal Backward Classes Finance and Development Corporation	Welfare	January 1994	1997-98	2000-01	(+)10.42	Not reviewed	95.59	(+)26.35	360.28	(+)17.78	4.94	
				1998-99	2001-02	(-)4.00	Not reviewed	134.59	(+)22.35	549.99	(+)11.47	2.09	2
12	Himachal Pradesh Minorities Finance and Development Corporation	Welfare	Septem-ber 1996	1998-99	2000-01	(+)0.25	Not reviewed	65.42	(-)0.60	191.56	(+)2.45	1.28	2
	Total					**(-)2.79**		**329.79**	**(+)22.71**	**807.74**	**(+)14.88**	**1.84**	-
	PUBLIC DISTRIBUTION												
13	Himachal Pradesh State Civil Supplies Corporation Limited	Food & Supplies	Septem-ber 1980	2000-01	2001-02	(+)53.94	Nil Comments	351.50	(+)187.68	2093.34	(+)186.91	8.93	-
	Total					**(+)53.94**		**351.50**	**(+)187.68**	**2093.34**	**(+)186.91**	**8.93**	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14
	TOURISM												
14	Himachal Pradesh Tourism Development Corporation Limited	Tourism and Civil Aviation	September 1972	1999-2000	2000-01	(-)114.36	Understatement of loss by Rs. 2.39 lakh	1229.86	(-)478.94	1746.11	(-)112.56	-	1
	Total					**(-)114.36**		**1229.86**	**(-)478.94**	**1746.11**	**(-)112.56**	-	-
	DRUGS, CHEMICALS AND PHARMACEUTICALS												
15	Himachal Pradesh Health Systems Corporation Limited	Health	November 1999	2000-01	2001-02	**	Nil comments	500.00	-	26827.00	-	-	-
	Total					-		**500.00**	-	**26827.00**	-	-	-
	FINANCING												
16	Himachal Pradesh State Industrial Development Corporation Limited	Industries	November 1966	1999-2000	2000-01	(-)121.06	Nil Comments	2959.40	(-)2093.49	4067.85	(+)278.05	6.84	1
	Total					**(-)121.06**		**2959.40**	**(-)2093.49**	**4067.85**	**(+)278.05**	**6.84**	-
	Total-A (All sector-wise Government companies)					**(-)909.56**		**15351.20**	**(-)11522.77**	**140743.05**	**(+)663.31**	**0.47**	-
B	**Working Statutory corporations**												
	POWER												
17	Himachal Pradesh State Electricity Board	MPP & Power	September 1971	2000-01	2001-02	(-)3688.26	Understatement of net deficit by Rs. 64.99 crore	27600.00	(-)1737.38	206967.40	2651.82	1.28	-
	Total					**(-)3688.26**		**27600.00**	**(-)1737.38**	**206967.40**	**2651.82**	**1.28**	-
	TRANSPORT												
18	Himachal Road Transport Corporation	Transport	October 1974	2000-01	2001-02	(-)3476.14	Under statement of net loss by Rs. 88.20 lakh	19049.98	(-)24896.30	(-)112.98	(-)2205.39	-	-
	Total					**(-)3476.14**		**19049.98**	**(-)24896.30**	**(-)112.98**	**(-)2205.39**	-	-
	FINANCING												
19	Himachal Pradesh Financial Corporation	Industries	April 1967	2000-01	2001-02	(-)552.14*	Under statement of net loss by Rs. 21.37 lakh	2817.11	(-)6500.83	15282.83	(+)331.76#	2.17	-
	Total					**(-)552.14**		**2817.11**	**(-)6500.83**	**15282.83**	**(+)331.76**	**2.17**	-
	Total-B (All sector-wise Statutory corporations)					**(-)7716.54**		**49467.09**	**(-)33134.51**	**222137.25**	**(+)778.19**	**0.35**	-
	Grand Total (A+B)					**(-)8626.10**		**64818.29**	**(-)44657.28**	**362880.30**	**(+)1441.50**	**0.40**	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14
C	**Non-working companies**												
	INDUSTRIES												
20	Himachal Worsted Mills Limited	Indus-tries	October 1974	2000-01	2001-02	(-)0.94	Not reviewed	92.00	(-)544.32	(-)63.82	(-)0.06	-	
	Total					**(-)0.94**		**92.00**	**(-)544.32**	**(-)63.82**	**(-)0.06**	-	-
	ENGINEERING												
21	Nahan Foundry Limited	Indus-tries	October 1952	2000-01	2001-02	(-)45.16	Not reviewed	387.00	(-)873.53	(-)340.05	(+)2.05	-	-
	Total					**(-)45.16**		**387.00**	**(-)873.53**	**(-)340.05**	**(+)2.05**	-	-
	Grand Total C					**(-)46.10**		**479.00**	**(-)1417.85**	**(-)403.87**	**(+)1.99**	-	-
	Grand Total (A+B+C)					**(-)8672.20**		**65297.29**	**(-)46075.13**	**(+)362476.43**	**(+)1443.49**	**0.40**	-

