

## **Chapter-III**

### **Social and Economic Sectors (Public Sector Undertakings)**



## CHAPTER-III

### Social and Economic Sectors (Public Sector Undertakings)

#### 3.1 Functioning of State Public Sector Undertakings

##### 3.1.1 Introduction

###### General

**3.1.1.1** State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2018, there were 30 PSUs in Uttarakhand, including three<sup>1</sup> Statutory Corporations and 27 Government Companies (including eight inactive government companies<sup>2</sup>) under the audit jurisdiction of the Comptroller & Auditor General of India (C&AG). None of these Government Companies were listed on the stock exchange.

**3.1.1.2** The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2018 is covered in this report. The nature of PSUs and the position of accounts are indicated in **Table-3.1.1** below:

**Table-3.1.1: Nature of PSUs covered in the Report**

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period <sup>3</sup>				Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 30 September 2018
		Accounts upto 2017-18	Accounts upto 2016-17	Accounts upto 2015-16	Total	
Working Government Companies <sup>4</sup>	19 <sup>5</sup>	3	4	2	9	16 (62)
Statutory Corporations	3	-	1	-	1	3(5)
<b>Total working PSUs</b>	<b>22</b>	<b>3</b>	<b>5</b>	<b>2</b>	<b>10</b>	<b>19 (67)</b>
Inactive Government Companies	8	-	-	-	-	8(211)
<b>Total</b>	<b>30</b>	<b>3</b>	<b>5</b>	<b>2</b>	<b>10</b>	<b>27(278)</b>

The working PSUs registered an annual turnover of ₹ 8,770.99 crore as per their latest

<sup>1</sup> Uttarakhand Parivahan Nigam, Uttarakhand Forest Development Corporation and Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam.

<sup>2</sup> Inactive PSU means a Company which has not been carrying on any business or operation, or has not made any significant accounting transaction, or has not filed financial statements and annual returns during the last two financial years.

<sup>3</sup> From October 2017 to September 2018.

<sup>4</sup> Government PSUs include other Companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013.

<sup>5</sup> This includes four new PSUs namely Dehradun Smart City Limited, Ecotourism Development Corporation of Uttarakhand, Kishau Corporation Limited and Uttarakhand Metro Rail Urban Infrastructure & Building Construction Corporation Limited which were incorporated under Companies Act, 2013 by State Government and their first accounts were not received. Further, first accounts of Uttarakhand Alpsankhyak Kalyan Tatha Wakf Vikas Nigam have not been received till date.

finalised accounts as on 30 September 2018. This turnover was equal to 4.03 *per cent* of Gross State Domestic Product (GSDP) for the year 2017-18 (₹2,17,609 crore). The working PSUs incurred loss of ₹238.89 crore as per their latest finalised accounts. As on March 2018, the State PSUs had employed around 20,000 employees.

There are eight<sup>6</sup> inactive PSUs which were inactive for last two to 18 years having an investment of ₹27.24 crore towards capital (₹3.36 crore) and long term loans (₹23.88 crore). This is a critical area as the investments in inactive PSUs do not contribute to the economic growth of the State.

### **3.1.1.3 Accountability framework**

The procedure for audit of Government companies is laid down in Sections 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2 (45) of the Act 2013, a Government Company means any company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. The C&AG appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. Section 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the C&AG within a period of one hundred and eighty days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditor are to be appointed by the C&AG within sixty days from the date of registration of the company and in case C&AG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-Section 7 of Section 143 of the Act 2013, the C&AG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report

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<sup>6</sup> UPAI, Trans Cables Limited (Subsidiary of Kumaun Mandal Vikas Nigam limited), Uttar Pradesh Digitals Limited (Subsidiary of Kumaun Mandal Vikas Nigam limited), Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited), Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited), Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited), Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited), Kumaun Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaun Mandal Vikas Nigam Limited). Further, four PSUs namely Garhwal Anusuchit Janjati Vikas Nigam Limited, Kumaun Anusuchit Janjati Vikas Nigam Limited, Trans Cables Limited and Uttar Pradesh Digitals Limited, which were working PSUs upto 2016-17 have now included as inactive PSUs for the year 2017-18 onwards as there has not been any commercial activities in these PSUs.

of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the C&AG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

#### **3.1.1.4 Statutory Audit**

The financial statements of the Government Companies (as defined in Section 2 (45) of the Act 2013) are audited by Statutory Auditors, who are appointed by the C&AG as per the provisions of Section 139(5) or (7) of the Act 2013. The Statutory Auditors submit a copy of the Audit Report to the C&AG including, among other things, financial statements of the Company under Section 143(5) of the Act 2013. These financial statements are also subject to supplementary audit by the C&AG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013. Audit of Statutory Corporations is governed by their respective legislations. Out of three Statutory Corporations, the C&AG is sole auditor for the Uttarakhand Parivahan Nigam and the Uttarakhand Forest Development Corporation (UFDC). In respect of Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam, the audit was entrusted to C&AG upto 2018-19 under section 20(1) of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971.

#### **3.1.1.5 Submission of accounts by PSUs**

##### **(a) Need for timely finalisation and submission**

According to Section 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the C&AG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State. Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next.

Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for noncompliance with the provisions of Section 129 of the Companies Act, 2013.

**(b) Role of Government and Legislature**

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

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the C&AG, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the State Legislature under Section 394 of the Act 2013 or as stipulated in the respective Acts. The Audit Reports of the C&AG are submitted to the Government under Section 19A of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971.

**3.1.1.6 Investment by Government of Uttarakhand in State Public Sector Undertakings**

The financial stake of Government of Uttarakhand (GoU) in the PSUs is mainly of three types:

- **Share capital and loans** – In addition to the share capital contribution, GoU also provides financial assistance by way of loans to the PSUs from time to time.
- **Special financial support** – GoU provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees** – GoU also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

**3.1.1.7** The sector-wise summary of investment in the PSUs as on 31 March 2018 is given below in **Table-3.1.2**:

**Table-3.1.2: Sector-wise investment in PSUs**

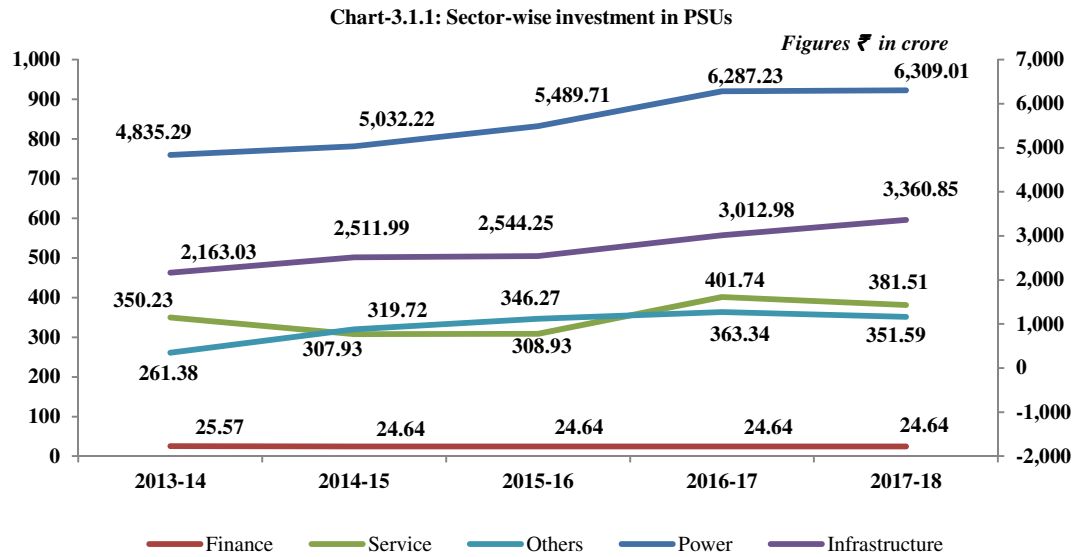
Name of sector	Government Companies		Statutory Corporations		Total	Investment <sup>7</sup> (₹in crore)		
	Working	Inactive	Working	inactive		Equity	Long term loans	Total
Power	4	--	--	--	4	2,947.78	3361.23	6,309.01
Finance	1	2	--	--	3	23.43	1.21	24.64
Service	3	--	1	--	4	258.71	122.80	381.51
Infrastructure	4	--	1	--	5	3,084.24	276.61	3,360.85
Others	7	6	1	--	14	48.50	303.09	351.59
<b>Total</b>	<b>19</b>	<b>8</b>	<b>3</b>		<b>30</b>	<b>6,362.66</b>	<b>4,064.94</b>	<b>10,427.60</b>

Source: Compilation based on information received from PSUs.

The thrust of PSU investment was mainly on power sector during the last five years. The power sector received Government investments of ₹ 6,309.01 crore (60.50 per cent) out of total investment of ₹ 10,427.60 crore.

**3.1.1.8** The investment in various important sectors at the end of 31 March 2014 and 31 March 2018 is indicated in the **Chart-3.1.1** below:

<sup>7</sup> Investment includes equity and long term loans.



Keeping in view the high level of investment in Power Sector, we are presenting the results of audit of four Power Sector PSUs at *paragraph 3.2* and of the 26 PSUs (other than power sector) at *paragraph 3.3* of this Chapter.

## PART-I (Power Sector)

### 3.2 Functioning of Power Sector Undertakings

#### 3.2.1 Introduction

**3.2.1.1** The power sector undertakings play an important role in the economy of the State. Apart from providing a critical infrastructure required for development of the State's economy, the sector also adds significantly to the Gross Domestic Product (GDP) of the State. A ratio of Power Sector PSUs turnover to Gross State Domestic Product (GSDP) shows the extent of activities of these PSUs in the State economy. The **Table-3.2.1** below provides the details of turnover of these undertakings and GSDP of Uttarakhand for a period of five years ending 31 March 2018.

**Table-3.2.1: Details of turnover of power sector undertakings vis-à-vis GSDP of Uttarakhand**  
(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	3,968.35	4,421.60	5,745.16	5,883.21	6,780.91
GSDP of Uttarakhand	1,49,074	1,61,439	1,75,772	1,95,606	2,17,609
Percentage of Turnover to GSDP of Uttarakhand	2.66	2.74	3.27	3.01	3.12

*Source: Compilation based on Turnover figures of power sector PSUs and GSDP figures as per Finance Account 2017-18 of Government of Uttarakhand.*

The undertakings recorded continuous increase in their turnover over that of previous year. The increase in turnover ranged between 2.40 per cent and 29.93 per cent during the period 2013-14 to 2017-18, whereas increase in GSDP of Uttarakhand ranged between 8.29 per cent and 11.28 per cent during the same period. The compounded

annual growth rate of GSDP was 10.58 *per cent* during last five years. The compounded annual growth rate is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth rate of 10.58 *per cent* of the GSDP, the turnover of these undertakings recorded higher compounded annual growth rate of 15.76 *per cent* during last five years. This resulted in increase in share of turnover of these undertakings to the GSDP from 2.66 *per cent* in 2013-14 to 3.12 *per cent* in 2017-18.

### **3.2.1.2 Formation of Power Sector Undertakings**

The Uttar Pradesh State Electricity Board was unbundled on 14 January 2000 in to three different entities for carrying out the business of Transmission and Distribution of Electricity in the undivided Uttar Pradesh. Consequent to the formation of State of Uttaranchal (09 November 2000), Uttaranchal Power Corporation Limited (UPCL) came into being as successor entity of Uttar Pradesh Power Corporation Limited (UPPCL) to take over the functions of transmission and distribution of electricity in the State. By the MoU (13 March 2001) signed between Government of Uttar Pradesh and Government of Uttaranchal, the business was transferred (01 April 2001) to UPCL.

Ministry of Power (MoP), Government of India (GoI), by its order (05 November 2001) notified the methodology for division of assets and liabilities which came in to effect from 09 November 2001. As per this scheme, all fixed assets of the undivided power companies situated in the state of Uttaranchal were to be transferred to UPCL and Uttaranchal Jal Vidyut Nigam Limited (UJVNL) as the case may be. The movable assets and stores of the field units were to be transferred on the basis of location. Project/assets specific liabilities of the undivided power companies were to be transferred to the successor companies where such project/assets had also been transferred. Those of the liabilities which could not be assigned to any project/assets were to be apportioned between the UPPCL and UPCL and between Uttar Pradesh Jal Vidyut Nigam Limited and UJVNL in the ratio of consumption of power. However, the final transfer scheme for transfer of balances of assets and liabilities has not yet been finalised. (Authority: Note no. 42 (1) to annual accounts of UJVNL for the year 2017-18)

In Uttarakhand, generation of power is carried out by UJVNL (incorporated on 12 February 2001) and transmission and distribution of power in Uttarakhand is carried out by Uttarakhand Power Corporation Limited (UPCL) which was incorporated on 12 February 2001. On 27 May 2004, the Power Transmission Corporation of Uttarakhand Limited (PTCUL) was formed to maintain and operate 132 KV and above transmission lines and substations in the State. Kishau Corporation Limited is a new company incorporated on 16 January 2017 in the power sector. It had not commenced commercial activities till 31 March 2018.

### **3.2.1.3 Disinvestment, Restructuring and Privatisation of Power Sector Undertakings**

There were no cases of disinvestment, restructuring and privatisation of Power Sector PSUs by the State Government during the year ending 31 March 2018.



### 3.2.1.4 Investment in Power Sector Undertakings

The activity-wise summary of investment<sup>8</sup> in the power sector undertakings as on 31 March 2018 is given below in **Table-3.2.2**:

**Table-3.2.2: Activity-wise investment in power sector undertakings**

Activity	Number of Companies	Investment (₹ in crore)			
		Equity	Long term loans		Total
			GoU	Other	
Generation of Power	2	1,167.87	265.80	1,105.09	2,538.76
Transmission of Power	1	473.88	17.22	537.70	1,028.80
Distribution of Power	1	1,306.03	33.28	1,402.14	2,741.45
<b>Total</b>	<b>4</b>	<b>2,947.78</b>	<b>316.30</b>	<b>3,044.93</b>	<b>6,309.01</b>

*Source: Compilation based on information received from power sector PSUs.*

As on 31 March 2018, the total investment (equity and long term loans) in the four power sector undertakings was ₹ 6,309.01 crore. The investment consisted of 46.72 per cent towards equity and 53.28 per cent in long-term loans.

The loans advanced by the State Government constituted 9.41 per cent (₹ 316.30 crore) of the total long term loans whereas 90.59 per cent (₹ 3,044.93 crore) of the total long term loans were availed from Government of India and other financial institutions. The State Government decided (March 2016) to convert the Uttar Pradesh Government loan of ₹ 151.13 crore (principal ₹ 77.82 crore and interest thereon ₹ 73.31 crore) into equity of the State DISCOM under Ujjwal DISCOM Assurance Yojana<sup>9</sup> (UDAY) scheme. However, the Finance Department is yet to convert (May 2019) the loan into equity.

