

**CHAPTER-V**  
**STATE PUBLIC SECTOR**  
**ENTERPRISES**



## **CHAPTER-V**

### **STATE PUBLIC SECTOR ENTERPRISES**

This chapter discusses the financial performance of Government Companies (GCs), Government Controlled Other Companies (GCOs) and Statutory Corporations (SCs) as revealed from their accounts. Impact of significant comments issued as a result of supplementary audit of the Financial Statements of these State Public Sector Enterprises (SPSEs) conducted by the Comptroller and Auditor General of India (CAG) for the year 2020-21 (or of earlier years which were finalised with effect from 01 January 2021 to 30 November 2021) has also been discussed.

#### **5.1 Definition of Government Companies/Corporations**

A Government Company is defined in Section 2(45) of the Companies Act, 2013 as a company in which not less than 51 *per cent* of the paid-up share capital is held by 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 of a Government Company.

Besides, any other company<sup>1</sup> owned or controlled, directly or indirectly, 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 are referred to in this Report as Government Controlled Other Companies.

#### **5.2 Mandate of Audit**

Audit of Government Companies and Government Controlled Other Companies is conducted by the CAG of India under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for Companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has the right to conduct a supplementary audit of the financial statements. The statutes governing some Statutory Corporations require their accounts to be audited only by CAG.

#### **5.3 State Public Sector Enterprises and their contribution to the Gross State Domestic Product of the State**

State Public Sector Enterprises (SPSEs) consist of State Government Companies, Government Controlled Other Companies and Statutory Corporations. SPSEs 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 2021, there were 29 SPSEs under the audit jurisdiction of the CAG. These include four Power Sector SPSEs and 25 SPSEs in other sectors. Out of 25 SPSEs (Other than Power Sector), there are 19 Government Companies, two<sup>2</sup> Statutory Corporations and four<sup>3</sup>

<sup>1</sup> Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs vide Gazette Notification dated 4 September 2014.

<sup>2</sup> Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

<sup>3</sup> Dharamshala Smart City Limited, Himachal Consultancy Organisation Limited, Shimla Jal Prabandhan Nigam Limited and Himachal Worsteds Mills Limited (Inactive Company).

Government Controlled Other Companies. The names of these SPSEs along with month and year of incorporation, their administrative department and brief description of activities being carried out by them are detailed in **Appendix-5.1**.

Out of four SPSEs (Power Sector), there are three<sup>4</sup> Government Companies and the remaining one<sup>5</sup> is a Government Controlled Other Company. Out of these SPSEs, Himachal Pradesh State Electricity Board Limited is debt listed<sup>6</sup> Government Company on the stock exchange and one SPSE (Beas Valley Power Corporation Limited) has not started its commercial operation so far (31 December 2021).

In SPSEs of Other than Power Sector, two Companies<sup>7</sup> out of 19 Government Companies and one Company<sup>8</sup> out of four Government Controlled Other Companies are inactive. These are inactive for the last three to 21 years and having investment of ₹ 77.90 crore towards capital (₹ 17.75 crore) and long-term loans (₹ 60.15 crore). This is a critical area as the investments in inactive SPSEs do not contribute to the economic growth of the State.

A ratio turnover of SPSEs to the Gross State Domestic Product (GSDP) shows the contribution of activities of these SPSEs in the State economy. The **Table-5.1** below provides the details of turnover of all the SPSEs and GSDP of Himachal Pradesh for a period of five years ending 31 March 2021.

**Table-5.1: Details of turnover of SPSEs vis-à-vis GSDP of Himachal Pradesh**

(₹ in crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Total turnover of all SPSEs	8,342.66	8,814.81	9,725.96	9,912.71	10,603.36
GSDP of Himachal Pradesh (at Current Prices)	1,25,634	1,38,351	1,49,442	1,62,816	1,56,522
Percentage of SPSE's Turnover to GSDP of Himachal Pradesh	6.64	6.37	6.51	6.09	6.77

Source: Compilation based on Turnover figures as per latest finalised accounts and GSDP figures of Government of Himachal Pradesh.

The percentage of SPSE's Turnover to GSDP increased from 6.64 in 2016-17 to 6.77 per cent in 2020-21. The major contributors to SPSEs' turnover were Himachal Pradesh State Electricity Board Limited (₹ 6,548.60 crore), Himachal Road Transport Corporation (₹ 1,127.79 crore) and Himachal Pradesh State Civil Supplies Corporation Limited (₹ 1,359.11 crore).

## 5.4 Investment by Government of Himachal Pradesh in SPSEs and Budgetary Support

### 5.4.1 Equity holding and Loans in SPSEs

The sector wise Total Equity, Equity Contribution by State Government and Long Term Loans including the loans given by the State Government in 26 working SPSEs as on 31 March 2021 is given below in **Table-5.2**.

<sup>4</sup> Himachal Pradesh State Electricity Board Limited, Beas Valley Power Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited.

<sup>5</sup> Himachal Pradesh Power Corporation Limited.

<sup>6</sup> Only issues bonds through the stock market.