(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).*

* *Loss is before making provision for non-performing assets of Rs. 634.31 lakh*

While calculating return on capital employed, provisions for non-performing assets amounting to Rs. 634.31 lakh has been taken into account

** *Excess over expenditure is reimbursable by the State Government.*

Annexure-3

(Referred to in paragraph No. 1.2.2)

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 2001

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

Sl. No	Name of the Public Sector Undertaking	@ Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year**					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash Credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
A	**Working Government companies**															
1	Himachal Pradesh Agro Industries Corporation Limited	-	12.29	-	12.29	-	- (74.82)	(68.23)	-	(143.05)	-	-	-	-	-	-
2	Himachal Pradesh Horti-cultural Produce Marketing and Processing Corporation Limited	-	703.09	-	703.09	100.00 (97.00)	-	-	-	100.00 (97.00)	-	-	-	-	-	-
3	Agro Industrial Packaging India Limited	-	450.00	-	450.00	-	-	-	-	-	-	-	-	-	-	-
4	Himachal Pradesh General Industries Corporation Limited	-	54.30	-	54.30	-	-	-	-	-	-	-	-	-	-	-

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

1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
5	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	-	59.00	-	59.00	60.00 (23.95)	-	-	-	60.00 (23.95)	-	-	-	-	-	-
6	Himachal Pradesh State Forest Corporation Limited	-	-	-	-	-	- (65962.95)	-	-	- (65962.95)	-	-	-	-	-	-
7	Himachal Pradesh Mahila Vikas Nigam	-	3.00 (Grants)	-	3.00 (Grants)	-	-	-	-	-	-	-	-	-	-	-
8	Himachal Pradesh Minorities Finance and Develop-ment Corporation	-	2.00	-	2.00	-	250.00 (138.38)	-	-	250.00 (138.38)	-	-	-	-	-	-
9	Himachal Backward Classes Finance and Develop-ment Corporation	-	30.00 (Grant)	-	30.00 (Grant)	-	1000.00 (844.81)	-	-	1000.00 (844.81)	-	-	-	-	-	-
10	Himachal Pradesh State Civil Supplies Corporation Limited	-	56.37	-	56.37	1000.00 (864.32)	-	-	-	1000.00 (864.32)	-	-	-	-	-	-
11	Himachal Pradesh Tourism Develop-ment Corporation Limited	136.82 (Grants)	32.71 (Grants)	-	169.53 (Grants)	-	-	-	-	-	-	-	-	-	-	-
12	Himachal Pradesh State Industrial Develop-ment Corporation Limited	-	-	-	-	-	- (60.00)	-	-	- (60.00)	-	-	-	-	-	-
13	Himachal Pradesh Road and Other Infrastru-cture Develop-ment Corpora-tion Limited.	-	-	-	-	-	88930.00 (97320.00)	-	-	88930.00 (97320.00)	-	-	-	-	-	-