### 3.2.1.5 Budgetary Support to Power Sector Undertakings

The Government of Uttarakhand (GoU) provides financial support to the power sector PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity during the year in respect of power sector undertakings for the last three years ending 31 March 2018 are given in **Table-3.2.3** below:

**Table-3.2.3: Details of budgetary support to power sector undertakings during the years**

(₹ in crore)

Particulars <sup>10</sup>	2015-16		2016-17		2017-18	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital (i)	3	57.36	4	130.01	3	53.00
Loans given (ii)	1	6.71	3	129.27	2	35.49
Grants/Subsidy provided (iii)	1	17.88	1	46.40	1	14.96
Total Outgo (i+ii+iii)		81.95		305.68		103.45
Loan repayment written off	-	-	-	-	-	-
Loans converted into equity	1	77.82	-	-	-	-
Guarantees issued	3	506.88	-	-	1	358.31
Guarantee Commitment	3	830.97	2	988.83	2	894.75

*Source: Compilation based on information received from PSUs.*

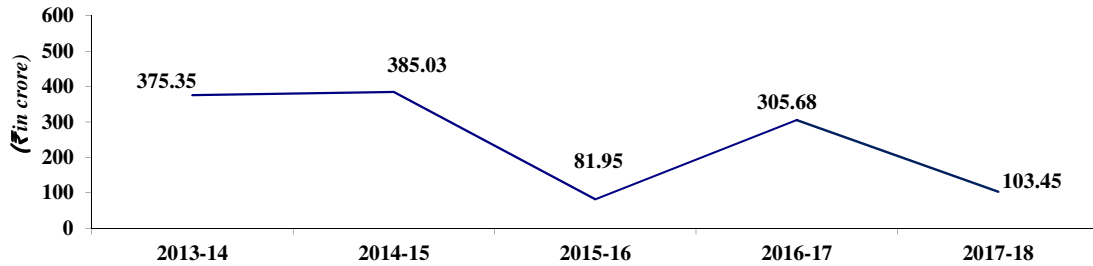
<sup>8</sup> Investment includes equity capital and long term loans extended by GoU.

<sup>9</sup> Scheme launched by Ministry of Power and GoI for financial and operational turnaround of DISCOMs.

<sup>10</sup> Amount represents outgo from State Budget only.

The details of budgetary support towards equity, loans and grants/subsidies for the last five years ending 31 March 2018 are given in a **Chart-3.2.1** below:

**Chart-3.2.1: Budgetary support towards Equity, Loans and Grants/Subsidies**



The budgetary assistance received by these power sector PSUs ranged between ₹ 385.03 crore and ₹ 81.95 crore during the period 2013-14 to 2017-18. The budgetary assistance of ₹ 103.45 crore received during the year 2017-18 included ₹ 53 crore, ₹ 35.49 crore and ₹ 14.96 crore in the form of equity, loans and grants/subsidy respectively. The grant of ₹ 14.96 crore was given to UJVNL for Dam Rehabilitation and Improvement Project. MoP, GoI also launched (20 November 2015) UDAY Scheme for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). The provisions of UDAY and status of implementation of scheme by one DISCOM are discussed in the *paragraph 3.2.1.21* of this chapter. UPCL had outstanding debt of ₹ 671.50 crore (including interest of ₹ 73.31 crore). The State Government has not taken over any debt of DISCOM under UDAY scheme. However, loans (including interest) amounting to ₹ 151.13 crore were converted into equity during 2015-16 by UPCL<sup>11</sup> under UDAY scheme but the State Government has not issued any orders till date (May 2019).

In order to enable PSUs to obtain financial assistance from banks and financial institutions, the State Government provides guarantee and charges guarantee fee of one *per cent* per annum. The Government of Uttar Pradesh had decided (September 2000) to charge guarantee fees at the rate of one *per cent* per annum on the guarantee given by State Government for PSUs seeking financial assistance and the same was adopted by the Uttarakhand Government. The amount of Guarantee commitments outstanding as on 31 March 2016 was ₹ 830.97 crore (three PSUs) which increased to ₹ 894.75 crore (two PSUs) as on 31 March 2018. One PSU, namely Uttarakhand Jal Vidyut Nigam Limited (UJVNL) paid Guarantee fee of ₹ 4.23 crore during 2017-18. Guarantee fee of ₹ 5.36 crore was outstanding payable by UPCL.

### **3.2.1.6 Reconciliation with Finance Accounts of Government of Uttarakhand**

The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the

<sup>11</sup> Conversion was approved in Board of Directors meeting held on 24 June 2016 wherein Principal Secretary (Energy) as Chairman of the Board and representative of Secretary (Finance) were present.

GoU. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The differences in figures of equity, loans and guarantee as on 31 March 2018 are given in **Table-3.2.4** below:

**Table-3.2.4: Equity, Loans and guarantee outstanding as per Finance Accounts vis-à-vis records of power sector undertakings**

(₹ in crore)			
Outstanding in respect of	As per Finance Accounts	As per records of power sector undertakings	Difference
Equity	2,942.80	2,947.78	4.98
Loan	217.35	316.30	98.95
Guarantee	917.79	894.75	23.04

*Source: Compilation based on information received from power sector PSUs and Finance Accounts.*

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

### 3.2.1.7 Submission of accounts by Power Sector Undertakings

#### *Timeliness in preparation of accounts by Power Sector Undertakings*

There were four<sup>12</sup> power sector undertakings under the audit purview of C&AG as of 31 March 2018. Accounts for the year 2017-18 were submitted by three<sup>13</sup> working PSUs by 30 September 2018 as per statutory requirement. Details of arrears in submission of accounts of power sector undertakings as on 30 September of each financial year for the last five years ending 31 March 2018 are given in **Table-3.2.5** below:

**Table-3.2.5: Position relating to submission of accounts of Power Sector Undertakings**

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

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

The PSUs have been adhering to the stipulated time lines in submission of their annual accounts in the last three years.

<sup>12</sup> Uttarakhand Power Corporation Limited, Uttarakhand Jal Vidyut Nigam Limited, Power Transmission Corporation of Uttarakhand Limited and Kishau Corporation Limited.

<sup>13</sup> Uttarakhand Power Corporation Limited, Uttarakhand Jal Vidyut Nigam Limited and Power Transmission Corporation of Uttarakhand Limited. Kishau Corporation Limited had not commenced commercial activities till 31 March 2018.

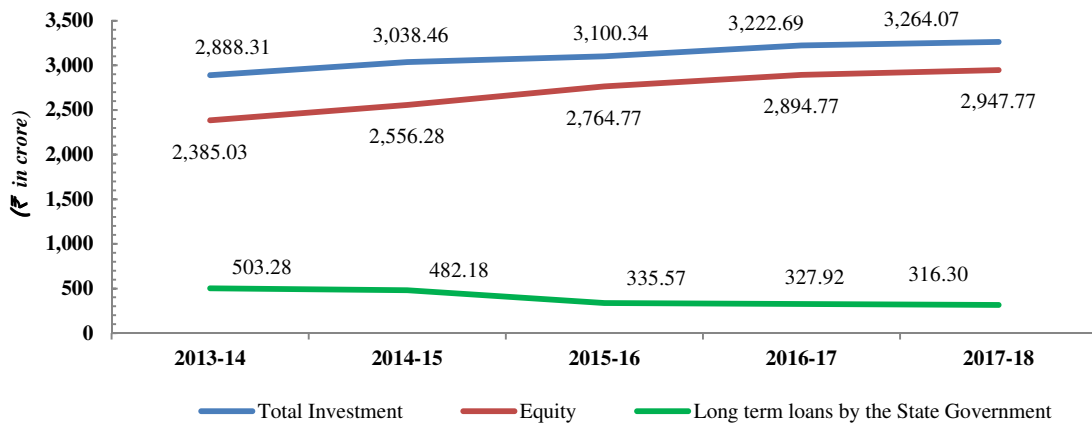
### 3.2.1.8 Performance of Power Sector Undertakings

The financial position and working results of power sector PSUs<sup>14</sup> are detailed in **Appendix-3.2.1** as per their latest finalised accounts as of 30 September 2018.

The PSUs are expected to yield reasonable return on investment made by the Government. The total investment of State Government and others in the working PSUs was ₹ 6,309.00 crore consisting of ₹ 2,947.77 crore as equity and ₹ 3,361.23 crore as long term loans. Out of this, GoU has investment of ₹ 3,264.07 crore in these PSUs consisting of equity of ₹ 2,947.77 crore and long-term loans of ₹ 316.30 crore.

The year wise status of investment of GoU in the form of equity and long term loans in the three working power sector PSUs during the period 2013-14 to 2017-18 is given in **Chart-3.2.2** below:

Chart-3.2.2: Total investment of GoU in working power sector undertakings



The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested and is expressed as a percentage of profit to total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after taxes by shareholders' funds.

### 3.2.1.9 Return on Investment

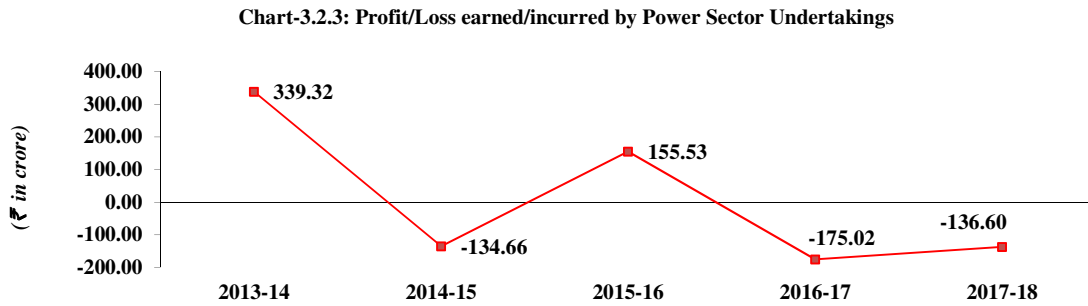
Return on investment is the percentage of profit or loss to the total investment. The overall position of profit/losses<sup>15</sup> earned/incurred by three<sup>16</sup> power sector undertakings

<sup>14</sup> Kishau Corporation Limited had not commenced commercial activities till 31 March 2018 and its first accounts are yet to be received.

<sup>15</sup> Figures are as per the latest financial statements during the respective years.

<sup>16</sup> Excluding Kishau Corporation limited which had not commenced commercial activities till 31 March 2018.

during 2013-14 to 2017-18 is depicted below in **Chart-3.2.3**:



The loss incurred by the three PSUs was ₹ 136.60 crore in 2017-18 against losses of ₹ 175.02 crore incurred in 2016-17. According to financial statements for the year 2017-18 of these PSUs, two PSUs earned profit of ₹ 92.62 crore and one PSU incurred loss of ₹ 229.22 crore (*Appendix-3.2.1*). The profit making PSUs were Uttarakhand Jal Vidyut Nigam Limited (₹ 63.73 crore) and Power Transmission Corporation Limited (₹ 28.89 crore) while UPCL incurred loss of ₹ 229.22 crore in 2017-18.

Position of power sector PSUs which earned/ incurred profit/ loss during 2013-14 to 2017-18 is given in **Table-3.2.6** below:

**Table-3.2.6: Power sector PSUs which earned/ incurred profit/ loss**

Financial Year	Total PSUs in power sector	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had marginal profit/ loss during the year
2013-14	03	03	--	--
2014-15	03	02	01	--
2015-16	03	02	01	--
2016-17	03	02	01	--
2017-18	04 <sup>17</sup>	02	01	--

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

The State Government infused funds in the form of equity, loans and grants in the three power sector PSUs. The entire equity of these PSUs was contributed by the State Government. Of the long term loans extended by the GoU to these PSUs, no loans were given on interest free basis and no subsidy was given under UDAY scheme.

The return on investment from these PSUs has been calculated on the investment made by the GoU in the form of Equity and Loans. In the case of loans, only interest free loans are to be considered as investment since the Government does not receive any interest on such loans and are therefore of the nature of equity investment by Government except to the extent that the loans are liable to be re-paid as per terms and conditions of repayment. Funds made available in the form of Grant/subsidy are not to be reckoned as investment.

<sup>17</sup> One Power sector PSU namely Kishau Corporation Limited had not commenced any commercial activities till 31 March 2018.

The investment of the State Government in the Power Sector PSUs have been arrived at by considering equity only. The initial equity of these PSUs did not contain any accumulated losses transferred to them under restructuring scheme, 2000 as referred to at *paragraph 3.2.1.2* above.

As on 31 March 2018, the investment of State Government in these PSUs was ₹ 3,264.07 crore consisting of equity of ₹ 2,947.77 crore and long-term interest bearing loans of ₹ 316.30 crore.

The return on investment on historical cost basis for the period 2013-14 to 2017-18 is as given in **Table-3.2.7** below:

**Table-3.2.7: Return on State Government Investment on historical cost basis**

<b>Financial year</b>	<b>Funds<sup>18</sup> infused by the GoU in form of Equity on historical cost basis at the end of the year (₹ in crore)</b>	<b>Total Earnings/Losses for the year (₹ in crore)</b>	<b>Return on Investment (in per cent)</b>
2013-14	2,385.03	339.32	14.23
2014-15	2,556.28	(-)134.66	(-)5.27
2015-16	2,764.77	155.53	5.63
2016-17	2,894.77	(-)175.02	(-)6.05
2017-18	2,947.77	(-)136.60	(-)4.63

*Source: Information furnished by power sector PSUs*

The Return on Investment was fluctuating. UPCL was incurring losses continuously from 2014-15 while profitability of UJVNL and PTCUL also declined. The losses incurred by UPCL brought the overall Return on Investment of power sector PSUs into negative zone.

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

In view of the significant investment by Government in the three Power Sector companies, return on such investment is essential from the perspective of State Government. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. Therefore, in addition to the calculation of return on funds invested by GoU in the three companies on historical cost basis, the return on investment has also been calculated after considering the Present Value (PV) of investment. The PV of the State Government investment has been computed on funds infused by the State Government in the shape of equity since inception of these companies till 31 March 2018. In order to bring the historical cost of investments to its present value at the end of each year upto 31 March 2018, the past investments/ year wise funds infused by the GoU in these PSUs have been compounded at the year wise average rate of interest on government borrowings which is considered as the minimum cost of funds to the government for the concerned year. Therefore, PV of State Government investment was computed where funds had been infused by the Government in the shape of equity since inception till 31 March 2018. All the three PSUs had a positive return on investment only during the year 2013-14 while two PSUs had positive return on investment during the years 2014-15 to 2017-18.

<sup>18</sup> No interest free loan was given by GoU to power sector undertakings.

The Present Value (PV) of the State Government investment in power sector undertakings was computed taking the following facts.

- No interest free loan has been infused in the Power Sector PSUs.
- No Grant/Subsidy has been reckoned as investment of GoU.
- No Subsidy was given under UDAY Scheme.