<sup>7</sup> Agro Industrial Packaging India Limited and Himachal Pradesh Beverages Limited.

<sup>8</sup> Himachal Worsted Mills Limited.

**Table-5.2: Sector-wise investment in SPSEs as on 31 March 2021**

Name of Sector	Investment <sup>9</sup> (₹ in crore)				
	Total Equity	State Government Equity	Total Long Term Loans	State Government Loans	Total Equity and Long Term Loans
Power	3,814.19	2,087.57	11,636.20	7,223.06	15,450.39
Finance	144.99	138.30	171.30	84.68	316.29
Industries and Infrastructure	62.99	62.87	2.97	2.97	65.96
Agriculture and Allied	69.33	59.80	72.05	71.65	141.38
Service	949.64	933.44	42.61	0.05	992.25
<b>Total</b>	<b>5,041.14</b>	<b>3,281.98</b>	<b>11,925.13</b>	<b>7,382.41</b>	<b>16,966.27</b>

Source: Information provided by the SPSEs.

The thrust of SPSEs investment was mainly on power sector. This sector had received 91.07 per cent (₹ 15,450.39 crore) of total investment of ₹ 16,966.27 crore. The details of State Government's investment in the form of equity and loan made in SPSEs as on 31 March 2021 is depicted in **Appendix-5.2**.

#### 5.4.2 Budgetary Support by Government of Himachal Pradesh

The Government of Himachal Pradesh (GoHP) provides financial support to SPSEs in various forms through annual budget from time to time. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity in respect of SPSEs during the last three years ending 31 March 2021 are given in **Table-5.3** below:

**Table-5.3: Details of budgetary support to all SPSEs**

Particulars <sup>10</sup>	2018-19		2019-20		2020-21	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity Capital	6	312.85	7	335.89	7	263.25
Loans given	2	369.10	2	571.26	2	268.83
Grants/Subsidies provided	11	440.36	9	691.15	9	983.68
<b>Total Outgo</b>		<b>1,122.31</b>		<b>1,598.30</b>		<b>1,515.76</b>
Loan repayment/written off					2	4.18 <sup>11</sup>
Loans converted into equity					-	-
Guarantees issued during the year	5	115.60	7	673.60	8	491.44
Guarantee Commitment/outstanding	1	0.60	8	1,447.15	4	93.74

Source: Compiled based on information received from SPSEs.

Equity was mainly infused by the State Government during 2020-21 in three Power Sector SPSEs<sup>12</sup> (₹ 196.98 crore) and one Other Than Power Sector SPSE (Himachal

<sup>9</sup> Investment includes equity and long-term loans.

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

<sup>11</sup> Repayment of ₹ 1.93 crore and ₹ 2.25 crore was made by Himachal Pradesh State Electronics Development Corporation Limited and Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited respectively.

<sup>12</sup> Himachal Pradesh State Electricity Board Limited (₹ 50.77 crore), Himachal Pradesh Power Corporation Limited (₹ 62.21 crore) and Himachal Pradesh Power Transmission Corporation Limited (₹ 84.00 crore).

Road Transport Corporation: ₹ 62.02 crore). The State Government has also provided loans to one Power Sector SPSE (Himachal Pradesh Power Transmission Corporation Limited: ₹ 266.00 crore). Major portion of grants/subsidies was provided by the State Government to Himachal Road Transport Corporation (₹ 529.20 crore<sup>13</sup>) and to Shimla Jal Prabandhan Nigam Limited (₹ 195.24 crore<sup>14</sup>).

#### 5.4.3 Adequacy of assets to meet loan liabilities

Ratio of total debt/loans to total assets is one of the methods used to determine whether a Company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts. The coverage of long-term loans by value of total assets in working SPSEs which had outstanding loans as per their latest finalised accounts as on 30 November 2021 is given in **Table-5.4**.

**Table-5.4: Coverage of long-term loans with total assets as per latest finalised accounts as of 30 November 2021**

Sector of SPSEs	No. of SPSEs	Assets	Long-term loans	Ratio of Assets to Long-term loans
		(₹ in crore)		
Government Companies	12	22,588.41	10,447.68	2.16:1
Statutory Corporations	2	1,193.23	177.63	6.72:1
<b>Total</b>	<b>14</b>	<b>23,781.64</b>	<b>10,625.31</b>	<b>2.24:1</b>

Source: Compiled based on accounts finalised by SPSEs

From the above, it can be seen that the value of assets in respect of working SPSEs was greater than the sum of their loans/debts.

#### 5.4.4 Market Capitalisation of equity investment in SPSEs

Himachal Pradesh General Industries Corporation Limited was the only listed company in the State. However, its shares have not been traded since 1976. Presently, the Company is under the process of delisting. Hence the market capitalisation of the company which represents market value of shares of company does not apply to the Company.

In addition, the Himachal Pradesh State Electricity Board Limited is also debt listed<sup>15</sup> Government Company on the Stock Exchange.

#### 5.4.5 Disinvestment, Restructuring and Privatisation

During the year 2020-21, there was no case of privatisation of any SPSE. The State Government has not prepared any policy on disinvestment of State Government equity invested in the SPSEs.