1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
14	Himachal Pradesh Health System Corporation Limited	-	-	-	-	-	26327.00 (26327.00)	-	-	26327.00 (26327.00)	-	-	-	-	-	-
		-	**1337.05**	-	**1337.05**	**1160.00 (985.27)**	**116507.00 (190727.96)**	**(68.23)**	-	**117667.00 (191781.46)**	-	-	-	-	-	-
	Total-A	**136.82 (Grants)**	**65.71 (Grants)**	-	**202.53 (Grants)**											
B	**Working Statutory corporations**															
15	Himachal Pradesh State Electricity Board	-	-	-	-	23000.00	7268.32 (146991.89)	-	-	30268.32 (146991.89)	-	-	-	-	-	-
16	Himachal Road Transport Corporation	-	2700.00	-	2700.00	2000.00	1800.00 (4139.78)	-	-	3800.00 (4139.78)	-	-	-	-	-	-
17	Himachal Pradesh Financial Corporation	6.73	12.84	9.54	29.11 -	-	1087.50 (7307.28)			1087.50 (7307.28)	-	-	-	-	-	-
	Total-B	6.73	2712.84	9.54	2729.11	25000.00	10155.82 (158438.95)	-	-	35155.82 (158438.95)	-	-	-	-	-	-
	Grand Total (A+B)	6.73	4049.89	9.54	4066.16	26160.00 (985.27)	126662.82 (349166.91)	(68.23)	-	152822.82 (350220.41)	-	-	-	-	-	-
		136.82 (Grants)	65.71 (Grants)	-	202.53 (Grants)						-	-	-	-	-	-
C	**Non Working Government companies**															
16	Nahan Foundry Limited	-	-	-	-	222.31 (222.31)	-	-	-	222.31 (222.31)	-	-	-	-	-	-
	Total-C					222.31 (222.31)	-			222.31 (222.31)	-	-	-	-	-	-
	Grand Total (A+B+C)	6.73	4049.89	9.54	4066.16	26382.31 (1207.58)	126662.82 (349166.91)	(68.23)	-	153045.13 (350442.72)	-	-	-	-	-	-
		136.82 (Grants)	65.71 (Grants)	-	202.53 (Grants)											

@ *Subsidy includes subsidy receivable at the end of year which is also shown in brackets*

Annexure-4

(Referred to in paragraph No. 1.2.4)

Statement showing financial position of Statutory corporations

(Rupees in crore)

1	**Himachal Pradesh State Electricity Board**			
	Particulars	**1998-99**	**1999-2000**	**2000-01**
A	**Liabilities**			
	Equity Capital	274.00	276.00	276.00
	Loans from Government	496.20	1.78	4.33
	Other long-term loans (including bonds)	980.84	1354.11	1517.53
	Reserves and surplus	527.87	492.89	579.22
	Current liabilities and provisions	532.38	661.16	765.55
	Total-A	**2811.29**	**2785.94**	**3142.63**
B	**Assets**			
	Gross fixed assets	940.18	1004.75	1296.44
	Less: Depreciation	153.02	176.53	200.18
	Net fixed assets	787.16	828.22	1096.26
	Capital works-in-progress	892.70	1058.17	1081.34
	Deferred cost	31.96	31.87	37.32
	Current assets	563.96	662.00	657.63
	Investments	529.48	197.99	247.13
	Miscellaneous expenditure	6.03	7.69	5.58
	Deficits	-	-	17.37
	Total-B	**2811.29**	**2785.94**	**3142.63**
C	**Capital employed#**	**1711.44**	**1887.23**	**2069.68**
2	**Himachal Road Transport Corporation**			
	Particulars	**1998-99**	**1999-2000**	**2000-01**
A	**Liabilities**			
	Capital (including capital loan & equity capital)	166.41	178.60	190.50
	Borrowings (Government) (Others)	- 34.82	- 39.17	- 41.51
	Funds=	-	6.96	15.82
	Trade dues and other current liabilities (including provisions)	28.45	59.98	74.65
	Total-A	**229.68**	**284.71**	**322.48**