**3.2.1.10** The Company wise position of State Government investment in the three power sector companies in the form of equity and interest free loans since inception of these companies till 31 March 2018 is indicated in **Appendix-3.2.2**. The consolidated position of the PV of the State Government investment relating to the three<sup>19</sup> power sector companies since inception of these companies till 31 March 2018 is indicated in **Table-3.2.8** below:

Table-3.2.8: Year wise details of investment by the state government and present value (PV) of government funds from 2000-01 to 2017-18

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the state government during the year	Interest free loans given by the state government during the year	Total investment during the year	Average rate of interest on government borrowings (in percentage)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earning for the year <sup>20</sup>
i	ii	iii	iv	v=iii + iv	vi	vii=ii + v	viii={vii*(1+vi/100)}	ix={vii*vi}/100	x
2000-01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2001-02	0.00	10.00	0.00	10.00	8.36	10.00	10.84	0.84	-27.62
2002-03	10.84	0.00	0.00	0.00	10.40	10.84	11.97	1.13	-13.80
2003-04	11.97	0.00	0.00	0.00	8.51	11.97	12.99	1.02	-34.73
2004-05	12.99	168.66	0.00	168.66	9.10	181.65	198.18	16.53	-180.75
2005-06	198.18	241.64	0.00	241.64	7.47	439.82	472.67	32.85	-125.29
2006-07	472.67	119.98	0.00	119.98	7.79	592.65	638.82	46.17	-180.25
2007-08	638.82	229.20	0.00	229.20	7.99	868.02	937.37	69.35	-206.65
2008-09	937.37	72.03	0.00	72.03	7.75	1,009.40	1,087.63	78.23	-347.35
2009-10	1,087.63	694.88	0.00	694.88	7.64	1,782.51	1,918.69	136.18	-543.10
2010-11	1,918.69	31.71	0.00	31.71	7.34	1,950.40	2,093.56	143.16	-196.78
2011-12	2,093.56	41.78	0.00	41.78	7.83	2,135.34	2,302.54	167.20	5.33
2012-13	2,302.54	516.35	0.00	516.35	8.50	2,818.89	3,058.50	239.61	8.80
2013-14	3,058.50	258.80	0.00	258.80	7.57	3,317.30	3,568.42	251.12	339.32
2014-15	3,568.42	171.25	0.00	171.25	7.73	3,739.67	4,028.75	289.08	-134.66
2015-16	4,028.75	208.49 <sup>21</sup>	0.00	208.49	8.19	4,237.24	4,584.27	347.03	155.53
2016-17	4,584.27	130.00	0.00	130.00	8.90	4,714.27	5,133.84	419.57	-175.02
2017-18	5,133.84	53.00	0.00	53.00	8.27	5,186.84	5,615.79	428.95	-136.60
<b>Total</b>		<b>2,947.77</b>	<b>0.00</b>	<b>2,947.77</b>					

Source: Information furnished by power sector PSUs.

The initial equity of PSUs did not contain any accumulated losses transferred to them under restructuring scheme, 2000 as referred to at **paragraph 3.2.1.2**. The balance of

<sup>19</sup> Uttarakhand Power Corporation Limited, Uttarakhand Jal Vidyut Nigam Limited, Power Transmission Corporation of Uttarakhand Limited. Kishau Corporation Limited did not commence any commercial activities till 31 March 2018.

<sup>20</sup> Total earning for the year depicts total of net earnings (profit/loss) for the concerned year relating to those three PSUs (Power Sector) where funds were infused by State Government. In case where annual accounts of any PSU was pending during any year then net earnings (profit/loss) for that year has been taken as per their latest audited accounts of the concerned PSU.

<sup>21</sup> Includes ₹ 151.13 crore loan converted in to equity refer **paragraph 3.2.1.4**.

investment of the State Government in the power sector PSUs at the end of the year increased to ₹ 2,947.77 crore in 2017-18 from ₹ 10 crore (equity) in 2001-02 as the State Government made further investment in the shape of equity (₹ 2,937.77 crore). The PV of investment of the State Government upto 31 March 2018 worked out to ₹ 5,615.79 crore.

Total Earnings for the year from 2001-02 to 2003-04 depicted net earnings (profit/loss) for the year relating to two PSUs namely UPCL and UJVNL and from 2004-05 onwards depicted net earnings (profit/loss) for the year in respect of three PSUs including Power Transmission Corporation of Uttarakhand Limited. All three PSUs prepared their annual accounts on commercial accounting principle by showing profit/loss for the respective years.

It could be seen that total earnings of these PSUs was negative during 2001-02 to 2017-18 except during the years 2011-12, 2012-13, 2013-14 and 2015-16 which indicates that instead of generating returns on the invested funds Government could not recover its cost of funds. The positive total earning for the year 2011-12, 2012-13 and 2015-16 also remained substantially below the minimum expected return towards the investment made in these companies. During the year 2013-14, the earning was higher than the minimum expected return due to write back of liability of power purchase of UPCL.

Under UDAY scheme, a tripartite MoU amongst MoP, GoI; GoU and UPCL was executed for achieving operational turnaround. However, no subsidy was given to UPCL under UDAY scheme. A comparison of return on investment as per historical cost and present value of such investment during 2017-18 is given in **Table-3.2.9** below:

**Table-3.2.9: Return on State Government Funds**

(₹ in crore)

Total Earnings/ Loss (-)	Investment by the GoU in form of Equity <sup>22</sup>	Return on State Government investment on the basis of historical value (per cent)	Present value of the State Government investment at end of the year	Return on State Government investment considering the present value of the investments (per cent)
(-) 136.60	2,947.77	(-) 4.63	5,615.79	(-) 2.43

Source: Information furnished by power sector PSUs.

The returns on investment for the year 2017-18 based on present value and on historical cost were both negative.

### **3.2.1.11 Erosion of Net worth**

Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The overall accumulated losses of the three PSUs were ₹ 1,864.37 crore as against the capital investment of ₹ 2,947.77 crore resulting in net worth of

<sup>22</sup> No interest free loans were given to power sector PSUs by State Government.



₹ 1,083.40 crore. Of the three power sector PSUs, the net worth of UPCL (- ₹ 1,262.69 crore) was eroded completely. The following **Table-3.2.10** indicates paid up capital, accumulated profit/loss and net worth of the three<sup>23</sup> PSUs during the period 2013-14 to 2017-18:

**Table-3.2.10: Net worth of three Power Sector Undertakings during 2013-14 to 2017-18**

(₹ in crore)					
Year	Paid up Capital at end of the year	Free Reserve and surplus	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue Expenditure	Net worth
2013-14	2,385.03	-	(-1,562.79)	00	822.24
2014-15	2,556.28	-	(-1,698.04)	00	858.24
2015-16	2,764.77	-	(-1,542.51)	00	1,222.26
2016-17	2,894.77	-	(-1,845.19)	00	1,049.58
2017-18	2,947.77	-	(-1,864.37)	00	1,083.40

Source: Information furnished by power sector PSUs.

The State Government provided financial support to these PSUs by infusing equity during the period 2013-18. Despite this, the accumulated losses of UPCL increased from ₹ 1,695.38 crore in 2013-14 to ₹ 2,568.72 crore in 2017-18. The losses of UPCL resulted in its negative net worth during 2013-18. Two PSUs<sup>24</sup> had positive net worth.

### 3.2.1.12 Dividend Payout

The State Government had not formulated any dividend policy under which PSUs would be required to pay a minimum return on the paid up share capital contributed by the State Government. Dividend Payout relating to Power Sector PSUs where equity was infused by GoU during the period is shown in **Table-3.2.11** below:

**Table-3.2.11: Dividend Payout of Power Sector PSUs during 2013-14 to 2017-18**

(₹ in crore)							
Year	Total PSUs where equity infused by GoU		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (percentage)
	Number of PSUs	Equity infused by GoU	Number of PSUs	Equity infused by GoU	Number of PSUs	Dividend declared/paid by PSUs	
1	2	3	4	5	6	7	8=7/3*100
2013-14	3	2,385.03	3	2,385.03	-	-	-
2014-15	3	2,556.28	2	1,479.38	-	-	-
2015-16	3	2,764.77	2	1,526.74	1	15.18	0.55
2016-17	4	2,894.77	2	1,610.74	2	27.69	0.96
2017-18	4	2,947.77	2	1,641.74	1	18.69	0.63

Source: Information furnished by power sector PSUs.

Only one Power Sector PSU (UJVNL) paid/declared dividend during 2015-16 to 2017-18 and Power Transmission Corporation of Uttarakhand Limited had paid/declared dividend during 2016-17.

<sup>23</sup> Except Kishau Corporation Limited.

<sup>24</sup> Uttarakhand Jal Viduyt Nigam Limited and Power Transmission Corporation of Uttarakhand Limited.

The dividend payout ratio during 2013-14 to 2014-15 was nil whereas during 2015-16 to 2017-18, it was nominal ranging between 0.55 *per cent* and 0.96 *per cent*. Also, none of these PSUs had declared/paid dividend since their inception till 2014-15.

### **3.2.1.13 Return on Equity**

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

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

Return on Equity has been computed in respect of three PSUs where funds had been infused by the State Government. The details of Shareholders fund and RoE relating to the three PSUs during the period from 2013-14 to 2017-18 are given in **Table-3.2.12** below:

**Table-3.2.12: Return on Equity relating to three Power Sector PSUs where funds were infused by the GoU**

Year	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (Percentage)
2013-14	339.32	822.24	41.27
2014-15	-134.66	858.24	--
2015-16	155.53	1,222.26	12.72
2016-17	-175.02	1,049.58	--
2017-18	-136.60	1,083.40	--

*Source: Information compiled from financial statements of power sector PSUs.*

During the last five years period ended March 2018, Net Income was positive in the years 2013-14 and 2015-16 only, while Shareholders' fund were positive in all the years. Therefore RoE in respect of these PSUs could not be worked out except for the year 2013-14 and 2015-16 wherein RoE was 41.27 *per cent* and 12.72 *per cent* respectively. The net income of these PSUs remained negative in the three years due to heavy losses incurred by UPCL. It could not realise its cost of supply of power from tariff charged.

### **3.2.1.14 Return on Capital Employed**

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

RoCE is calculated by dividing a company's Earnings Before Interest and Taxes (EBIT) by the capital employed<sup>25</sup>. The details of RoCE of all the three power sector PSUs during the period from 2013-14 to 2017-18 are given in **Table-3.2.13** below:

**Table-3.2.13: Return on Capital Employed**

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (percentage)
2013-14	630.52	3,272.50	19.27
2014-15	75.48	3,334.18	2.26
2015-16	523.76	3,947.20	13.27
2016-17	168.83	4,442.04	3.80
2017-18	211.93	4,444.64	4.77

*Source: Information compiled from financial statements of power sector PSUs.*

The RoCE ranged between 2.26 per cent and 19.27 per cent during the period 2013-14 to 2017-18. The RoCE of the PSUs exhibited a fluctuating trend. It improved for the year 2015-16 because there was increase in profit of two PSUs<sup>26</sup>.

### **3.2.1.15 Analysis of Long term loans of the Companies**

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

### **3.2.1.16 Interest Coverage Ratio**

Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in three power sector PSUs which had interest burden during the period from 2013-14 to 2017-18 are given in **Table-3.2.14** below:

<sup>25</sup> Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

<sup>26</sup> Uttarakhand Jal Vidyut Nigam Limited and Power Transmission Corporation of Uttarakhand Limited.

**Table-3.2.14: Interest coverage ratio**

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs <sup>27</sup> having liability of loans from Government, Banks and other financial institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2013-14	292.11	630.52	3	3	0
2014-15	312.78	75.48	3	2	1
2015-16	339.91	523.76	3	2	1
2016-17	368.88	168.83	3	2	1
2017-18	366.46	211.93	3	2	1

Source: Information compiled from financial statements of power sector PSUs.

It was observed that two PSUs<sup>28</sup> have interest coverage ratio of more than one during 2013-14 to 2017-18. One PSU<sup>29</sup> has interest coverage ratio less than one during 2014-15 to 2017-18. Thus, the PSU was not generating sufficient revenue to meet its expenses on interest.

### 3.2.1.17 Debt-Turnover Ratio

During the last five years, the turnover of power sector PSUs recorded compounded annual growth rate of 15.76 per cent and compounded annual growth rate of debt was 7.83 per cent due to which the Debt-Turnover Ratio improved from 0.62:1 in 2013-14 to 0.50:1 in 2017-18 as given in **Table-3.2.15** below:

**Table-3.2.15: Debt Turnover ratio relating to the Power Sector undertakings**

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government and others (Banks and Financial Institutions)	2,450.26	2,475.94	2,724.94	3,392.46	3,361.23
Turnover	3,968.35	4,421.60	5,745.16	5,883.21	6,780.91
Debt-Turnover Ratio	0.62:1	0.56:1	0.47:1	0.58:1	0.50:1

Source: Information compiled from financial statements of power sector PSUs.

### 3.2.1.18 Assistance under Ujjwal DISCOM Assurance Yojana (UDAY)

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

### 3.2.1.19 Scheme for improving operational efficiency

The participating States were required to undertake various targeted activities like

<sup>27</sup> One power sector PSU Kishau Corporation Limited has not been considered as its operation did not commence till March 2018.

<sup>28</sup> Uttarakhand Jal Vidyut Nigam Limited and Power Transmission Corporation of Uttarakhand Limited.

<sup>29</sup> Uttarakhand Power Corporation Limited.

compulsory feeder and distribution transformer (DT) metering, upgrading or changing transformers and meters, smart metering of all consumers consuming above 200 units per month by 31 December 2019, Demand Side Management (DSM) through energy efficient equipment, quarterly revision of tariff, increase employees engagement, implement consumer service strategy, monitor the performance on monthly basis and assure increased power supply in areas where the AT&C losses have been reduced for improving the operational efficiencies. The timeline prescribed for these targeted activities were required to be followed so as to ensure achievement of the targeted benefits viz. ability to track losses at feeder and DT level, identification of loss making areas, reduce technical losses and minimise outages, reduce power theft by enhancing public participation, reduce peak load and energy consumption, etc. The outcomes of operational improvements were to be measured through indicators viz. phased reduction of AT&C loss to 14.50 per cent by the year 2018-19 as per loss reduction trajectory finalised by the MoP and State; and reduction in gap between average cost of supply and average revenue realised to zero by 2018-19, achieving cent percent Distribution Transformer metering, undertaking energy audit, etc.

#### **3.2.1.20 Scheme for financial turnaround**

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

- State will issue non-Statutory Liquidity Ratio bonds and the proceeds realised from issue of such bonds shall be transferred to the DISCOMs which in turn shall discharge the corresponding amount of Banks/ FIs debt. The bonds so issued will have a maturity period of 10-15 years with a moratorium on repayment of principal upto 5 years.
- Debt of DISCOM will be taken over in the priority of debt already due, followed by debt with higher cost.
- The transfer to the DISCOM by the State in 2015-16 and 2016-17 will be as a grant which can be spread over three years with the remaining transfer through State loan to DISCOM. In exceptional cases, 25 per cent of grant can be given as equity.