<sup>13</sup> Grant for reimbursement of cost of free/concessional travel allowed to various categories of population in the Himachal Pradesh.

<sup>14</sup> For meeting out operational and administrative expenses.

<sup>15</sup> Only issues bonds through the stock market.

## 5.5 Returns from State Public Sector Enterprises

### 5.5.1 Profit earned by State Public Sector Enterprises

Out of 29 SPSEs, 11 working SPSEs earned profit of ₹ 28.18 crore as per latest finalised accounts as compared to ₹ 36.24 crore earned by 12 SPSEs in 2019-20. Seven<sup>16</sup> SPSEs had either not prepared their first accounts or did not have reportable profit and loss (commercial operations not commenced or excess of expenditure over income is reimbursed by State Government).

The two SPSEs which contributed maximum profit as per their latest finalised accounts are Himachal Pradesh State Industrial Development Corporation Limited (₹ 9.69 crore) and Himachal Pradesh General Industries Corporation Limited (₹ 5.06 crore). The summary of financial position of all SPSEs as per latest finalised accounts is depicted in **Appendix-5.3**.

### 5.5.2 Dividend Payout by SPSEs

The State Government had formulated (April 2011) a policy that all profit making SPSEs (except those in welfare and utility sector) should pay a minimum return of five *per cent* on the paid-up share capital contributed by the State government, subject to a ceiling of 50 *per cent* of the profit after tax. As per their latest finalised accounts, 11 working SPSEs earned an aggregate profit of ₹ 28.18 crore (excluding inactive SPSE – Himachal Pradesh Beverages Limited) and out of which seven<sup>17</sup> SPSEs were eligible to declare dividend as per State Government policy.

However, only three SPSEs declared/paid dividend of ₹ 2.25 crore (Himachal Pradesh State Civil Supplies Corporation Limited: ₹ 0.35 crore, Himachal Pradesh State Industrial Development Corporation Limited: ₹ 1.54 crore and Himachal Pradesh General Industries Corporation Limited: ₹ 0.36 crore). Four profit making SPSEs did not pay/provide dividend of ₹ 2.58 crore<sup>18</sup> to the State Government. Remaining four profit making SPSEs<sup>19</sup> were not eligible/required to pay dividend as per State Government policy.

<sup>16</sup> SPSEs which have not forwarded their first accounts: (i) Shimla Smart City Limited and (ii) Sri Naina Devi Ji and Sri Anandpur Sahib Ji Ropeway Limited.

SPSEs whose excess of expenditure over income is reimbursed by State Government or SPSEs who did not prepare their profit and loss accounts: (i) Dharamshala Smart City Limited, (ii) Shimla Jal Prabandhan Nigam Limited, (iii) Himachal Pradesh Road and Other Infrastructure Development Corporation Limited, (iv) Ropeway and Rapid Transport System Development Corporation HP Limited and (v) Beas Valley Power Corporation Limited.

<sup>17</sup> (i) Himachal Pradesh State Civil Supply Corporation Limited, (ii) Himachal Pradesh State Industrial Development Corporation Limited, (iii) Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited, (iv) Himachal Pradesh Tourism Development Corporation, (v) Himachal Pradesh State Electronics Development Corporation Limited, (vi) Himachal Pradesh Handicrafts and Handlooms Corporation Limited and (vii) Himachal Pradesh General Industries Corporation Limited.

<sup>18</sup> Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (₹ 1.33 crore), Himachal Pradesh Tourism Development Corporation (₹ 0.61 crore), Himachal Pradesh State Handicrafts and Handlooms Corporation Limited (₹ 0.46 crore) and Himachal Pradesh State Electronics Development Corporation Limited (₹ 0.18 crore).

<sup>19</sup> Himachal Backward Classes Finance and Development Corporation, Himachal Pradesh Mahila Vikas Nigam, Himachal Pradesh Kaushal Vikas Nigam and Himachal Consultancy Organisation Limited.

## 5.6 Debt servicing

### 5.6.1 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 will be the ability of the company to pay interest on debt. An interest coverage ratio of less than one indicates that the Company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in Power Sector SPSEs and in Statutory Corporations which had maximum interest burden during the period from 2018-19 to 2020-21, are given in **Table-5.5**.

**Table-5.5: Interest Coverage ratio of SPSEs**

Name of the SPSEs	2018-19			2019-20			2020-21		
	Interest cost	EBIT	Interest coverage ratio	Interest cost	EBIT	Interest coverage ratio	Interest cost	EBIT	Interest coverage ratio
	(₹ in crore)		ratio	(₹ in crore)		ratio	(₹ in crore)		ratio
<b>Power Sector SPSEs</b>									
HPSEBL	503.35	459.14	0.91	457.06	460.72	1.01	476.22	290.90	0.61
HPPCL	-	(-) 32.35	-	96.23	17.11	0.18	11.04	(-) 44.27	(-) 4.01
HPPTCL	-	(-) 8.02	-	9.13	(-) 31.79	(-) 3.48	129.80	23.82	0.18
<b>Statutory Corporations</b>									
HRTC	-	(-) 118.57	-	19.90	(-) 134.90	(-) 6.78	15.24	(-) 131.19	(-) 8.61
HPFC <sup>20</sup>	7.62	2.12	0.28	7.62	2.12	0.28	7.62	2.12	0.28

Source: As per latest finalised accounts of the Power Sector SPSEs and Statutory Corporations.