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.*

	Particulars	1998-99	1999-2000	2000-01
B	**Assets**			
	Gross block	130.67	135.42	142.59
	Less: Depreciation	77.24	80.55	81.82
	Net fixed assets	53.43	54.87	60.77
	Capital works-in-progress (including cost of chassis)	1.29	1.80	1.67
	Investments	-	-	-
	Current assets, loans and advances	9.30	13.84	11.08
	Deferred cost	-	-	-
	Accumulated losses	165.66	214.20	248.96
	Total-B	**229.68**	**284.71**	**322.48**
C	**Capital employed***	**35.57**	**10.53**	**(-)1.13**
3	**Himachal Pradesh Financial Corporation**			
	Particulars	**1998-99**	**1999-2000**	**2000-01**
A	**Liabilities**			
	Paid-up capital	27.51	27.51	27.51
	Share application money	0.66	0.66	0.66
	Reserve funds and other reserves and surplus	4.97	4.97	4.97
	Borrowings:			
	Bonds and debentures	81.90	76.67	85.97
	Fixed deposits	-	-	
	Industrial Development Bank of India and Small Industries Development Bank of India	33.05	37.74	36.49
	Reserve Bank of India	-	1.50	1.00
	Loan towards share capital: (a) State Government (b) Industrial Development Bank of India	-	-	
	Others (including State Government)	0.79	0.79	0.79
	Other liabilities and provisions	50.56	51.87	58.87
	Total-A	**199.44**	**201.71**	**216.26**
B	**Assets**			
	Cash and Bank balances	5.94	1.31	1.99
	Investments	0.07	0.07	-
	Loans and Advances	141.47	142.30	144.36
	Net fixed assets	0.34	0.33	0.30
	Dividend deficit account	0.79	0.79	0.79
	Other assets	2.74	3.76	3.82
	Profit and loss account	48.09	53.15	65.00
	Total-B	**199.44**	**201.71**	**216.26**
C	**Capital employed@**	**144.67**	**148.57**	**152.83**

* *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

(Referred to in paragraph No. 1.2.4)

Statement showing working results of Statutory corporations

(Rupees in crore)

1	Himachal Pradesh. State Electricity Board			
	Particulars	**1998-99**	**1999-2000**	**2000-01**
1	(a) Revenue receipts (b) Subsidy/Subvention from Government Total	499.48 - 499.48	587.58 – 587.58	660.84 – 660.84
2	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	391.08	577.76	601.36
3	Gross surplus (+)/deficit (-) for the year (1-2)	108.40	9.82	59.48
4	Adjustments relating to previous years	(-)50.30	(-)41.48	(-)7.88
5	Final gross surplus(+)/deficit(-) for the year (3+4)	58.10	(-)31.66	51.60
6	Appropriations:			
	(a) Depreciation (less capitalised)	21.29	23.46	25.08
	(b) Interest on Government loans	1.46	1.46	-
	(c) Interest on others, bonds, advances etc. and finance charges	71.33	93.48	112.55
	(d) Total interest on loans and finance charges (b+c)	72.79	94.94	112.55
	(e) Less: Interest capitalised	29.71	43.84	49.15
	(f) Net interest charged to revenue (d-e)	43.08	51.10	63.40
	(g) Total appropriations (a+f)	64.37	74.56	88.48

7	Surplus(+)/deficit(-) before accounting for subsidy from State Government {5-6 (g)-1(b)}	(-)6.27	(-)106.22	(-)36.88
8	Net surplus(+)/deficit(-) {5-6(g)}	(-)6.27	(-)106.22	(-)36.88
9	Total return on capital employed*	36.81	(-)55.12	26.52
10	Percentage of return on capital employed	2.15	-	1.28
2	**Himachal Road Transport Corporation**			
	Particulars	**1998-99**	**1999-2000**	**2000-01**
	Operating			
	(a) Revenue	176.14	172.45	201.22
	(b) Expenditure	192.08	215.85	225.88
	(c) Surplus(+)/Deficit(-)	(-)15.94	(-)43.40	(-)24.66
	Non-operating			
	(a) Revenue	4.82	1.66	2.61
	(b) Expenditure	5.06	6.80	12.71
	(c) Surplus(+)/Deficit(-)	(-)0.24	(-)5.14	(-)10.10
	Total			
	(a) Revenue	180.96	174.11	203.83
	(b) Expenditure	197.14	222.65	238.59
	(c) Net profit (+)/Loss (-)	(-)16.18	(-)48.54	(-)34.76
	Interest on capital and loans	5.06	6.80	12.71
	Total return on Capital employed	(-)11.12	(-)41.74	(-)22.05
	Percentage of return on capital employed	-	-	-
3	**Himachal Pradesh Financial Corporation**			
	Particulars	**1998-99**	**1999-2000**	**2000-01**
1	Income			
	(a) Interest on Loans	15.62	15.05	13.40
	(b) Other income	0.11	0.42	0.08