#### **3.2.1.21 Implementation of the UDAY Scheme**

The status of implementation of the UDAY Scheme in the state is detailed below:

##### **A. Achievement of operational parameters**

The achievements vis-à-vis targets under UDAY Scheme regarding different operational parameters relating to the one State DISCOM (UPCL) were as in **Table-3.2.16** below:

**Table-3.2.16: Parameter wise achievements vis-à-vis targets of operational performance upto 31 March 2019**

Parameter of UDAY Scheme	Target under UDAY Scheme	Progress under UDAY Scheme	Achievement (in percentage)
Feeder metering ( <i>in Nos.</i> )	1,980	1,980	100
Metering at Distribution Transformers ( <i>in Nos.</i> )			
Urban	6,616	6,777	102
Rural	--	--	--
Feeder Segregation ( <i>in Nos.</i> )	60	20	33
Rural Feeder Audit ( <i>in Nos.</i> )	1,395	858	62
Electricity to unconnected household ( <i>in lakh Nos.</i> )	21.17	22.45	106
Smart metering ( <i>in Nos.</i> )	3,00,000	Not yet taken up due to high capital cost and technology related issues.	
Distribution of LED UJALA ( <i>in lakh Nos.</i> )	59.33	52.88	89
AT & C Losses ( <i>in %</i> )	14.50	15.21 <sup>30</sup>	Not achieved
ACS-ARR Gap ( <i>₹per unit</i> )	0.00	(-) 0.03	Not achieved
Net Income or Profit/Loss including subsidy ( <i>₹in crore</i> )	10.57	(229.22) <sup>31</sup>	Not achieved

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

The State has not initiated action for smart metering. Target of feeder segregation were not achieved, whereas the performance of feeder metering, metering at Distribution Transformers in urban areas, providing electricity to unconnected households and distribution of LEDs was extremely encouraging as targets had been over achieved. Further, the State could not achieve target of AT&C loss reduction of 14.50 *per cent* by March 2019. According to the MoP, GoI, the State of Uttarakhand stood 14 amongst all the states on the basis of overall achievements made by the State DISCOM under UDAY Scheme upto 31 March 2019.

### **B. Implementation of Financial Turnaround**

The GoU or the State DISCOM has not issued any bond for discharging financial liabilities. The GoU conveyed (05 March 2016) its '*in principle*' consent to the MoP, GoI to take benefit of the UDAY Scheme. Thereafter, a tripartite Memorandum of Understanding (MoUs) was signed (21 March 2016) between the MoP, GoI, the GoU and the State DISCOM (*i.e.* UPCL) for operational turnaround. The State Government has not taken over any debt of the DISCOM under the UDAY scheme. However, loans from Uttar Pradesh Government (including interest) amounting to ₹ 151.13 crore were decided to be converted into equity during 2015-16 by UPCL<sup>32</sup> under UDAY scheme referred to in **paragraph 3.2.1.4**. Further, against the instruction of GoU to issue State Guarantee bonds to pay loan of ₹ 520.37 crore<sup>33</sup> (as on 30 September 2015) availed from Rural

<sup>30</sup> Provisional figures for financial year 2018-19.

<sup>31</sup> The financial statements for the year 2018-19 has not been submitted by PSU. Hence, figures for the year 2017-18 has been adopted.

<sup>32</sup> Conversion was approved in Board of Directors meeting held on 24 June 2016 wherein Principal Secretary (Energy) as Chairman of the board and representative of Secretary (Finance) were present.

<sup>33</sup> Average interest rate of 12 *per cent*.

Electrification Corporation, Board of Director of UPCL decided (29 September 2016) not to issue the bonds as loan was carrying lower average rate of interest (eight per cent).

### 3.2.1.22 *Comments on Accounts of Power Sector Undertakings*

Three Power sector Companies<sup>34</sup> forwarded their three audited accounts to the Principal Accountant General during the period from 1 October 2017 to 30 September 2018. All the accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the C&AG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the C&AG for the accounts of 2015-18 are as in **Table-3.2.17** below:

**Table-3.2.17: Impact of audit comments on Power Sector Companies**

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	33.82	1	4.81	2	120.81
2.	Increase in profit			-	-		
3.	Increase in loss	2	184.44	1	2.15	1	36.82
4.	Decrease in loss			-	-		
5.	Non-disclosure of material facts	1	0.31	1	1.93	2	3.75
6.	Errors of classification	3	60.09	3	176.73	3	589.96

Source: Compiled from comments of the Statutory Auditors/ C&AG of India in respect of Power Sector PSUs.

During the year 2017-18, the Statutory Auditors had issued qualified certificates on all the accounts. Further, the Statutory Auditors pointed out three instances of non-compliance to the Accounting Standards in two accounts.

### 3.2.1.23 *Performance Audit and Compliance Audit Paragraphs*

For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2018, one compliance audit paragraph relating to power sector undertakings was issued to the Principal Secretary of Energy Department, GoU with request to furnish replies within four weeks. Replies on the compliance audit paragraph have been received (May 2018). The financial impact of the compliance audit paragraph is ₹ 3.34 crore.

### 3.2.1.24 *Follow up action on Audit Reports*

#### *Replies outstanding*

The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. All Administrative Departments are required to submit replies/explanatory notes to paragraphs/Performance Audits (PA) included in the Reports of the C&AG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU). The status of explanatory notes is given in **Table-3.2.18** below:

<sup>34</sup> One new power sector PSU: Kishau Corporation Limited has not submitted its financial statements as its operation did not commence till March 2018.

**Table-3.2.18: Position of explanatory notes on Audit Reports related to Power Sector PSUs (as on 31 December 2018)**

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs related to Power Sector PSUs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2012-13	November 2014	01	01	01	01
2013-14	November 2015	--	03	--	03
2014-15	November 2016	--	03	--	03
2015-16	May 2017	--	--	--	--
2016-17	September 2018	--	03	--	03

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

Explanatory notes of above audit paragraphs were pending with power department<sup>35</sup> till December 2018.

### **3.2.1.25 Discussion of Audit Reports by COPU**

The status of discussion of Performance Audits and paragraphs related to Power Sector PSUs that appeared in Audit Reports (PSUs) by the COPU as on 31 December 2018 was as in **Table-3.2.19** below:

**Table-3.2.19: Performance Audits/Paragraphs appeared in Audit Reports vis-à-vis discussed as on 31 December 2018**

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2012-13	01	01	--	--
2013-14	--	03	--	--
2014-15	--	03	--	--
2015-16	--	--	--	--
2016-17	--	03	--	--

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

The Audit Reports (PSUs) from the year 2012-13 are pending for discussion.

### **3.2.1.26 Compliance to Reports of COPU**

Action Taken Notes (ATNs) on four reports<sup>36</sup> of the COPU presented to the State Legislature in December 2003 and December 2008 had not been received (March 2019) as indicated in **Table-3.2.20** below:

<sup>35</sup> Uttarakhand Power Corporation Limited, Power Transmission Corporation of Uttarakhand Limited and UJVN Limited.

<sup>36</sup> COPU Reports presented before Vidhan Sabha on 11.10.2006 (two reports), 23.03.2011 and 29.09.2011.



Table-3.2.20: Compliance to COPU Reports

Year of the COPU Report	Total No. of Reports of COPU	Total number of recommendation in COPU Reports	Number of recommendations where ATNs not received
2005-06	02	03	No ATNs were received.
2009-10	02	15	

Source: Compilation based on COPU Reports.

The above mentioned Reports of COPU contained recommendations in respect of paragraphs pertaining to UPCL which appeared in the Reports of the C&AG of India for the years 1997-1998, 1998-99, 2000-01, 2001-02, 2004-05 and 2005-06. The ATNs on recommendations made in these four COPU Reports were not received till March 2019.

## Part-II (Other than Power Sector)

### 3.3 Functioning of State Public Sector Undertakings (Other than Power Sector)

#### 3.3.1 Introduction

**3.3.1.1** There were 26 State Public Sector Undertakings (PSUs) as on 31 March 2018 functioning in sectors other than Power Sector. These PSUs included 23 Government Companies<sup>37</sup> and three Statutory Corporations<sup>38</sup>. The Government Companies included one<sup>39</sup> inactive<sup>40</sup> company and seven subsidiary companies<sup>41</sup> owned by other Government Companies. All the seven subsidiary companies are inactive. Thus, there are 18 working companies and eight inactive companies.

The State Government provides financial support to the State PSUs in the shape of

<sup>37</sup> This includes three new PSUs namely Dehradun Smart City Limited; Ecotourism Development Corporation of Uttarakhand; and Uttarakhand Metro Rail, Urban Infrastructure & Building Construction Corporation Limited which were incorporated during March 2017 to September 2017 under Companies Act, 2013 by State Government.

<sup>38</sup> Audit of Statutory Corporation is governed by their respective legislations. Out of the three Statutory Corporations, C&AG is the sole auditor for Uttarakhand Parivahan Nigam and Uttarakhand Forest Development Corporation. In respect of Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam, the audit was entrusted to the C&AG initially from 2003-04 to 2008-09 and then extended upto 2018-19 under section 20 (1) of the C&AG's (DPC) Act, 1971.

<sup>39</sup> UPAI Limited

<sup>40</sup> Inactive PSU means a Company which has not been carrying on any business or operation, or has not made any significant accounting transaction, or has not filed financial statements and annual returns during the last two financial years.

<sup>41</sup> Trans Cables Limited (Subsidiary of Kumaun Mandal Vikas Nigam limited), Uttar Pradesh Digitals Limited (Subsidiary of Kumaun Mandal Vikas Nigam limited), Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited), Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited), Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited), Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited), Kumaun Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaun Mandal Vikas Nigam Limited). Further, four PSUs namely Garhwal Anusuchit Janjati Vikas Nigam Limited, Kumaun Anusuchit Janjati Vikas Nigam Limited, Trans Cables Limited and Uttar Pradesh Digitals Limited, which were working PSUs upto 2016-17 have now included as inactive PSUs for the year 2017-18 onwards as there has not been any commercial activities in these PSUs.

equity, loans and grants/subsidy from time to time. Of the 26 State PSUs (other than Power Sector), the State Government invested funds in 18 Government companies and two<sup>42</sup> subsidiary companies only. The State Government did not infuse any funds in five Government Companies which were incorporated as subsidiaries of other Government Companies and of one Statutory Corporation. Equity of these five subsidiary companies was contributed by the respective Holding Companies.

### **3.3.1.2 Contribution to Economy of the State**

A ratio of turnover of the PSUs to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the State economy. The **Table-3.3.1** below provides the details of turnover<sup>43</sup> of State PSUs and GSDP of Uttarakhand for a period of five years ending March 2018:

**Table-3.3.1: Details of turnover of State PSUs vis-à-vis GSDP of Uttarakhand**

<i>(₹ in crore)</i>					
<b>Particulars</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Turnover	1,134.89	1,319.82	1,428.17	1,440.43	1,990.08
GSDP of Uttarakhand	1,49,074.00	1,61,439.00	1,75,772.00	1,95,606.00	2,17,609.00
Percentage of Turnover to GSDP of Uttarakhand	0.76	0.82	0.81	0.74	0.91

*Source: Compilation based on turnover figures of working PSUs (other than power); turnover figures adopted from approved C&AG Audit report upto 2016-17; GSDP figures as per Finance Account 2017-18 of Government of Uttarakhand.*

The turnover of these PSUs recorded continuous increase in their turnover over previous years turnover as per their latest audited accounts available in respective years. The increase in turnover ranged between 0.86 *per cent* and 38.16 *per cent* during the period 2013-18, whereas increase in GSDP of the State ranged between 8.29 *per cent* and 11.28 *per cent* during the same period. The compounded annual growth rate of GSDP was 10.58 *per cent* during last five years. The compounded annual growth rate is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth rate of 10.58 *per cent* of the GSDP, the turnover of undertakings recorded higher compounded annual growth rate of 20.59 *per cent* during last five years. This resulted in marginal increase in share of turnover of these PSUs to the GSDP from 0.76 *per cent* in 2013-14 to 0.91 *per cent* in 2017-18.

### **3.3.1.3 Investment in State PSUs**

There are some PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various

<sup>42</sup> Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited), Kumaun Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaun Mandal Vikas Nigam Limited).

<sup>43</sup> This does not include six PSUs (three new PSUs namely Eco-Tourism Development Corporation Limited, Dehradun Smart City Limited, Uttarakhand Metro Rail, Urban Infrastructure and Building Construction Corporation Limited; one PSU namely Uttarakhand Alpsankhyak Kalyan Tatha Wakf Vikas Nigam whose first accounts have not been received till date and two PSUs namely UP Hill Phones limited and UP Hill Quartz where details are not available since creation of the State).

reasons. Besides, the Government has also invested in certain business segments through PSUs which function in a competitive environment with private sector undertakings. The position of these State PSUs have therefore been analysed under two major classifications viz. those in the social sector and those functioning in competitive environment. Besides, ten<sup>44</sup> of these State PSUs incorporated to perform some specific activities on behalf of the State Government have been categorised under 'others'. Details of investment made in these 26 State PSUs<sup>45</sup> in form of equity and long term loans upto 31 March 2018 are detailed in *Appendix-3.3.1*.

**3.3.1.4** The sector-wise summary of investment in these State PSUs as on 31 March 2018 is given in **Table-3.3.2** below:

**Table-3.3.2: Sector-wise investment in State PSUs**

Sector	Number of PSUs	Investment (₹ in crore)				Total
		Equity		Long term loans		
		GoU	Other	GoU	Other	
Social Sector	05	24.91	6.57	1.17	0.04	32.69
PSUs in Competitive Environment	11	1,002.50	2,369.39	331.97	347.86	4,051.72
Others	10	9.32	2.19	4.15	18.52	34.18
<b>Total</b>	<b>26</b>	<b>1,036.73</b>	<b>2,378.15</b>	<b>337.29</b>	<b>366.42</b>	<b>4,118.59</b>

*Source: Compilation based on information provided by PSUs.*

As on 31 March 2018, the total investment (equity and long term loans) in these PSUs was ₹ 4,118.59 crore. The investment consisted of 82.91 per cent towards equity and 17.09 per cent in long-term loans. The long term loans advanced by the GoU constituted 47.93 per cent (₹ 337.29 crore) of the total long term loans whereas 52.07 per cent (₹ 366.42 crore) of the total long term loans were availed from other financial institutions.

The investment has grown by 47.08 per cent from ₹ 2,800.21 crore in 2013-14 to ₹ 4,118.59 crore in 2017-18. There was addition of ₹ 1,163.34 crore towards equity and ₹ 155.04 crore in long term loans.

### **3.3.1.5 Disinvestment, restructuring and privatisation of State PSUs**

During the year 2017-18, no disinvestment, restructuring or privatisation was done by the State Government in these PSUs.

<sup>44</sup> Trans Cables Limited (Subsidiary of Kumaun Mandal Vikas Nigam limited), Uttar Pradesh Digitals Limited (Subsidiary of Kumaun Mandal Vikas Nigam limited), Uttar Pradesh Hill Electronics Corporation Limited, Uttarakhand Forest Development Corporation, UPAI, Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited), Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited), Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited), Uttarakhand Metro Rail, Urban Infrastructure and Building Construction Corporation Limited and Dehradun Smart City Limited.

<sup>45</sup> Excluding two PSUs namely Uttarakhand Forest Development Corporation and U.P. Hill Quartz Limited, in which investment (Equity or Long Term Loan) has not been made by State Government.