Note: Interest coverage ratio of Non-Power Sector SPSEs (Companies) has not been calculated as the loans/ liabilities of these SPSEs is only ₹ 123.39 crore out of ₹ 10,685.46 crore as per their latest finalised accounts as of 30 November 2021.

It was observed that none of the Power Sector's SPSEs and Statutory Corporations has interest coverage ratio of greater than one. Thus, these SPSEs were not generating sufficient revenues to meet out their expenses on interest.

### 5.6.2 Age-wise analysis of interest outstanding on State Government Loans

Interest liability of ₹ 2,219.57 crore has accrued on the long-term loans provided by the State Government in respect of three power sector SPSEs (except Beas Valley Power Corporation Limited). The SPSEs (Other than Power Sector) were not analysed due to insignificant amount of loans provided by the State Government to these SPSEs (seven). The age-wise analysis of interest accrued on State Government loans in Power Sector SPSEs is given in **Table-5.6**.

<sup>20</sup> Figures for the years 2018-21 are same due to no accounts was finalised by the SPSE after 2018-19.



**Table-5.6: Interest outstanding on State Government loans***(₹ in crore)*

Sr. No.	Name of SPSEs	Outstanding interest on State Government Loans	Interest on Government loans outstanding for less than one year	State loans outstanding for more than one year
1	HPSEBL	23.91	23.91	-
2	HPPCL	1,717.34	242.96	1,474.38
3	HPPTCL	478.32	152.19	326.13
	<b>Total</b>	<b>2,219.57</b>	<b>419.06</b>	<b>1,800.51</b>

Source: Information as per latest finalised accounts of Power Sector SPSEs and provided by the SPSEs.

From the above it can be seen that interest accrued amounting to ₹ 2,219.57 crore was pending for payment as on 31 March 2021 and out of which interest of ₹ 1,800.51 crore was payable for more than one year.

## 5.7 Financial Performance of State Public Sector Enterprises

### 5.7.1 Return on Capital Employed of SPSEs

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>21</sup>. The detail of total ROCE of all the SPSEs during the period from 2018-19 to 2020-21 is given in **Table-5.7**.

**Table-5.7: Return on Capital Employed of SPSEs**

Year	Earnings before interest and tax	Capital Employed	Return on Capital Employed
	<i>(₹ in crore)</i>		<i>(Per cent)</i>
2018-19	334.08	9,083.53	3.68
2019-20	342.93	9,678.45	3.54
2020-21	178.87	11,450.50	1.56

Source: Information as per latest finalised accounts as on 30 November 2021.

It was observed that RoCE of all SPSEs decreased from 3.68 *per cent* in 2018-19 to 1.56 *per cent* in 2020-21 due to increase in Capital Employed (mainly in power sector) and decrease in earnings before interest and tax.

### 5.7.2 Return on Equity by State Public Sector Enterprises

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

Shareholders' fund 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 shareholder's fund reveals that the company has enough assets to cover its liabilities while negative shareholder fund means liabilities exceed assets.

<sup>21</sup> Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure.

The Return on Equity of the profit earning 11 working SPSEs stood at 17.51 *per cent* as per latest finalised accounts as on 30 November 2021. The RoE in all working 26<sup>22</sup> SPSEs including eight loss making SPSEs was negative during 2020-21.

The details of Shareholders' Fund and RoE relating to working SPSEs are given below in **Table-5.8**.

**Table-5.8: Return on Equity relating to working SPSEs**

Year	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (Percentage)
2018-19	(-) 183.49	360.11	-
2019-20	(-) 280.23	856.81	-
2020-21	(-) 490.37	819.58	-

Source: As per latest finalised accounts of working SPSEs.

As the net income of working SPSEs during 2018-21 was negative, hence, RoE could not be calculated.

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

To bring the historical cost of investments to its present value at the end of each year up to 31 March 2021, the past investments / year-wise funds infused by the GoHP in the SPSEs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government, for the concerned year. Therefore, PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest free loans and grants/subsidies for operational and management expenses, if any, and not including disinvestments since inception of these Companies till 31 March 2021. The Company wise position of State Government investment in the 26 SPSEs in the form of equity and interest free loans on the historical cost basis for the period from 1999-2000 to 2020-21 is indicated in **Appendix-5.4**.

The PV of the State Government investment in SPSEs was computed on the basis of following assumptions:

- Interest free loans have been considered as investment infusion by the State Government. Further, in those cases where interest free loans given to the SPSEs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year.
- The average rate of interest on Government borrowings for the concerned financial year<sup>23</sup> was adopted as compounded rate for arriving at the PV since these represent the cost incurred by the Government towards investment of funds for the year and therefore is considered as the minimum expected rate of return on investments made by the Government.