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

	Total-1	**15.73**	**15.47**	**13.48**
2	Expenses			
	(a) Interest on long-term and short-term loans	13.92	14.70	15.18
	(b) Other expenses	3.99	4.85	3.82
	(c) Provision for non-performing assets	2.18	0.98	6.34
	Total-2	**20.09**	**20.53**	**25.34**
3	Profit(+)/loss (-) before tax (1-2)	(-)4.36	(-)5.06	(-)11.86
4	Provision for tax	-	-	-
	Profit(+)/Loss(-) after tax (3-4)	(-)4.36	(-)5.06	(-)11.86
5	Other appropriations (special reserve for the purpose of Section 36 (I) (viii) of the Income Tax Act, 1961 and general reserve)	-	-	-
6	Amount available for dividend	-	-	-
7	Dividend paid/payable	-	-	-
8	Total return on Capital employed@	9.56	9.64	3.32
9	Percentage of return on Capital employed	6.61	6.49	2.17

@ *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

(Referred to in paragraph No. 1.2.4.2.2)

Statement showing operational performance of Statutory corporations

1	Himachal Pradesh State Electricity Board			
	Particulars	**1998-99**	**1999-2000**	**2000-01**
	Installed capacity		**(MW)**	
	(a) Thermal	-	-	
	(b) Hydro	299.17	301.17	326.20
	(c) Gas	-	-	-
	(d) Other (Diesel and Micro Hydel)	0.13	0.13	0.13
	Total	**299.30**	**301.30**	**326.33**
	Normal maximum demand	565.00	566.00	648.00
	Power generated:		**(MKWH)**	
	(a) Thermal	-	-	
	(b) Hydro	1484.49	1201.32	1153.32
	(c) Gas	-	-	-
	(d) Other	-	-	-
	Total	**1484.49**	**1201.32**	**1153.32**
	Less: Auxiliary consumption			
	(a) Thermal (Percentage)	-	-	-
	(b) Hydro (Percentage)	3.67 (0.25)	3.06 (0.25)	3.07 (0.27)
	(c) Gas (Percentage)	-	-	
	(d) Other (Percentage)	-	-	
	Total (Percentage)	**3.67 (0.25)**	**3.06 (0.25)**	**3.07 (0.27)**

	Net power generated	1480.82	1198.26	1150.25
	Power purchased:	2228.11	2777.99	2672.27
	Total power available for sale	3708.93	3976.25*	3822.52*
	Power sold:	3037.57	3120.69	3039.70
	Transmission and distribution losses	671.56	855.56**	782.82**
	Load factor (Percentage)	56.62	45.71	42.20
	Percentage of transmission and distribution losses to total power available for sale	18.11	21.52	20.48
	Number of villages/town electrified	16832	16844	16881
	Number of pump sets/wells energised	5392	5762	6167
	Number of sub-stations	-	-	-
	Transmission/distribution lines (in Kms)			
	(a) High/medium voltage	22078.93	22700.55	23421.19
	(b) Low voltage	45142.64	46250.84	46810.91
	Connected load (in MW)	2128.30	2248.65	2401.16
	Number of consumers	1364684	1408616	1463178
	Number of employees	28739	24826	28744
	Consumer/employees ratio	47:1	57:1	51:1
	Total expenditure on staff during the year (Rs. in crore)	202.11	266.42	254.12
	Percentage of expenditure on staff to total revenue expenditure	44.38	45.34	36.84