### 3.3.1.6 Budgetary Support to State PSUs

The GoU provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity during the year in respect of the State PSUs for the last three years ending March 2018 are as in **Table-3.3.3** below:

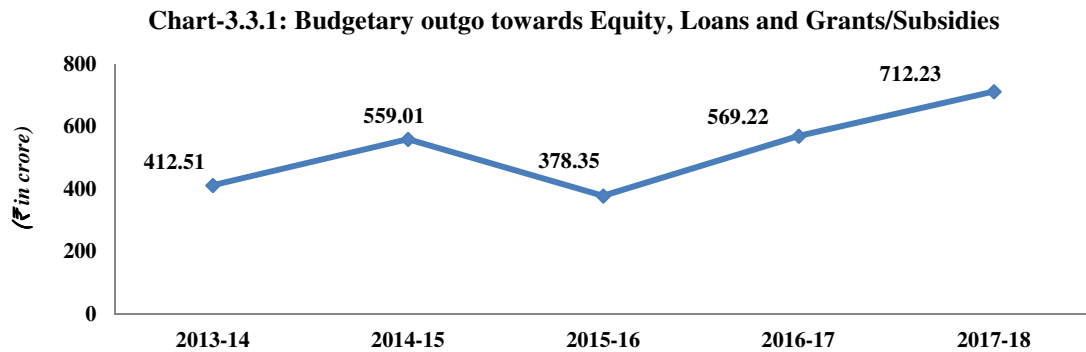
**Table-3.3.3: Details regarding budgetary support to State PSUs during the years**

(₹ in crore)

Particulars <sup>46</sup>	2015-16		2016-17		2017-18	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	4	26.95	2	78.42	4	63.02
Loans given (ii)	2	12.10	-	-	-	-
Grants/Subsidy provided (iii)	6	339.30	5	490.80	5	649.21
Total Outgo (i+ii+iii)	-	378.35	-	569.22	-	712.23
Loan repayment written off	-	-	-	-	-	-
Loans converted into equity	-	-	-	-	-	-
Guarantees issued	1	10.46	1	6.25	-	-
Guarantee Commitment	-	-	1	0.19	1	0.67

Source: Compilation based on information provided by PSUs.

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last five years ending March 2018 are given in a **Chart-3.3.1** below:



The annual budgetary assistance to these PSUs ranged between ₹ 378.35 crore and ₹ 712.23 crore during the period 2013-14 to 2017-18. The budgetary assistance of ₹ 712.23 crore given during the year 2017-18 included ₹ 63.02 crore and ₹ 649.21 crore in the form of equity and grants/ subsidy respectively. The State Government did not provide any loan assistance to these PSUs during 2017-18. The State Government gave subsidy to Doiwala Sugar Company Limited and Kichha Sugar Company Limited for payment of sugarcane prices to farmers and grants of ₹ 590.99 crore were provided to Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam to create infrastructure of sewerage and water supply.

<sup>46</sup> Amount represents outgo from State Budget only.

In order to enable PSUs to obtain financial assistance from banks and financial institutions, GoU provides guarantee and charges guarantee fee of one *per cent* per annum. The Government of Uttar Pradesh had ordered (September 2000) to charge guarantee fees at the rate of one *per cent* per annum on the guarantee given by the State Government for PSUs seeking financial assistance and the same was adopted by the Uttarakhand Government. The amount of guarantee commitments outstanding as on 31 March 2014 were nil which stood at ₹ 0.67 crore (one PSU - Kiccha Sugar Company Limited) as on 31 March 2018. During the year 2017-18, no guarantee commission was paid by the PSUs.

### 3.3.1.7 Reconciliation with Finance Accounts of Government of Uttarakhand

The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the GOU. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2018 is stated in **Table-3.3.4** below:

**Table-3.3.4: Equity, loans, guarantees outstanding as per Finance Accounts of Government of Uttarakhand vis-à-vis records of State PSUs**

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	266.44	339.51 <sup>47</sup>	73.07
Loans	102.01	337.29	235.28
Guarantees	-	0.67	0.67

(₹ in crore)

Source: Compilation based on information provided by PSUs and approved Finance Accounts.

The differences between the figures are persisting since last many years. The issue of reconciliation of differences was also taken up with the respective PSUs/Departments by the Principal Accountant General (Uttarakhand) from time to time. The non-reconciliation of figures may lead to fraud and leakage of public money apart from violation of the provisions of the relevant statutes. We recommend that the State Government and respective PSUs should reconcile the differences in a time bound manner.

### Submission of accounts by State PSUs

Of these 26 PSUs, 18 are working PSUs (15 Companies and three Statutory Corporations) and eight are inactive as of 31 March 2018. The status of timelines followed by the State PSUs in preparation of accounts is as detailed under:

### 3.3.1.8 Timeliness in preparation of accounts by the working State PSUs

Accounts for the year 2017-18 were required to be submitted by all the working PSUs by 30 September 2018. However, none of the working Government Companies submitted their accounts for the year 2017-18 for audit by C&AG on or before 30 September 2018. Out of the three Statutory Corporations, C&AG is the sole auditor for Uttarakhand

<sup>47</sup> This does not include ₹ 697.22 crore being capital grants received by Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam from State Government and outstanding as on 31 March 2018.

Parivahan Nigam and UFDC. The audit of Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam has been entrusted to the C&AG upto 2018-19 under section 20 (1) of the C&AG's (DPC) Act, 1971. None of the Statutory Corporations presented their accounts for the year 2017-18 for audit up to 30 September 2018.

Details of arrears in submission of accounts of working PSUs as on 30 September 2018 are given in **Table-3.3.5** below:

**Table-3.3.5: Position relating to submission of accounts by the working State PSUs**

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Number of PSUs	18	18	18	19 <sup>48</sup>	18 <sup>49</sup>
2.	Number of accounts submitted during current year	15	07	19	32	12
3.	Number of working PSUs which finalised accounts for the current year	Nil	Nil	Nil	Nil	Nil
4.	Number of previous year accounts finalised during current year	11	14	12	37	12
5.	Number of working PSUs with arrears in accounts	18	18	18	19	18
6.	Number of accounts in arrears	147	151	157	150 <sup>50</sup>	66
7.	Extent of arrears	One to twenty seven years	One to twenty eight years	One to twenty nine years	One to thirty years	One to thirteen years

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

Of these 18 working State PSUs, nine PSUs had finalised 12 annual accounts during the period 1 October 2017 to 30 September 2018 for previous years. Further, 66 annual accounts were in arrears which pertain to 18 PSUs as detailed in **Appendix-3.3.2**. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The concerned Departments were informed quarterly by the Principal Accountant General (Audit) Uttarakhand regarding arrear in finalisation of accounts.

The GoU had provided ₹ 176.22 crore (Loan: ₹ 16.86 crore, Subsidy: ₹ 159.36 crore) to six of the 18 working PSUs, accounts of which had not been finalised by 30 September 2018 as prescribed under the Companies Act 2013, whereas no investment was made in

<sup>48</sup> During 2016-17, one new PSU namely Uttarakhand Alpsankhyak Kalyan Tatha Wakf Vikas Nigam which was incorporated in 2005-06 was included in the commercial chapter. 12 accounts have been included in the arrears as the first account of the company is yet to be received till date.

<sup>49</sup> Four working PSUs considered as Inactive PSUs and the details in this regard have been included in the **Table-3.3.6**. Further, three new PSUs namely *i.e.* Dehradun Smart City Limited, Ecotourism Development Corporation of Uttarakhand, Uttarakhand Metro Rail, Urban Infrastructure & Building Construction Corporation Limited are included.

<sup>50</sup> 90 accounts (up to 2016-17) of four companies transferred to inactive PSUs **Table-3.3.6**.

10 PSUs<sup>51</sup> during the period for which accounts are in arrears. PSU wise details of investment made by State Government during the years for which accounts are in arrears are shown in **Appendix-3.3.2**. However, six accounts of six<sup>52</sup> of these working State PSUs for the period 2017-18 were finalised and submitted for audit during the period from October 2018 to March 2019 whereas 60 accounts pertaining to 12 working State PSUs were awaited till March 2019.

In the absence of finalisation of accounts and their subsequent audit in remaining 12 PSUs, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoU investment in these PSUs, therefore, remained outside the control of State Legislature.

### 3.3.1.9 Timeliness in preparation of accounts by inactive State PSUs

**Of the eight PSUs, one PSU namely UPAI Limited was under liquidation since March 1991.** There were arrears in finalisation of accounts by eight inactive PSUs, details of which are as given in **Table-3.3.6** below:

**Table-3.3.6: Position relating to arrears of accounts in respect of inactive PSUs**

Sl. No.	Name of inactive companies	Period for which accounts were in arrears
1.	UPAI Limited (under liquidation since 31.03.1991)	1989-90 to 2017-18
2.	Trans Cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam limited)	2000-01 to 2017-18
3.	Uttar Pradesh Digitals Limited (Subsidiary of Kumaon Mandal Vikas Nigam limited)	1997-98 to 2017-18
4.	Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	1990-91 to 2017-18
5.	Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited),	1987-88 to 2017-18
6.	Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	1989-90 to 2017-18
7.	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited),	1994-95 to 2017-18
8.	Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited).	1987-88 to 2017-18

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

None of these inactive PSUs submitted their accounts up to March 2019.

### 3.3.1.10 Placement of Separate Audit Reports of Statutory Corporations

Separate Audit Reports (SARs) are audit reports of the C&AG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the

<sup>51</sup> Accounts of two new PSUs namely: Ecotourism Development Corporation of Uttarakhand and Uttarakhand Metro Rail, Urban Infrastructure & Building Construction Corporation Limited were not due upto 30 September 2018.

<sup>52</sup> Doiwala Sugar Company Limited, Kichha Sugar Company Limited, Dehradun Smart City Limited, Uttaranchal Project Development and Construction Corporation Limited, Uttarakhand Purva Sainik Kalyan Nigam Limited, Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam.

provisions of the respective Acts. All three working Statutory Corporations had not forwarded their accounts of the year 2017-18 by 30 September 2018.

Status of annual accounts of Statutory Corporations and placement of their SARs in legislature is detailed in **Table-3.3.7** below:

**Table-3.3.7: Status of placement of SAR of the Statutory Corporations**

Name of the Corporation	Year of Accounts	Month of placement of SAR
Uttarakhand Forest Development Corporation	2014-15 to 2016-17	Yet to be placed
Uttarakhand Parivahan Nigam	2010-11 to 2015-16	Yet to be placed
Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam	2014-15 and 2015-16	March 2018

*Source: Compilation based on information provided by the Statutory Corporations.*

### **3.3.1.11 Impact of non-finalisation of accounts of State PSUs**

As pointed in *paragraph 3.3.1.8*, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the PSUs to GSDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

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

### **3.3.1.12 Performance of working State PSUs**

The financial position and working results of the 26 State PSUs are detailed in *Appendix-3.3.3* as per their latest finalised accounts as of 30 September 2018.

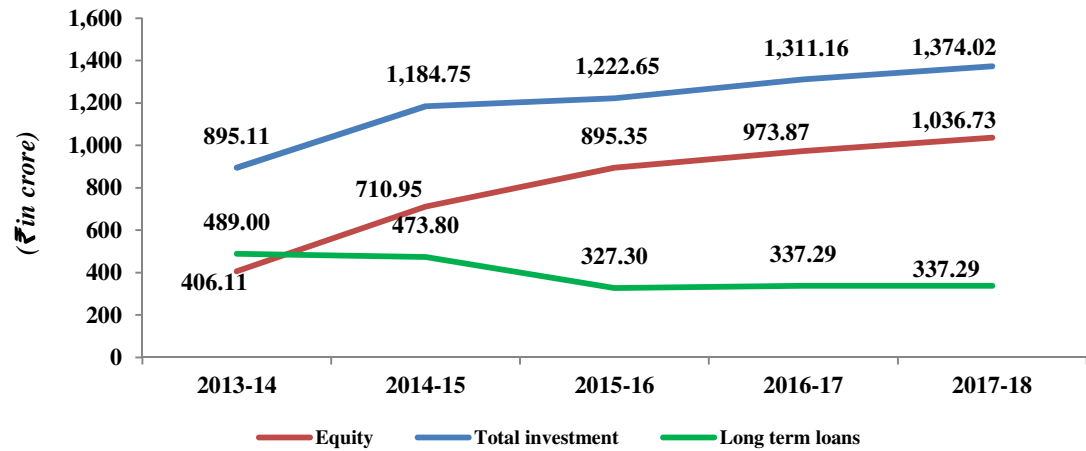
The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the PSUs. The total investment of the State Government and others in PSUs was ₹ 4,118.59 crore consisting of equity of ₹ 3,414.88 crore and long term loans of ₹ 703.71 crore. Out of this, GoU has investment of ₹ 1,374.02 crore consisting of equity of ₹ 1,036.73 crore<sup>53</sup> and long term loans of ₹ 337.29 crore.

The year wise statement of investment of GoU in the PSUs sector during the period 2013-14 to 2017-18 is as in **Chart-3.3.2** below:

<sup>53</sup> This includes ₹ 697.22 crore being capital grants received by Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam from State Government and outstanding as on 31 March 2018.



Chart-3.3.2: Total investment of GoU in PSUs (other than power sector)

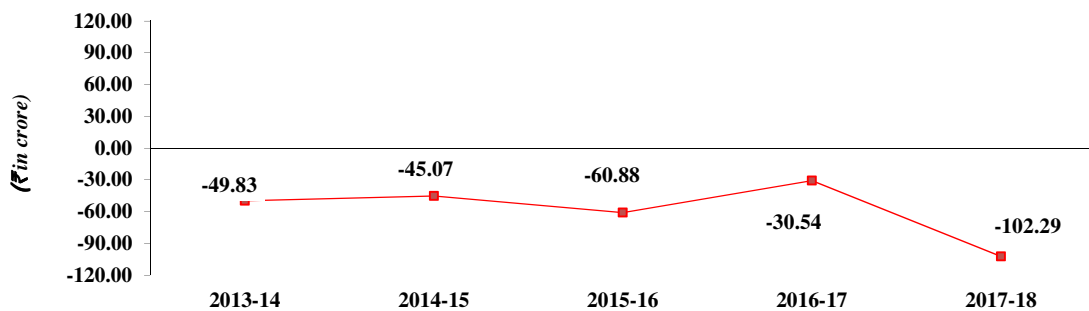


The profitability of a company is traditionally assessed through return on investment and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested and is expressed as a percentage of net profit to total investment. Return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

### 3.3.1.13 Return on Investment

The Return on investment is the percentage of profit or loss to the total investment. The overall position of profit / losses<sup>54</sup> earned / incurred by the 14 working State PSUs during 2013-14 to 2017-18 is depicted in **Chart-3.3.3** below:

Chart-3.3.3: Profit / Losses earned/incurred by 14 working PSUs during the years



The loss of ₹ 49.83 crore incurred by 14 PSUs in 2013-14 increased to ₹ 102.29 crore in 2017-18 due to substantial decrease in profit of State Industrial Development Corporation of Uttarakhand Limited. According to latest finalised accounts of these working State PSUs, six PSUs earned profit of ₹ 38.06 crore and eight PSUs incurred losses of ₹ 140.35 crore as detailed in **Appendix-3.3.3**.