<sup>22</sup> Excluding seven SPSEs either who did not prepare its first accounts/profit and loss account was not prepared so far or of which excess of expenditure is reimbursed by the State Government.

<sup>23</sup> Calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2] \*100.

- Disinvestment has been deducted while calculating total investment at the end of the year.

**Table-5.9: Year-wise details of investment by the State Government and present value (PV) of Government funds from 1999-2000 to 2020-21**

(₹ in crore)

Year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Net Interest free loans given by the State Government during the year	Interest free loans converted into equity during the year	Grants/subsidies given by State Government for operational and administrative expenditure	Disinvestment by the State Government during the year at face value	Total investment during the year	Total investment at the end of the year	Weighted Average rate of interest on Government borrowings (in per cent)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year	Return on Investment
A	B	C	D	E	F	G	H	I	J	K	L	M	N
							$H=C+D-E+F-G$	$I=B+H$		$K=I*(1+J/100)$	$L=I*J/100$		$N=M/K*100$
Up-to 1999-2000	-	300.04	0.49	-	-	-	300.53	300.53	8.83	327.07	26.54	-	-
2000-01	327.07	32.48	1.51	-	-	-	33.99	361.06	10.15	397.70	36.65	-49.50	-
2001-02	397.70	13.01	-	-	-	-	13.01	410.71	11.06	456.14	45.42	-36.70	-
2002-03	456.14	12.43	-	-	-	-	12.43	468.57	10.37	517.16	48.59	-29.19	-
2003-04	517.16	28.60	-	-	-	-	28.60	545.76	10.98	605.68	59.92	-31.10	-
2004-05	605.68	16.06	-	-	-	-	16.06	621.74	10.60	687.65	65.90	-43.44	-
2005-06	687.65	13.59	0.15	-	-	-	13.74	701.39	9.20	765.92	64.53	-30.72	-
2006-07	765.92	14.30	-	-	-	-	14.30	780.22	9.40	853.56	73.34	-62.08	-
2007-08	853.56	118.42	2.25	-	-	-	120.67	974.23	9.09	1,062.78	88.56	-46.66	-
2008-09	1,062.78	306.29	-0.10	-	-	-	306.19	1,368.97	9.19	1,494.78	125.81	-33.88	-
2009-10	1,494.78	405.27	-	-	-	-	405.27	1,900.05	8.59	2,063.27	163.21	-55.92	-
2010-11	2,063.27	566.89	-	-	-	-	566.89	2,630.16	7.78	2,834.78	204.63	-190.77	-
2011-12	2,834.78	124.99	9.50	-	-	645.85	-511.36	2,323.42	7.80	2,504.65	181.23	-224.68	-
2012-13	2,504.65	303.72	5.00	-	-	-	308.72	2,813.37	8.08	3,040.69	227.32	-404.4	-
2013-14	3,040.69	287.24	2.54	-	-	-	289.78	3,330.47	7.71	3,587.25	256.78	-625.17	-
2014-15	3,587.25	339.20	-	-	-	550.00	-210.8	3,376.45	7.91	3,643.53	267.08	-455.69	-
2015-16	3,643.53	217.31	14.54	-	-	-	231.85	3,875.38	8.37	4,199.75	324.37	-332.71	-
2016-17	4,199.75	250.82	10.07	-	-	-	260.89	4,460.64	8.13	4,823.29	362.65	-105.47	-
2017-18	4,823.29	232.91	8.00	-	-	-	240.91	5,064.20	8.41	5,490.10	425.90	-123.81	-
2018-19	5,490.10	312.85	10.00	-	-	-	322.85	5,812.95	8.32	6,296.58	483.64	-183.99	-
2019-20	6,296.58	335.91	-	-	114.89	-	450.80	6,747.38	7.97	7,285.15	537.77	-270.79	-
2020-21	7,285.15	263.25	-1.35	-	236.84	-	498.74	7,783.89	7.59	8,374.69	590.80	-480.93	-
		<b>4,495.58</b>	<b>62.60</b>	<b>-</b>	<b>351.73</b>	<b>1,195.85</b>	<b>3,714.06</b>						

Source: Statistical information received from SPSEs.

The net investment of the State Government in these companies as of 31 March 2021 was ₹ 3,714.06 crore, after adjustment of ₹ 1,195.85 crore (Himachal Pradesh Power Corporation Limited: ₹ 537.15 crore in 2011-12 and ₹ 550.00 crore in 2014-15 and Himachal Pradesh Power Transmission Corporation Limited: ₹ 108.70 crore in 2011-12) due to disinvestment by the State Government. The PV of investments of the State Government up to 31 March 2021 worked out to ₹ 8,374.69 crore. The net earnings of these SPSEs during the year 2020-21 was (-) ₹ 480.93 crore. Thus, the rate of real return for these SPSEs for the year 2020-21 was (-) 5.74 per cent. It could be

seen that total earnings of the companies remained negative from 2000-01 onwards, which indicates that instead of generating returns on the invested funds, these companies were not able to even recover the cost of funds.