* *Sales and purchase of power includes 258.245 MU (1999-2000) and 221.612 MU (2000-01) which actually was neither purchased nor sold but was wheeled through HPSEB transmission system*

** *Transmission and distribution losses work out to 23.01 per cent (1999-2000) and 21.74 per cent (2000-01) instead of 21.52 per cent and 20.48 if the power wheeled on the Board's system is excluded from sale and purchase of power*

	Units sold	MKWH		
	(a) Agriculture (Percentage share to total units sold)	12.00 (0.58)	16.54 (0.76)	19.20 (0.68)
	(b) Industrial (Percentage share to total units sold)	1249.00 (60.45)	1295.42 (59.37)	1079.02 (38.36)
	(c) Commercial (Percentage share to total units sold)	140.00 (6.78)	148.88 (6.82)	161.62 (5.74)
	(d) Domestic (Percentage share to total units sold)	539.00 (26.09)	594.59 (27.25)	636.52 (22.63)
	(e) Others (Percentage share to total units sold)	126.00 (6.10)	126.40 (5.80)	916.74 (32.59)
	Total	**2066**	**2182**	**2813.10**
	Particulars	**1998-99**	**1999-2000**	**2000-01**
		(Paise per KWH)		
	(a) Revenue (excluding subsidy from Government)	164.44	188.28	217.00
	(b) Expenditure*	129.30	185.68	227.00
	(c) Profit(+)/Loss (-)	(+)35.14	(+)2.60	(-)10.00
	(d) Average subsidy claimed from Government (in Rupees)	-	-	-
	(e) Average interest charges (in Rupees)	14.18	16.37	20.86
2	**Himachal Road Transport Corporation**			
	Particulars	**1998-99**	**1999-2000**	**2000-01**
	Average number of vehicles held	1780	1734	1728
	Average number of vehicles on road	1738	1697	1699
	Percentage of utilisation of vehicles	98	98	98
	Number of employees	9229	9282	9084

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

	Employee vehicle ratio	5.2:1	5.4:1	5.3:1
	Number of routes operated at the end of the year	1748	1734	1733
	Route kilometres (in lakh)	2.08	2.09	3.86
	Kilometres operated (in lakh)			
	(a) Gross	1380.38	1414.72	1409.41
	(b) Effective	1365.26	1395.96	1385.95
	(c) Dead	15.12	18.76	23.46
	Percentage of dead kilometres to gross kilometres	1.10	1.33	1.66
	Average kilometres covered per bus per day	217	228	227
	Average operating revenue per kilometre (Paise)	1311	1230	1446
	Increase in average operating revenue per kilometre (Paise) over previous year income (*per cent*)	1.71	(-)6.18	17.56
	Average expenditure per kilometre (Paise)	1428	1574	1693
	Increase in operating expenditure per Km over previous years expenditure (*per cent*)	6.41	10.22	7.56
	Loss per kilometre (Paise)	(-)117	(-)344	(-)247
	Number of operating depots	23	23	23
	Average number of break-down per lakh kilometres	0.06	0.04	0.04
	Average number of accidents per lakh kilometres	0.12	0.12	0.11
	Passenger kilometres operated (in crore)	628.02	642.14	637.54
	Occupancy ratio (percentage)	67	57	59
	Kilometres obtained per litre of:			
	(a) Diesel Oil	3.43	3.47	3.54
	(b) Engine Oil	591	695	888

(Amount: Rupees in crore)