<sup>54</sup> Figures are as per the latest finalised accounts of the respective years.

The top profit making PSUs were UFDC (₹ 20.31 crore) and State Industrial Development Corporation of Uttarakhand Limited (₹ 7.66 crore) while Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam Limited (₹ 39.50 crore), Doiwala Sugar Company Limited (₹ 36.04 crore) and Kichha Sugar Company Limited (₹ 29.68 crore) incurred heavy losses.

Position of 14 working PSUs which earned/incurred profit/loss during 2013-14 to 2017-18 is given in **Table-3.3.8** below:

**Table-3.3.8: Details of working Public Sector Undertakings which earned/ incurred profit/loss during 2013-14 to 2017-18**

Financial year	Total number of PSUs	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had marginal profit/ loss during the year
2013-14	14	06	07	01
2014-15	14	07	06	01
2015-16	14	06	07	01
2016-17	14	06	07	01
2017-18	14	05	08	01

#### **3.3.1.14 Return on Investment on historical cost basis**

The State Government has infused funds in the form of equity, long term loans and grants/subsidies in 14 PSUs<sup>55</sup> only. The Government has invested ₹ 1,360.81 crore in these PSUs consisting of equity of ₹ 1,028.84 crore<sup>56</sup> and long term loans of ₹ 331.97 crore.

The funds made available in the forms of the grants<sup>57</sup>/subsidy have not been reckoned as investment since they do not qualify to be considered as investment. Out of the total long term loans, only interest free loans have been considered as investment. However, in cases where interest free loans have been repaid by the PSUs, the value of investment based on historical cost and Present Value (PV) was calculated on the reduced balances of interest free loans over the period as detailed in **Table-3.3.10**.

Out of the released long term loans of ₹ 331.97 crore, ₹ 186.62 crore were interest free loans based on the reduced balances of interest free loans over the period. Thus, the total investment of State Government in these 14 PSUs on the basis of historical cost was ₹ 1,215.46 crore (₹ 1,028.84 crore as equity + ₹ 186.62 crore as interest free loans).

The return on investment on the basis of historical cost of investment for the period 2013-14 to 2017-18 is as given in **Table-3.3.9** below:

<sup>55</sup> Four companies had not submitted their first accounts up to September 2018.

<sup>56</sup> This includes ₹ 697.22 crore being capital grants received by Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam by State Government and outstanding as on 31 March 2018.

<sup>57</sup> In case of Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam, State Government is providing capital grant for creation of assets. Hence, it has been considered as investment.

Table-3.3.9: Return on State Government Funds on the basis of historical cost

Year wise Sector-wise Break-up	Total Earnings	Funds invested by the GoU in form of Equity and Interest Free Loans on historical cost	Return on State Government investment on historical cost basis (percentage)
<b>2013-14</b>			
Social Sector	5.91	16.33	36.19
Competitive Sector	-86.62	552.54	-15.68
Others	30.88	8.95	345.03
<b>Total</b>	<b>-49.83</b>	<b>577.82</b>	<b>-8.62</b>
<b>2014-15</b>			
Social Sector	5.91	17.04	34.68
Competitive Sector	-87.53	1,015.85	-8.62
Others	36.55	8.95	408.38
<b>Total</b>	<b>-45.07</b>	<b>1,041.84</b>	<b>-4.33</b>
<b>2015-16</b>			
Social Sector	7.26	17.44	41.63
Competitive Sector	-104.69	1,048.93	-9.98
Others	36.55	8.95	408.38
<b>Total</b>	<b>-60.88</b>	<b>1,075.32</b>	<b>-5.66</b>
<b>2016-17</b>			
Social Sector	6.26	17.44	35.89
Competitive Sector	-49.06	1,126.70	-4.35
Others	12.26	8.95	136.98
<b>Total</b>	<b>-30.54</b>	<b>1,153.09</b>	<b>-2.65</b>
<b>2017-18</b>			
Social Sector	7.56	17.44	43.35
Competitive Sector	-127.95	1,189.07	-10.76
Others	18.10	8.95	202.23
<b>Total</b>	<b>-102.29</b>	<b>1,215.46</b>	<b>-8.42</b>

The return on State Government investment is worked out by dividing the total earnings<sup>58</sup> of these PSUs by the cost of the State Government investments. The return on the State Government investment was negative in the period 2013-14 to 2017-18. It ranged between (-) 8.62 per cent and (-) 2.65 per cent. The return on State Government investment further went down during 2017-18 in comparison to that for the period 2016-17 mainly due to decrease in profit of State Industrial Development Corporation of Uttarakhand Limited during the year 2017-18.

### 3.3.1.15 Return on Investment on the basis of Present Value of Investment

An analysis of the earnings *vis-à-vis* investments in respect of those 14 State PSUs where funds had been infused by the State Government was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on the basis of historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. Therefore, in addition to the calculation of return on funds invested by GoU in these 14 PSUs on historical cost basis, the return on investment has also been calculated after considering the Present Value (PV) of money. PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity and interest free loan since incorporation of these companies till 31 March 2018. During the period

<sup>58</sup> This includes net profit/losses for the concerned year relating to those State PSUs where the investments have been made by the State Government.

from 2013-14 to 2017-18, these 14 PSUs had a negative return on investment. The return on investment for five years have been calculated and depicted on the basis of PV.

The present value (PV) of the State Government investment in these PSUs was computed on the following assumptions:

- Interest free loans have been considered as fund infusion by the State Government. However, in case of repayment of loans by the state PSUs, the PV was calculated on the reduced balances of interest free loans over the period. The funds made available in the form of grant/subsidy have not been reckoned as investment since they do not qualify to be considered as investment as indicated by the nature of subsidy indicated in *paragraph 3.3.1.6*.
- The average rate of interest on government borrowings for the concerned financial year<sup>59</sup> was adopted as compounded rate for arriving at Present Value since they represent the cost incurred by the government towards investment of funds for the year.

For the years 2013-14 to 2017-18 when these PSUs incurred losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of the PSUs is commented upon in *paragraph 3.3.1.18*.

**3.3.1.16** PSU wise position of State Government investment in these 14 State PSUs in the form of equity and loans on historical cost basis for the period from 2001-02 to 2017-18 is indicated in *Appendix-3.3.4*. Further, consolidated position of NPV of the State Government investment relating to these PSUs for the same period is indicated in **Table-3.3.10** below:

**Table-3.3.10: Year wise details of investment by the State Government and present value (PV) of government investment for the period from 2001-02 to 2017-18**

(₹ in crore)

Year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Interest Free loans given by the State Government during the year	Total Investment during the year	Average rate of interest on government borrowings (in percent)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earning for the year
i	ii	iii	iv	v=iii+iv	vi	vii=ii+v	viii=vii * (1+vi)/100	ix={vii*vi}/100	x
OB		46.70	0.00	0.00	<b>0.00</b>	<b>46.70</b>	<b>46.70</b>		
2001-02	46.70	8.20	0.00	8.20	8.36	54.90	59.49	4.59	-3.37
2002-03	59.49	18.30	3.72	22.02	10.40	81.51	89.99	8.48	-3.60
2003-04	89.99	128.45	0.00	128.45	8.51	218.44	237.03	18.59	-13.60
2004-05	237.03	226.33	0.00	226.33	9.10	463.36	505.53	42.17	-8.66
2005-06	505.53	187.59	9.72	197.31	7.47	702.84	755.34	52.50	-10.05
2006-07	755.34	172.93	-0.25	172.68	7.79	928.02	1,000.31	72.29	2.02

<sup>59</sup> The average rate of interest on government borrowings was adopted from the Reports of the C&AG of India on State Finances of Government of Uttarakhand for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]\*100.

2007-08	1,000.31	249.44	23.42	272.86	7.99	1,273.17	1,374.90	101.73	11.51
2008-09	1,374.90	219.47	5.49	224.96	7.75	1,599.86	1,723.85	123.99	37.29
2009-10	1,723.85	130.68	0.00	130.68	7.64	1,854.53	1,996.22	141.69	37.29
2010-11	1,996.22	-609.11	0.00	-609.11	7.34	1,387.11	1,488.92	101.81	24.10
2011-12	1,488.92	-269.48	100.52	-168.96	7.83	1,319.96	1,423.31	103.35	-41.03
2012-13	1,423.31	66.95	25.00	91.95	8.50	1,515.26	1,644.06	128.80	-63.06
2013-14	1,644.06	-176.25	10.00	-166.25	7.57	1,477.81	1,589.68	111.87	-49.83
2014-15	1,589.68	463.02	1.00	464.02	7.73	2,053.70	2,212.45	158.75	-45.07
2015-16	2,212.45	25.48	8.00	33.48	8.19	2,245.93	2,429.87	183.94	-60.88
2016-17	2,429.87	77.77	0.00	77.77	8.90	2,507.64	2,730.82	223.18	-30.54
2017-18	2,730.82	62.37	0.00	62.37	8.27	2,793.19	3,024.19	231.00	-102.29
<b>Total</b>		<b>1,028.84</b>	<b>186.62</b>	<b>1,215.46</b>					

The balance of investment by the State Government in these PSUs at the end of the year increased to ₹ 1,215.46 crore<sup>60</sup> in 2017-18 from ₹ 46.70 crore in 2001-02 as the State Government made further investments in form of equity (₹ 982.14 crore) and interest free loans (₹ 186.62 crore) during the period 2001-2002 to 2017-2018. The PV of funds infused by the State Government upto 31 March 2018 was ₹ 3,024.19 crore.

During the period 2001-02 to 2017-18, total earnings for the year 2001-02 to 2005-06 remained negative and recovery of cost of funds infused by GoU in these PSUs was not there. This was due to three PSUs<sup>61</sup> incurring substantial losses during these years. Similarly during 2011-12 to 2017-18, four PSUs<sup>62</sup> incurred substantial losses. Further, profit earned by one PSU<sup>63</sup> during the period 2006-07 to 2010-11 had set off losses incurred by other PSUs which resulted in total earning turning positive.

Further, analysis of two profit making PSUs *i.e.* State Industrial Development Corporation of Uttarakhand Limited and UFDC which earned profit from 2004-05 to 2017-18 and from 2013-14 to 2017-18 respectively revealed that these PSUs could register profits because of their advantage in the market. State Industrial Development Corporation of Uttarakhand Limited earned income from activities connected to development and allotment of industrial plots / land and UFDC earned significant revenue from sale of timber and mining activity.

**3.3.1.17** During the years 2013-14 to 2017-18, the government had negative returns on investments made in these PSUs. Sector-wise comparison of returns on State Government funds at historical cost and at present value for these years is given in **Table-3.3.11** below:

<sup>60</sup> ₹ 1,215.46 crore = ₹ 1,028.84 crore + ₹ 186.62 crore.

<sup>61</sup> Doiwala Sugar Company Ltd., Kiccha Sugar Company Ltd. and Uttarakhand Parivahan Nigam.

<sup>62</sup> Uttarakhand Seeds and Tarai Development Corporation, Doiwala Sugar Company Ltd., Kiccha Sugar Company Ltd. and Uttarakhand Parivahan Nigam.

<sup>63</sup> State Industrial Development Corporation of Uttarakhand Ltd.

Table 3.3.11: Return on State Government Funds

(₹ in crore)

Year wise Sector-wise Break-up	Total Earnings	Funds invested by the GoU in form of Equity and Interest Free Loans on historical cost	Return on State Government investment on historical cost basis (percentage)	PV of the State Government investment at end of the year	Return on State Government investment considering the present value of the investments (percentage)
<b>2013-14</b>					
Social Sector	5.91	16.33	36.19	31.75	18.61
Competitive Sector	-86.62	552.54	-15.68	1,533.09	-5.65
Others	30.88	8.95	345.03	24.84	124.3
<b>Total</b>	<b>-49.83</b>	<b>577.82</b>	<b>-8.62</b>	<b>1,589.68</b>	<b>-3.13</b>
<b>2014-15</b>					
Social Sector	5.91	17.04	34.68	34.97	16.9
Competitive Sector	-87.53	1,015.85	-8.62	2,150.72	-4.07
Others	36.55	8.95	408.38	26.76	136.56
<b>Total</b>	<b>-45.07</b>	<b>1,041.84</b>	<b>-4.33</b>	<b>2,212.45</b>	<b>-2.04</b>
<b>2015-16</b>					
Social Sector	7.26	17.44	41.63	38.27	18.97
Competitive Sector	-104.69	1,048.93	-9.98	2,362.65	-4.43
Others	36.55	8.95	408.38	28.96	126.23
<b>Total</b>	<b>-60.88</b>	<b>1,075.32</b>	<b>-5.66</b>	<b>2,429.87</b>	<b>-2.51</b>
<b>2016-17</b>					
Social Sector	6.26	17.44	35.89	41.68	15.02
Competitive Sector	-49.06	1,126.7	-4.35	2,657.61	-1.85
Others	12.26	8.95	136.98	31.53	38.88
<b>Total</b>	<b>-30.54</b>	<b>1,153.09</b>	<b>-2.65</b>	<b>2,730.82</b>	<b>-1.12</b>
<b>2017-18</b>					
Social Sector	7.56	17.44	43.35	45.12	16.75
Competitive Sector	-127.95	1,189.07	-10.76	2,944.92	-4.34
Others	18.1	8.95	202.23	34.14	53.02
<b>Total</b>	<b>-102.29</b>	<b>1,215.46</b>	<b>-8.42</b>	<b>3,024.19</b>	<b>-3.38</b>

The return earned on State Government investment on historical cost basis as also considering the present value of the investments remained negative during 2013-14 to 2017-18.

### 3.3.1.18 Erosion of Net worth

Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The capital investment and accumulated losses of all State PSUs as per their latest finalised accounts (as on 30 September 2018) were ₹ 2,771.12 crore and (-) ₹ 455.78 crore respectively resulting in net worth of ₹ 2,315.34 crore as detailed in

**Appendix-3.3.3.** Analysis of investment and accumulated losses disclosed that net worth had been eroded fully in eight out of these 26 PSUs. The equity investment and accumulated losses of these eight PSUs were ₹ 278.10 crore and ₹ 1,056.22 crore respectively. The net worth of Doiwala Sugar Company Limited was (-) ₹ 310.76 crore, Kichha Sugar Company Limited (-) ₹ 246.30 crore and Uttarakhand Parivahan Nigam (-) ₹ 189.05 crore had been fully eroded.