## 5.8 SPSEs incurring losses

### 5.8.1 Losses incurred

Details of SPSEs that incurred losses during last three years ending 31 March 2021 as per latest finalised accounts are given in **Table-5.10**.

**Table-5.10: Losses incurred by SPSEs during 2018-19 to 2020-21**

Year	No. of SPSEs incurred loss	Net loss for the year	Accumulated Loss	Net Worth <sup>24</sup>
		(₹ in crore)		
<b>Statutory Corporations (A)</b>				
2018-19	2	124.07	1,399.04	(-) 578.98
2019-20	2	160.30	1,553.84	(-) 674.78
2020-21	2	151.93	1,700.26	(-) 741.82
<b>Government Companies (B)</b>				
2018-19	5	14.38	231.72	(-) 162.42
2019-20	7	156.22	436.91	1,804.39
2020-21	8	366.67	2,253.44	1,009.34
<b>Total (A+B)</b>				
2018-19	7	138.45	1,630.76	(-) 741.40
2019-20	9	316.52	1,990.75	1,129.61
2020-21	10	518.60	3,953.70	267.52

Source: As per latest finalised accounts of SPSEs.

Out of total loss of ₹ 518.60 crore incurred during 2020-21 by 10 SPSEs, Himachal Road Transport Corporation reported loss of ₹ 146.43 crore. Besides this, loss of ₹ 185.32 crore and ₹ 105.98 crore is also attributed to Himachal Pradesh State Electricity Board Limited and Himachal Pradesh Power Corporation Limited respectively as per their latest finalised accounts.

### 5.8.2 Erosion of net worth of SPSEs

There were 13 SPSEs with accumulated losses of ₹ 4,074.85 crore. Of these, 10 SPSEs incurred losses amounting to ₹ 518.60 crore as per latest finalised accounts.

The net worth of nine out of 13 SPSEs had been completely eroded by accumulated losses and their net worth was either zero or negative. The net worth of these nine SPSEs was (-) ₹ 1,868.68 crore against equity investment of ₹ 1,856.34 crore as per latest finalised accounts. Out of nine SPSEs, whose capital had eroded, three<sup>25</sup> had

<sup>24</sup> Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free Reserves means all reserves created out of Profits and share premium account.

<sup>25</sup> Himachal Pradesh Horticulture Produce Marketing and Processing Corporation Limited, Himachal Pradesh State Handicrafts and Handloom Corporation Limited and Himachal Pradesh Tourism Development Corporation.

earned profit of ₹ 5.35 crore. Out of nine, there were four SPSEs with outstanding Government loans of ₹ 3,176.52 crore<sup>26</sup> as on 31 March 2021.

## **5.9 Implementation of Ujwal DISCOM Assurance Yojana (UDAY) Scheme**

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

### **5.9.1 Financial Turnaround**

As per provisions of UDAY Scheme and tripartite Memorandum of Understandings (MoU), out of total outstanding debt (₹ 3,854.00 crore) pertaining to the State DISCOM (Himachal Pradesh State Electricity Board Limited) as on 15 September 2015, the Government of Himachal Pradesh took over total debt of ₹ 2,890.50 crore during 2016-17 by taking over the loan. The amount of ₹ 2,890.50 crore which was provided by way of interest bearing loans under UDAY Scheme, is to be converted into 75 per cent grant and 25 per cent equity during 2020-21. However, loan of ₹ 2,890.50 crore under UDAY scheme was not converted into grant and equity so far (December 2021). The DISCOM paid interest of ₹ 912.00 crore, for the period February 2017 to March 2021, on the loans given by the GoHP under UDAY Scheme. The loans were extended by the GoHP at rate of interest ranging between 7.49 per cent and 8.19 per cent per annum.

## **5.10 Audit of Public Sector Enterprises**

Comptroller & Auditor General of India (CAG) appoints the Statutory Auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some Corporations require that their accounts be audited by the CAG and a report be submitted to the Legislature.

### **5.11 Appointment of Statutory Auditors of State Public Sector Enterprises (SPSEs) by CAG**

Section 139 (5) of the Companies Act, 2013 provides that the Statutory Auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. The Statutory Auditors of the above Companies for the year 2020-21 were appointed by the CAG between September 2020 and February 2021.

## **5.12 Submission of accounts by State SPSEs**

### **5.12.1 Need for timely submission**

According to Section 394 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

<sup>26</sup> Himachal Pradesh State Electricity Board Limited: ₹ 2,971.67 crore, Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited: ₹ 60.09 crore, Agro Industrial Packaging India Limited: ₹ 60.15 crore and Himachal Pradesh Financial Corporation: ₹ 84.61 crore.

before the legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of 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 consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including Directors of the Company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013. The annual accounts of various SPSEs were pending as on 30 November 2021, as detailed in the following paragraph.