3	Himachal Pradesh Financial Corporation						
	Particulars	1998-99		1999-2000		2000-01	
		Number	Amount	Number	Amount	Number	Amount
	Applications pending at the beginning of the year	45	5.90	41	2.86	23	3.83
	Applications received	215	28.66	189	29.55	183	32.98
	Total	**260**	**34.56**	**230**	**32.41**	**206**	**36.81**
	Applications sanctioned	145	19.34	147	18.06	113	16.52
	Applications cancelled/with-drawn/rejected/reduced	74	12.37	60	10.52	46	9.98
	Applications pending at the close of the year	41	2.85	23	3.83	47	10.31
	Loans disbursed	111	14.71	121	13.84	86	13.08
	Loans outstanding at the close of the year	-	141.48	-	142.30	-	144.36
	Amount overdue for recovery at the close of the year						
	(a) Principal	-	47.61	-	43.80		41.24
	(b) Interest	-	74.68	-	74.12		76.63
	Total		**122.29**	**-**	**117.92**	**-**	**117.87**
	Amount involved in recovery certificate cases	277	19.41	260	21.87	228	21.59
	Total	**277**	**19.41**	**260**	**21.87**	**228**	**21.59**
	Percentage default to total loans outstanding	-	86.44	-	82.87	-	81.65

Annexure-7

(Referred to in paragraph No. 1.8)

Statement showing the department wise outstanding Inspection Reports (IRs)

Sr. No	Name of Department	No of PSUs	No of outstanding I.R.	No of outstanding paragraphs	Years from which paragraphs outstanding
1	Horticulture	3	21	64	1985-86
2	Industries	8	50	119	1986-87
3	Forest	1	13	157	1984-85
4	Public Works	1	1	4	2000-01
5	Welfare	3	8	17	1998-99
6	Food and Supplies	1	5	34	1994-95
7	Tourism and Civil Aviation	1	3	4	1998-99
8	Health	1	1	2	2000-01
9	MPP and Power	1	698	2329	1978-79
10	Transport	1	155	408	1972-73
	Total	21	955	3138	

Annexure-8

(Referred to in paragraph No. 1.8)

Statement showing the department wise draft paragraphs/reviews replies to which are awaited.

Sr. No	Name of Department	No. of draft paragraphs	No of reviews	Period of issue
1	M.P.P. & Power	8	1	3/2001 (DPs), 5/2001 (Review)
2	Industries	1	-	3/2001

Annexure 9

(Referred in paragraph No. 1.10)

Statement showing paid-up capital, investment and summarised working results of 619-B company as per their latest finalised accounts

(Figures in column 5 to 19 are in Rupees in lakh)

Sl. No.	Name of company	Status (working/ non-working)	Year of account	Paid-up capital	Equity by			Loans by			Grants by			Total investment by way of equity, loans and grants			Profit(+)/ loss (-)	Accu-mmul-ated profit (+)/ accumul ated loss (-)
					State Govt.	State Govt. com-panies*	Others *	State Govt.	State Govt. comp anies	Central Govt. and their comp-anies	State Govt.	State Govt. com-panies	Central Govt. and their com-panies	State Govt.	State Govt. com-panies	Others		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
1	Himachal Pradesh Electronic Systems Corporation Limited	Working	2000-01	71.50	11.50 (16.08)	30.60 (42.80)	29.40 (41.12)	-	-	-	-	-	-	11.50	30.60	29.40	(-)10.13	(-)17.27

* *Figures in brackets indicate percentage*

Annexure-10

(Referred to in paragraph No. 2.6.1)

Statement showing the financial position of the Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited for the last five years ended 1999-2000

	Particulars	1995-96	1996-97	1997-98	1998-99	1999-2000
A-Liabilities		**Rupees in lakh**				
(a)	Paid-up capital	1780.50	1780.50	1780.50	1780.50	1780.50
(b)	Reserves and surplus	547.08	594.20	681.20	626.46	573.14
(c)	Borrowings	1233.34	1252.76	1104.80	1123.09	1401.41
(d)	(i) Trade dues and other current liabilities	1002.01	1174.95	1324.84	2035.78	1641.89
	(ii) Provision for gratuity	33.73	33.65	33.65	67.34	85.34
	Total (A)	**4596.66**	**4836.06**	**4924.99**	**5633.17**	**5482.28**
	B-Assets					
(a)	Gross block	1410.36	1996.82	2197.89	2240.24	2318.08
(b)	Less: depreciation	882.26	962.49	1105.57	1243.18	1372.26
(c)	Net fixed assets	528.10	1034.33	1092.32	997.06	945.82
(d)	Capital work-in-progress	167.92	126.01	51.63	48.91	47.13
(e)	Investments	0.01	0.01	2.51	2.51	2.51
(f)	Current assets, loans and advances	1949.98	1502.95	1566.19	2339.00	1662.38
(g)	Misc. expenses	12.23	32.73	-	-	-
(h)	Accumulated losses	1938.42	2140.03	2212.34	2245.69	2824.44
	Total (B)	**4596.66**	**4836.06**	**4924.99**	**5633.17**	**5482.28**
	Capital employed*	1643.99	1488.34	1385.30	1349.19	1013.44
	Net worth@	(+)376.93	(+)201.94	(+)249.36	(+)161.27	(-)470.80