The following **Table-3.3.12** indicates total paid up capital, total accumulated profit/ loss, and total net worth of the 14 working PSUs where the State Government has made direct investment:

**Table-3.3.12: Net worth of 14 PSUs during 2013-14 to 2017-18**

(₹ in crore)

Year	Paid up Capital at end of the year <sup>64</sup>	Accumulated Profit (+) Loss (-) at end of the year <sup>65</sup> after adjusting Free Reserve	Deferred revenue Expenditure	Net Worth
2013-14	2,242.93	-162.17	0	2,080.76
2014-15	2,591.36	-310.62	0	2,280.74
2015-16	2,782.48	-360.79	0	2,421.69
2016-17	3,060.86	-420.34	0	2,640.52
2017-18	3,404.22	-442.29	0	2,961.93

The net worth of these PSUs increased during the period from ₹ 2,080.76 crore in 2013-14 to ₹ 2,961.93 crore in 2017-18. Out of 14 PSUs, nine PSUs<sup>66</sup> showed positive net worth and net worth of five<sup>67</sup> PSUs were in negative during 2013-14. The net worth of the PSUs increased due to infusion of capital by GoU mainly in Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam Limited.

### 3.3.1.19 Dividend Payout

The State Government had not formulated any dividend policy under which PSUs would be required to pay a minimum return on the paid up share capital contributed by the State Government. No PSU declared any dividend during 2013-14 to 2017-18.

### 3.3.1.20 Return on Equity

Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using shareholders' fund to create profits and is calculated by dividing net

<sup>64</sup> As per the respective years finalised accounts in the current year.

<sup>65</sup> Based on latest finalised accounts.

<sup>66</sup> Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited, State Infrastructure and Industrial Development Corporation of Uttarakhand Limited, Uttaranchal Project Development and Construction Corporation Limited, Kumaon Mandal Vikas Nigam Limited, Garhwal Mandal Vikas Nigam Limited, Uttarakhand Purva Sainik Kalyan Nigam Limited, Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam Limited, Uttarakhand Forest Development Corporation and Bridge, Ropeway, Tunnel and other Infrastructure Development Corporation of Uttarakhand Limited.

<sup>67</sup> Uttar Pradesh Hill Electronics Corporation Ltd, Uttarakhand Seeds and Tarai Development Corporation Ltd., Doiwala Sugar Company Limited, Kichha Sugar Company Limited and Uttarakhand Parivahan Nigam.

income (*i.e.* net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

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

The details of Shareholders fund and ROE relating to 14 working PSUs where funds were infused by the GoU during the period from 2013-14 to 2017-18 are given in **Table-3.3.13** below:

**Table-3.3.13: Return on Equity relating to 14 PSUs where funds were infused by the GoU**

Year	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (percentage)
2013-14	-49.83	238.10	-
2014-15	-45.07	394.19	-
2015-16	-60.88	527.92	-
2016-17	-30.54	546.14	-
2017-18	-102.29	586.55	-

Since the net income of these PSUs during 2013-18 was negative, RoE could not be calculated.

### **3.3.1.21 Return on Capital Employed**

Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed<sup>68</sup>. The details of total ROCE of 20 PSUs<sup>69</sup> together during the period from 2013-14 to 2017-18 are given in **Table-3.3.14** below:

**Table 3.3.14: Return on Capital Employed**

Year	EBIT	Capital Employed	Return on Capital Employed
2013-14	-0.38	2,800.93	-0.01
2014-15	-3.16	2,834.59	-0.11
2015-16	-10.63	2,843.73	-0.37
2016-17	42.15	3,362.04	1.25
2017-18	-34.18	3,655.48	-0.94

<sup>68</sup> Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue Expenditure, Figures are as per the latest year for which accounts of the PSUs are finalised.

<sup>69</sup> This does not include six PSUs (three new PSUs namely Eco-Tourism Development Corporation Limited, Dehradun Smart City Limited, Uttarakhand Metro Rail, Urban Infrastructure and Building Construction Corporation Limited; one PSU namely Uttarakhand Alpsankhyak Kalyan Tatha Wakf Vikas Nigam whose first accounts have not been received till date and two PSUs namely UP Hill Phones limited and UP Hill Quartz where details are not available since creation of the State).



The ROCE of these PSUs ranged between (-) 0.94 per cent and 1.25 per cent during the period 2013-14 to 2017-18. The ROCE increased in 2016-17 in comparison to earlier accounting periods. This was due to improvement in reported financial results of Uttarakhand Transport Corporation, Doiwala Sugar Company Limited and Kichha Sugar Company Limited.

### 3.3.1.22 Analysis of Long Term Loans of the PSUs

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

### 3.3.1.23 Interest Coverage Ratio

Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio during the period from 2013-14 to 2017-18 are given in **Table-3.3.15** below:

**Table-3.3.15: Interest Coverage Ratio relating to State PSUs**

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than 1
2013-14	42.34	-29.05	11	6	5 <sup>70</sup>
2014-15	35.17	-13.30	10	6	4 <sup>71</sup>
2015-16	36.92	-48.42	11	5	6 <sup>72</sup>
2016-17	61.84	40.47	10	5	5 <sup>73</sup>
2017-18	64.68	-41.70	10	4	6 <sup>74</sup>

Of the 10 State PSUs having liability of loans from Government as well as banks and other financial institutions during 2017-18, four PSUs had interest coverage ratio of more

<sup>70</sup> Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited, Kichha Sugar Company Limited, Doiwala Sugar Company Limited, Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam, Uttarakhand Parivahan Nigam.

<sup>71</sup> Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited, Kichha Sugar Company Limited, Doiwala Sugar Company Limited, Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam.

<sup>72</sup> Uttarakhand Seeds & Tarai Development Corporation Limited, Kichha Sugar Company Limited, Doiwala Sugar Company Limited, Kumaon Mandal Vikas Nigam Limited, Uttarakhand, Peyjal Sansadhan Vikas Evam Nirman Nigam, Uttarakhand Parivahan Nigam.

<sup>73</sup> Uttarakhand Seeds & Tarai Development Corporation Limited, Kichha Sugar Company Limited, Doiwala Sugar Company Limited, Kumaon Mandal Vikas Nigam Limited, Uttarakhand, Peyjal Sansadhan Vikas Evam Nirman Nigam.

<sup>74</sup> Uttarakhand Seeds & Tarai Development Corporation Limited, Kichha Sugar Company Limited, Doiwala Sugar Company Limited, Kumaon Mandal Vikas Nigam Limited, Garhwal Mandal Vikas Nigam Limited, Peyjal Sansadhan Vikas Evam Nirman Nigam.

than one whereas remaining six PSUs had interest coverage ratio below one which indicates that these six PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

### **3.3.1.24 Debt Turnover Ratio**

During the last five years, the turnover of 20 PSUs<sup>75</sup> recorded compounded annual growth rate of 20.59 per cent and compounded annual growth rate of debt was 12.14 per cent due to which the debt turnover ratio reduced from 0.48:1 in 2013-14 to 0.35:1 in 2017-18 as given in **Table-3.3.16** below:

**Table-3.3.16: Debt Turnover Ratio relating to the State PSUs**

(₹ in crore)					
Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government and others (Banks and Financial Institutions)	548.67	564.01	432.20	731.68	703.71
Turnover	1,134.89	1,319.82	1,428.17	1,440.43	1,990.08
Debt-Turnover Ratio	0.48:1	0.43:1	0.30:1	0.51:1	0.35:1

Source: Compilation from financial statements and information provided by PSUs.

The declining trend in debt turnover ratio indicated that the PSUs were able to achieve higher turnover against their debts.

### **3.3.1.25 Winding up of inactive State PSUs**

Eight of the 26 State PSUs were inactive companies having a total investment of ₹ 27.24 crore (₹ 0.17 crore in UPAI Limited, ₹ 4.38 crore in Trans Cables Limited, ₹ 20.27 crore in Uttar Pradesh Digitals Limited, ₹ 0.18 crore in Kumtron Limited, ₹ 1.71 crore in Garhwal Anusuchit Janjati Vikas Nigam Limited, ₹ 0.03 crore in Uttar Pradesh Hill Phones Limited and ₹ 0.50 crore in Kumaon Anusuchit Janjati Vikas Nigam Limited) towards capital (₹ 3.36 crore) and long term loans (₹ 23.88 crore) as on 31 March 2018. The number of inactive PSUs at the end of each year during last five years ended 31 March 2018 is given in **Table-3.3.17** below:

**Table-3.3.17: Inactive State PSUs**

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
No. of inactive companies	4	4	4	4	8

Source: Compilation from the information included in Audit Report (PSU), GoU of respective years and in Appendix-3.3.1.

Out of these inactive PSUs, one<sup>76</sup> PSU was under liquidation since 31.03.1991. The Government may take appropriate decision regarding closure of these PSUs.

<sup>75</sup> This does not include six PSUs (three new PSUs namely Eco-Tourism Development Corporation of Uttarakhand, Dehradun Smart City Limited, Uttarakhand Metro Rail, Urban Infrastructure and Building Construction Corporation Limited; one PSU namely Uttarakhand Alpsankhyak Kalyan Tatha Wakf Vikas Nigam whose first accounts have not been received till date and two PSUs namely UP Hill Phones limited and UP Hill Quartz where details are not available since creation of the State).

<sup>76</sup> UPAI.

**3.3.1.26 Comments on Accounts of State PSUs**

Eight working companies forwarded 11 audited accounts to the Principal Accountant General during the period from 1 October 2017 to 30 September 2018. Of these, eight accounts were selected for supplementary audit and three<sup>77</sup> accounts were given Non-Review Certificate. The Audit Reports of Statutory Auditors and supplementary audit conducted by the C&AG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the C&AG are given in **Table-3.3.18** below:

**Table-3.3.18: Impact of audit comments on Working Companies***(₹ in crore)*

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	5	0.91	10	52.45	6	37.81
2.	Increase in profit	0	-	0	-	-	-
3.	Increase in loss	3	8.18	20	150.65	2	7.62
4.	Decrease in loss	0	-	0	-	-	-
5.	Non-disclosure of material facts	0	-	15	3.75	4	15.85
6.	Errors of classification	7	112.20	12	25.36	5	185.38

*Source: Compilation from comments of the Statutory Auditors/ C&AG in respect of PSUs other than power.*

During the year 2017-18, the Statutory Auditors had issued qualified certificates on six accounts and adverse certificate on two accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 37 instances of non-compliance to the Accounting Standards in five accounts.

**3.3.1.27** The State has three Statutory Corporations *i.e.* Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam, Uttarakhand Parivahan Nigam and UFDC. The C&AG is sole auditor in respect of all Statutory Corporations.

The annual accounts for the year 2017-18 were not forwarded by any Statutory Corporation, whereas UFDC forwarded annual accounts for the year 2016-17 in December 2017. The C&AG has given a 'true and fair' certificate on the accounts of the year 2016-17.

The details of aggregate money value of the comments of C&AG in respect of Statutory Corporations are given in **Table-3.3.19** below:

<sup>77</sup> Doiwala Sugar Company Limited, Uttaranchal Project Development and Construction Corporation Limited, Uttarakhand Seeds & Tarai Development Corporation Limited.

**Table-3.3.19: Impact of audit comments on Statutory Corporations**

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	-	-	5	163.16	1	25.87
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	2	12.66	3	48.33	-	-
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts	-	-	3	32.67	-	-
6.	Errors of classification	1	11.73	5	146.07	1	7.17

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

### 3.3.1.28 Compliance Audit Paragraphs

For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2018, three compliance audit paragraphs related to Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited, Garhwal Mandal Vikas Nigam Limited, and UFDC were issued to the Principal Secretaries/ Secretaries of the respective Administrative Departments with request to furnish replies. Replies on none of the compliance audit paragraphs have been received from the State Government. The total financial impact of these three compliance audit paragraphs is ₹ 23.45 crore.

### 3.3.1.29 Follow up action on Audit Reports

#### Replies outstanding

The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. All Administrative Departments are required to submit replies/explanatory notes to paragraphs/Performance Audits (PA) included in the Reports of the C&AG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU). The status of explanatory notes is given in **Table-3.3.20** below:

**Table-3.3.20: Position of explanatory notes on Audit Reports related to PSUs (as on 31 December 2018)**

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs related to other than Power Sector in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2012-13	November 2014	--	01	--	01
2013-14	November 2015	--	03	--	03
2014-15	November 2016	--	03	--	03
2015-16	May 2017	--	02	--	02
2016-17	September 2018	--	02	--	02

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

Explanatory notes of above audit paragraphs were pending with five departments<sup>78</sup> till December 2018.

### 3.3.1.30 Discussion of Audit Reports by COPU

The status of discussion of Performance Audits and paragraphs related to PSUs that appeared in Audit Reports (PSUs) by the COPU as on 31 December 2018 was as given in **Table-3.3.21** below:

**Table-3.3.21: Performance Audits/Paragraphs appeared in Audit Reports vis-à-vis discussed as on 31 December 2018**

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2012-13	--	01	--	01
2013-14	--	03	--	--
2014-15	--	03	--	--
2015-16	--	02	--	02
2016-17	--	02	--	--

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

The Audit Reports (PSUs) from the year ended 31 March 2002 are pending for discussion.

### 3.3.1.31 Compliance to Reports of COPU

Action Taken Notes (ATNs) on two<sup>79</sup> reports of the COPU presented to the State Legislature in December 2003 and December 2008 had not been received (March 2019) as indicated in the following **Table-3.3.22**:

**Table-3.3.22: Compliance to COPU Reports**

Year of the COPU Report	Total No. of Reports of COPU	Total number of recommendation in COPU Reports	Number of recommendations where ATNs not received
2002-03	01	02	No ATNs were received.
2008-09	01	01	

Source: Compilation based on COPU Reports.

The above mentioned Reports of COPU contained recommendations in respect of paragraphs pertaining to Garhwal Mandal Vikas Nigam and Uttarakhand Peyjal Nigam Limited which appeared in the Reports of the C&AG of India for the year 1999-2000. The ATNs on recommendations made in these two COPU Reports were not received till March 2019.

<sup>78</sup> Agriculture; Industries; Transport; Tourism and Forest.

<sup>79</sup> COPU Reports presented before Vidhansabha on 30.12.2003 and 17.12.2008.

**COMPLIANCE AUDIT**

**GARHWAL MANDAL VIKAS NIGAM LIMITED**

**3.4 Loss of income**

***Garhwal Mandal Vikas Nigam Limited had to forego lease rent of ₹1.08 crore due to leasing out the space at a rate lower than the prevailing rate.***

Garhwal Mandal Vikas Nigam Limited (GMVN) has its multi-storey corporate office building at Rajpur Road Dehradun which is a prime location of the city. The ground and part of the first floor of the building were being used by GMVN for its own purpose. The space available for rent with GMVN was 13,655.64 sq ft<sup>80</sup> and it was leased to various departments/institutions of the Central/State Government for commercial purpose since 2001<sup>81</sup>.

Scrutiny of records (March 2015) of the Managing Director, GMVN and further information collected (December 2017) from GMVN showed that out of its 13,655.64 sq ft area, 10,107.57 sq ft<sup>82</sup> was leased to Reserve Bank of India (RBI)<sup>83</sup> and Securities and Exchange Board of India (SEBI)<sup>84</sup> at the rate of ₹ 90 per sq ft for the first year, with five *per cent* appreciation every year. Instead of leasing out the remaining area<sup>85</sup> of the building at the equivalent rate paid by SEBI and RBI, the area was leased out by GMVN at a significantly lower rate of ₹ 24.63 per sq ft to the State Information and Public Relations Department (SIPRD), Uttarakhand since December 2013. It was further noticed that after vacation of leased out area of 3,548.07 sq ft by SIPRD in December 2016; 2,257.33 sq ft area was leased to RBI, Dehradun at a higher rate of ₹ 108.00<sup>86</sup> per sq ft since May 2017 by GMVN.