### **5.12.2 Timeliness in preparation of accounts by Government Companies and Government Controlled Other Companies**

As of 31 March 2021, there were 26 Companies (22 Government Companies and four<sup>27</sup> Government Controlled Other Companies -excluding Himachal Worsted Mills Limited which is under liquidation since 2000-01) under the purview of CAG's audit. Of these, three<sup>28</sup> Companies submitted accounts for the year 2020-21 and accounts of remaining 23 SPSEs for the year 2019-20 or prior years. Twenty three<sup>29</sup> annual accounts of 18 SPSEs<sup>30</sup> were submitted for audit and finalised by CAG on or before 30 November 2021<sup>31</sup>. Sixty two annual accounts of 23 SPSEs (excluding statutory corporations) were in arrears for various reasons as of 30 November 2021. Details of annual accounts which are in arrears in respect of 23 SPSEs (Government Companies: 20 and Government Controlled Other Companies: three) are given in **Table-5.11**:

**Table 5.11 Showing the detail of number of Companies, accounts finalised and accounts in arrear as of 30 November 2021**

<b>Particulars</b>	<b>Government Companies</b>	<b>Government Controlled Other Companies</b>	<b>Total</b>
<b>1.</b>	<b>2.</b>	<b>3.</b>	<b>4.</b>
Total number of Companies under the purview of CAG 's audit as on 31 March 2021	22	4	26
Number of accounts in arrears as on 1 January 2021	52	7	59

<sup>27</sup> Himachal Consultancy Organisation Limited, Himachal Pradesh Power Corporation Limited, Dharamshala Smart City Limited and Shimla Jal Prabandhan Nigam Limited.

<sup>28</sup> Himachal Pradesh State Electricity Board Limited, Beas Valley Power Corporation Limited and Shimla Jal Prabandhan Nigam Limited.

<sup>29</sup> Himachal Pradesh State Electricity Board Limited: Three; Beas valley Power Corporation Limited, Shimla Jal Prabandhan Nigam Limited and Himachal Pradesh Minorities and Finance Development Corporation: two each and from other 14 SPSEs: one each.

<sup>30</sup> Government Companies: 14 and Government Controlled Other Companies: four.

<sup>31</sup> Date of holding AGM of Companies for the financial year 2020-21 was extended up to 30 November 2021 by Registrar of Companies, Punjab and Chandigarh in accordance with Government of India, Ministry of Corporate Affairs order dated 23 September 2021.

Particulars	Government Companies	Government Controlled Other Companies	Total
1.	2.	3.	4.
Number of Companies, accounts of which became due on for the year 2020-21	22	4	26
<b>Total number of accounts due for Supplementary Audit</b>	<b>74</b>	<b>11</b>	<b>85</b>
Number of companies which presented the accounts for CAG's audit from 1 January 2021 to 30 November 2021	14	4	18
Number of accounts finalised	18	05	23
Number of accounts in arrears as on 30 November 2021	56	06	62
<b>Age-wise analysis of arrears of accounts</b>	<b>Number of SPSEs (accounts in arrears of SPSEs as on 30 November 2021)</b>		
One year	7 (7)	1(1)	8 (8)
Two years and Three years	7(16)	2(5)	9 (21)
More than Three years	6(33)	-	6(33)
<b>Total</b>	<b>20 (56)</b>	<b>3 (6)</b>	<b>23 (62)</b>

The names of companies and number of accounts in arrear as of 30 November 2021 are indicated in **Appendix-5.5**.

Oversight by the Statutory Auditors appointed by the CAG and Supplementary Audit by the CAG could not be conducted in absence of accounts leading to absence of assurance about whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. Besides, their contribution to the State exchequer as well as their activities were also not reported to the Legislature.

The matter of arrears of accounts has been taken up (September 2021) with the Additional Chief Secretary (Finance) of Government of Himachal Pradesh and respective Administrative Department/Head of Companies. However, there were still six Companies whose accounts were in arrears for more than three years as of 30 November 2021.

### 5.12.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of Statutory Corporations is governed by their respective legislations. Out of the two Statutory Corporations<sup>32</sup>, CAG is the sole auditor for Himachal Road Transport Corporation. In respect of Himachal Pradesh Financial Corporation (HPFC), the audit is conducted by Chartered Accountants and supplementary audit is conducted by CAG. Four accounts of two Statutory Corporations (HPFC: three and Himachal Road Transport Corporation: one) were pending for audit as on 30 November 2021.

## 5.13 CAG's oversight - Audit of Accounts and Supplementary audit

### 5.13.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting

<sup>32</sup> Himachal Road Transport Corporation and Himachal Pradesh Financial Corporation.

Standards/Indian Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provisions relating to accounts in the Act governing such Corporations.

### **5.13.2 Audit of accounts of Government Companies by Statutory Auditors**

The Statutory Auditors appointed by the CAG under Section 139 of the Companies Act 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the Statutory Auditors in audit of State Public Sector Enterprises with the overall objective that the Statutory Auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

- to issue directions to the Statutory Auditors under Section 143 (5) of the Companies Act, 2013; and
- to supplement or comment upon the Statutory Auditor's report under Section 143 (6) of the Companies Act, 2013.

### **5.13.3 Supplementary Audit of accounts of Government Companies**

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The Statutory Auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under Section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and sub directions given by the CAG. The Statutory Auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the Statutory Auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the Annual General Meeting.