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

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

Annexure-11

(Referred to in paragraph No. 2.6.2)

Statement showing the working results of the Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited for the last five years ended 1999-2000

Particular	1995-96	1996-97	1997-98	1998-99	1999-2000
	(Rupees in lakh)				
(A) Income					
Sales	1284.89	1353.38	1473.89	2117.11	1472.84
Grant-in-aid	6.75	91.02	199.00	82.74	51.60
Subsidy	329.74	189.11	303.60	1787.20	33.18
Other income	311.68	291.34	337.85	394.75	360.65
Accretion(+)/Decretion(-) in stock	(+)250.32	(+)112.47	(+)91.29	(+)253.61	(-)182.70
Total (A):	**2183.38**	**2037.32**	**2405.63**	**4635.41**	**1735.57**
(B) Expenditure					
Manufacturing, selling and administrative expenses	1929.73	1748.91	1930.53	3930.41	1456.95
Staff expenses	389.75	394.49	513.93	549.16	624.95
Interest	4.84	7.94	40.63	69.65	87.81
Depreciation	56.25	84.74	147.37	138.36	129.19
Other expenses	1.52	0.03	0.03	0.03	0.05
Total (B):	**2382.09**	**2236.11**	**2632.49**	**4687.61**	**2298.95**
Net profit(+)/ loss (-)	(-)198.71	(-) 198.79	(-)226.86	(-)52.20	(-)563.38

Annexure-12

(Referred to in paragraph No 2.9.3)

Statement showing the installed capacity, utilisation of capacity and net working results of Fruit Processing Plants

	1996-97			1997-98			1998-99			1999-2000		
	Parwanoo	Jarol	Jabli	Parwanoo	Jarol	Jabli	Parwanoo	Jarol	Jabli	Parwanoo	Jarol	Jabli
	(In metric tonnes)											
Installed capacity												
Apple	18000	2500	450	18000	2500	450	18000	2500	450	18000	2500	450
Peaches	400	--	50	400	--	50	400	--	50	400	--	50
Citrus fruits	1000	--	100	1000	--	100	1000	--	100	1000	--	100
Actual production												
Apple	7714	2012	304.46	9226	2425	55.20	8875	1754	92.33	453	84	136.30
Peaches	6	--	–	–	--	28.42	–	--	11.74	11	--	5.48
Citrus fruits	295	--	1.87	82	--	4.60	142	--	60.65	136	-	11.20
Capacity utilisation (percentage)												
Apple	42.86	80.48	67.66	51.26	97	12.27	49.31	70.16	20.52	2.52	3.36	30.29
Peaches	1.5	--		0	--	56.84	0	--	23.48	2.75	--	10.96
Citrus fruits	29.5	--	1.87	8.2	--	4.6	14.2	--	60.65	13.6	--	11.2
	(Rupees in lakh)											
Net working results Profit(+)/ Loss (-)	(-)73.67	(+)8.71	(+)0.63	(-)96.48	(+)0.64	(-)11.40	(-)90.26	(-)17.15	(+)19.34	(-)131.47	(-)35.10	(+)18.32

राजकीय मुद्रणालय, हि0 प्र0, शिमला—2874–ए0 जी0/2002—4–2–2002—500 प्रतियां ।