Thus, by leasing out of accommodation at a rate lower than the rate being charged from RBI/SEBI, GMVN was deprived of lease rent of ₹ 1.08 crore<sup>87</sup> for the period from December 2013 to November 2016.

GMVN, while accepting the facts, stated (February 2018) that despite regular request to SIPRD to pay the differential amount of ₹ 1.08 crore, no payment was received. The reply is not acceptable as GMVN being a commercial organisation should have leased space of the building at the market rate /rate being charged from RBI/SEBI to safeguard its financial interest. By not doing so, it incurred a loss of income of ₹ 1.08 crore.

<sup>80</sup> The part of the first floor (1,257.38 sq ft), second floor (3,580.69 sq ft) and third floor (7,817.57 sq ft) since July 2012.

<sup>81</sup> Initially, 1,310 sq ft area on the first floor was leased out by GMVN to HUDCO (since 01.05.2001).

<sup>82</sup> RBI-7,817.57 sq ft; SEBI-2,290 sq ft.

<sup>83</sup> From 13 July 2012 to till date.

<sup>84</sup> From 1 September 2013 to till date.

<sup>85</sup> 3,548.07 sq ft area

<sup>86</sup> ₹ 108.00 per sq ft for Ist year and ₹ 112.50 per sq ft for IInd year.

<sup>87</sup> December 2013 to November 2016: due rent ₹ 1.39 crore -paid by SIPRD ₹ 0.31 crore = Balance ₹ 1.08 crore.

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

**UTTARAKHAND BAHUDESHIA VITTA EVAM VIKAS NIGAM LIMITED**

**3.5 Loss of revenue**

***Company could not recover ₹12.94 crore extended as loan from beneficiaries. Besides, the Company refunded ₹8.29 crore to National level Corporations from its own resources to avoid additional interest.***

The Uttarakhand Bahuudeshia Vitta Evam Vikas Nigam Ltd. (Company) was established (October 2001) under Companies Act, 1956 as an enterprise of Social Welfare Department, Government of Uttarakhand. The objectives of the Company are to promote/aid/assist/organise/financial assistance for socio economic and educational development of scheduled castes and scheduled tribes in the State. The Company advances loans on easy terms, /margin money loan and/ or subsidy to the beneficiary population, Cooperatives of the State for their trade, business or other economic activities at low rate of interest and also to act as an agent<sup>88</sup> of the Government for distribution of loans.

The State Government had given guarantee to the National level Corporations (NCs)<sup>89</sup> for providing the loans to the Company to undertake various social welfare schemes<sup>90</sup>. For this purpose, Company entered into agreements with the NCs for providing the loans to the beneficiaries. As per the terms and conditions of the agreement, these loans were provided to the beneficiaries by enhancing the rate of interest by three *per cent* from the rate of interest on which the amount was borrowed by the Company. To secure the recovery of loan, Company was required to obtain post dated cheques (PDCs) from the beneficiaries. The loan was to be repaid to NCs in quarterly installments within stipulated period. In case of default in the repayment of loan, additional interest at the rate of two *per cent* over and above the normal rates of interest was also applicable on the overdue amount.

The Company borrowed ₹ 23.27 crore from NCs during 2001-02 to 2016-17. Of this amount, ₹ 18.47 crore was disbursed as loan to 2012 beneficiaries of targeted groups in all the districts of the State. It recovered ₹ 15.35 crore along with interest and ₹ 12.94 crore<sup>91</sup> (₹ 8.29 crore as principal + ₹ 4.65 crore as interest) was pending for recovery from defaulting 1,382 beneficiaries for the period ranging from one to 16 years (March 2018). The Company repaid ₹ 20.98 crore<sup>92</sup> to NCs till March 2018. The

<sup>88</sup> State Channelising Agency (SCA).

<sup>89</sup> National Schedule Castes Finance and Development Corporation, National Schedule Tribe Finance and Development Corporation, National Backward Classes Finance & Development Corporation, National Safai Karmacharis Finance & Development Corporation, National Disabled Welfare Corporation and National Minorities Finance Corporation.

<sup>90</sup> Schemes carried out by National Corporations for which UBVEVNL is working as a SCA.

<sup>91</sup> ₹ 8.29 crore (principal) + ₹ 4.65 crore (interest).

<sup>92</sup> ₹ 18.27 crore (principal) + ₹ 2.71 crore (interest).

Company paid ₹ 8.29 crore from its own resources to avoid the two *per cent* additional interest leviable in case of delay in repayment of loan to NCs. Further, out of 1,382 defaulter beneficiaries, Recovery Certificates (RCs) were issued to only 313 (22.64 *per cent*) defaulters.

On being pointed out, Management stated (January 2017) that even after sufficient efforts *i.e.* issuances of notices and RC's in some cases, the loan amount could not be recovered. Audit observed non-recovery of loan was due to poor recovery mechanism- all Post Dated Cheques from beneficiaries were not collected and deposited in the banks and Recovery Certificates were not issued against as many as 1,069 defaulting beneficiaries (77.35 *per cent*).

The laxity of Company in recovery of loan from beneficiaries resulted in non-realisation of the loan amount of ₹ 12.94 crore besides loss of ₹ 8.29 crore which the Company refunded from its own resources to NCs to avoid levy of additional interest.

The matter was reported to Government (May 2018); Reply was awaited (August 2019).

### **UTTARAKHAND FOREST DEVELOPMENT CORPORATION**

#### **3.6 Loss of interest**

***The Corporation lost opportunity of earning an extra interest of ₹1.14 crore due to imprudent management of its fund.***

As per UP Forest Corporation Act, 1974 adopted (01 April 2001) by Uttarakhand Forest Development Corporation (Corporation), the Corporation shall have its own fund which shall be a local fund and to which shall be credited all monies received by or on behalf of the Corporation. The money of the fund shall be kept in the State Bank of India or in a co-operative bank or in any scheduled bank.

The Corporation invited (30 January 2017) various public sector banks to offer their best rates for investment of fund money in fixed deposit of one year duration. In response, eight banks<sup>93</sup> quoted (30 January to 02 February 2017) their interest rates in three slabs i) investment of upto ₹ one crore<sup>94</sup>, ii) investment between ₹ one and five/ten<sup>95</sup> crore<sup>96</sup> and iii) investment above ₹ 5/10 crore<sup>97</sup>. The highest rate (6.5 *per cent* per annum) in the slab of ₹ one to five crore was offered by Syndicate Bank. During January-February 2017, the Corporation invested ₹ 104.05 crore in six short term fixed deposits each valuing more than ₹ five crore in two scheduled banks<sup>98</sup> for one year at interest rates ranging from five *per cent* to 5.51 *per cent* against which it earned an interest of

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<sup>93</sup> Punjab National Bank, Syndicate Bank, Bank of Baroda, Allahabad Bank, Oriental Bank of Commerce, Central Bank, Indian Overseas Bank and UCO Bank.

<sup>94</sup> 6.75 *per cent* to seven *per cent* per annum.

<sup>95</sup> ₹ one to five crore (Syndicate Bank, Central Bank of India and Allahabad Bank) & ₹ one to ten crore (UCO Bank, Oriental Bank of Commerce, Indian Overseas Bank, Bank of Baroda and Punjab National Bank).

<sup>96</sup> 4.00 *per cent* to 6.50 *per cent* per annum.

<sup>97</sup> 4.50 *per cent* to 5.51 *per cent* per annum

<sup>98</sup> Punjab National Bank and Syndicate Bank.



₹ 5.61 crore. The Corporation had the option of earning an interest of ₹ 6.93 crore by investing the fund in slabs of ₹ one crore to ₹ five crore in Syndicate Bank offering higher interest rate of 6.50 per cent by splitting the amount into fixed deposits of smaller values of ₹ one crore to ₹ five crore as was done in February 2017 wherein ₹ 10.68 crore was split into three fixed deposits of less than ₹ five crore. Had the Corporation invested its funds in slabs carrying higher interest rate of 6.50 per cent, it could have earned an additional interest income of ₹ 1.32 crore (as detailed in *Appendix-3.6.1*).

The Government stated (June 2018) that the amount was invested in fixed deposit on the offer of Syndicate Bank which had offered highest rate in the slab above five crore and added that investment in more than one fixed deposit on the same date cannot be made through a single ID. It also stated that the Punjab National Bank (PNB) had offered a better rate (5.5 per cent) on the loan<sup>99</sup> given by them to the Corporation as compared to other banks.

The reply is not acceptable as the Corporation should have invested its funds in the slab of ₹ one to five crore to avail higher rate of interest (6.50 per cent) offered by Syndicate Bank. As regards inability to make investment in more than one fixed deposit on the same date, it was found that the Corporation had invested its fund in PNB by making four fixed deposits (₹ nine crore each) on the same date (01 February 2017). Also, the statement of the Corporation was not justified as it had split ₹ 10.68 crore for making three fixed deposits<sup>100</sup> in February 2017 in the slab of ₹ one to five crore to earn higher interest (@ 6.50 per cent) offered by Syndicate Bank. Further, even after considering the higher rate of interest charged by Syndicate Bank on the loan taken by the Corporation, the loss to the Corporation worked out to ₹ 1.14 crore<sup>101</sup> (*Appendix-3.6.1*).

The Corporation, thus, lost opportunity of earning an extra interest of ₹ 1.14 crore due to imprudent management of funds.

### UTTARAKHAND POWER CORPORATION LIMITED

#### 3.7 Undue favour to consumer

***Uttarakhand Power Corporation Limited (UPCL) gave undue favour to consumer by rescheduling the instalments repeatedly despite regular default in payments resulting in accumulation of arrears and non-realisation of revenue amounting to ₹3.34 crore.***

Clause 4.1 of the Uttarakhand Electricity Regulatory Commission (UERC) (the electricity supply code) Regulations, 2007 provides that the UPCL may issue a disconnection notice in writing, as per Section 56 of the Electricity Act 2003, to the

<sup>99</sup> To meet out its requirements as and when required, corporation takes loans against its FDRs.

<sup>100</sup> ₹ 4.999 crore (03.02.2017), ₹ 4.999 crore (04.02.2017), ₹ 0.68 crore (05.02.2017).

<sup>101</sup> [Difference of Interest that would have been earned on ₹ 104.05 crore @ 6.50 per cent (₹ 6.93 crore) and Interest earned @ five to 5.5 per cent (₹ 5.61 crore) = ₹ 1.32 crore] - [Difference of Interest that would have been paid on loan @ 8.5 per cent (₹ 0.52 crore) and interest paid on loan @ five to 5.5 per cent (₹ 0.34 crore) = ₹ 0.18 crore] = ₹ 1.14 crore (As detailed in the *Appendix 3.6.1*).

consumer who defaults on his payment of dues, giving him 15 clear days to pay the dues. It may disconnect the electricity supply of the consumer on expiry of the said notice period. If the consumer does not clear all the dues including arrears within six months of the date of disconnection, such connections shall be disconnected permanently. Further, only 12 installments for repayment of outstanding dues were permissible<sup>102</sup>.

Scrutiny of records (June 2017) and further information collected (January 2018) from the Executive Engineer, Electricity Distribution Division (EE, EDD), Kashipur revealed that electricity connection was released to a consumer<sup>103</sup> on 01.10.2013 with a sanctioned load of 3100 KW. The consumer continuously defaulted in making payments of electricity bills since the first bill (November 2013) to October 2017. The UPCL did not take appropriate action as per the UERC Regulations and it rescheduled the installment facility, which it had provided to the consumer for making payment of dues on ten occasions despite the consumer's continuous default in making payment of dues. The dues continued to mount from ₹ 44.91 lakh in April 2014 to ₹ 89.09 lakh in April 2015; ₹ 1.12 crore in April 2016 and ₹ 2.23 crore in April 2017. UPCL disconnected the electricity supply on 1.11.2017 and issued (November 2017) a demand notice of ₹ 2.65 crore to the consumer under Section-3 of the Recovery of Dues Act, 1948. Against it, the consumer appealed<sup>104</sup> to the High Court, Nainital for granting relief in the payment of electricity dues. The High Court ordered (December 2017) the consumer to pay the first installment (₹ 25 lakh) of the arrear on or before 27 December 2017 and further installments<sup>105</sup> on or before the 27th of the next succeeding month. Even after the order of the High Court, the consumer did not pay electricity dues and the division issued (January 2018) Recovery Certificate (under section 5 of the Recovery of Dues Act, 1948) of ₹ 2.33 crore<sup>106</sup> (till October 2017) to the District Magistrate (DM), Udham Singh Nagar for realisation of its dues after adjusting the security amount. The consumer again filed a petition (30.01.2018) in the High Court seeking time extension for payment of electricity dues. The High Court ordered (20.03.2018) the consumer to deposit ₹ 25 lakh by 21.03.2018; 50 *per cent* of the amount, representing the installments that had fallen due between 27.12.2017 and 27.03.2018 within 15 days; and the balance 50 *per cent* within one month. The consumer paid ₹ 25 lakh (₹ 10 lakh on 21.03.2018 and ₹ 15 lakh on 22.03.2018) and the connection was restored. However, the consumer did not deposit any amount thereafter and the electricity dues rose to ₹ 3.34 crore upto March 2018. UPCL disconnected the electricity supply of the consumer on 04.04.2018 and issued (21.06.2018) Recovery Certificate amounting to ₹ 3.34 crore to the DM concerned.

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<sup>102</sup> Vide Managing Director's order dated 27.06.2011 & 20.05.2017.

<sup>103</sup> Shrishti Steel Industry, Kashipur.

<sup>104</sup> Special appeal no. 1023 of 2017.

<sup>105</sup> The arrear amount was distributed in 18 equal installments.

<sup>106</sup> Total arrear: ₹ 2.65 crore – Security amount: ₹ 0.32 crore = ₹ 2.33 crore.


UPCL provided (03.10.2017 and 07.11.2017) the facility of 29 and 18 installments for payment of electricity dues to the consumer instead of 12 installments which was also in violation of its own order and thereby extended undue benefit to the consumer.

On this being pointed out, the Government stated (May 2018) that with a view to maximising chances of recovery of arrears, installment facility was provided. However, the efforts of UPCL remained unsuccessful.

The non-initiation of timely action by UPCL against the consumer according to the clause 4.1 of UERC Regulations, 2007 and allowing the situation to persist led to accumulation of arrear of ₹ 3.34 crore. UPCL, in violation of its order (May 2017), enhanced the number of installments for payment of electricity dues over the prescribed limit which was an undue favour to the consumer.

Had UPCL followed the UERC Regulations, 2007, it could have avoided accumulation of electricity dues of ₹ 3.34 crore.

Dehradun  
The 24 October 2019

  
(S. ALOK)  
Principal Accountant General (Audit)  
Uttarakhand

Countersigned

New Delhi  
The 06 November 2019

  
(RAJIV MEHRISHI)  
Comptroller and Auditor General of India