## **5.14 Result of CAG's Oversight Role**

### **5.14.1 Audit of accounts of SPSEs**

Twenty three accounts of 18 Companies<sup>33</sup> were reviewed in audit by the CAG from 1 January 2021 to 30 November 2021. In total, CAG reviewed all 23 accounts<sup>34</sup> of

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<sup>33</sup> Government Companies: 14 and Government Controlled Other Companies: four.

<sup>34</sup> Himachal Pradesh State Electricity Board Limited: Three; Beas Valley Power Corporation Limited, Shimla Jal Prabandhan Nigam Limited and Himachal Pradesh Minorities and Finance Development Corporation: two each and from other 14 Companies: one each.



18 Companies for the years<sup>35</sup>, which were received/finalised up to 30 November 2021. The results of the review are detailed below:

#### 5.14.2 Amendment of Financial Statements

During 2020-21, there is no case of Government Companies or Government Controlled Other Companies amending their Financial Statements on the directions of CAG. However, Financial Statements received (November 2021) from Shimla Smart City Limited for the period from 01 January 2019 to 31 March 2020 for Supplementary Audit were audited by the Statutory Auditor, but same were not approved from the Board of Directors, hence, returned (November 2021) to the SPSE for approval of the BoDs and preparation of Statutory Auditors' Report thereon.

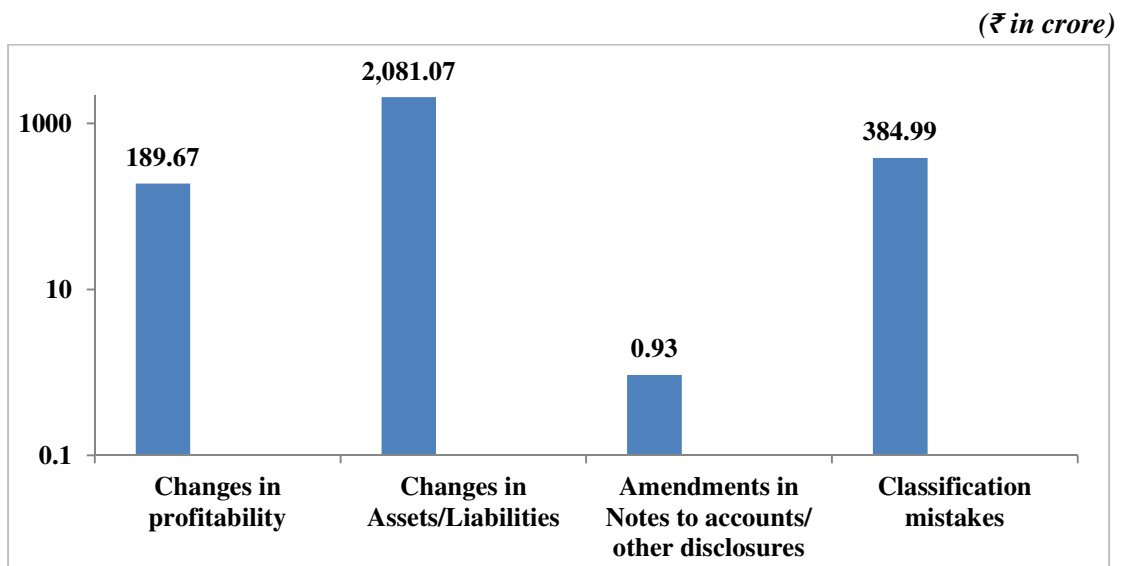
#### 5.14.3 Revision of Auditors Report

During 2020-21, there is no case of revision of statutory auditors' report as a result of supplementary audit of the Financial Statements for the year 2020-21 or prior years conducted by the CAG between January 2021 and November 2021.

#### 5.14.4 Result of Supplementary Audit

As a result of Supplementary Audit conducted in 18 SPSEs as indicated in **Appendix-5.6**, a number of quantitative as well as qualitative changes were made by the SPSEs in their financial statements which led to improvement in the quality of their financial statements. The value addition made by Supplementary Audit of financial statements of these SPSEs for the accounts audited was on the net financial impact (₹ 189.67 crore<sup>36</sup> on profitability and ₹ 2,081.07 crore on assets/ liabilities) as depicted in the following **Chart-5.1**:

**Chart-5.1: Details of value addition made by CAG during Supplementary Audit of financial statements finalised from January 2021 to November 2021**



<sup>35</sup> 2014-15: one; 2015-16: one; 2017-18: two; 2018-19: five; 2019-20: 11 and 2020-21: three.

<sup>36</sup> Overstatement: {Profit (₹ 17.36 crore) and Loss (₹ 47.88 crore)} and understatement: {Loss (₹ 124.20 crore) and Profit (₹ 0.23 crore)}.

**5.14.5 Significant comments of the CAG issued as supplement to the Statutory Auditors' reports on Government Companies/Government Controlled Other Companies**

Subsequent to the audit of the financial statements for the year 2020-21 and previous years by statutory auditors, the CAG conducted supplementary audit of the 23 Financial Statements of 18 SPSEs. Comments were issued to the Management in respect of all SPSEs (except Himachal Consultancy Organisation Limited as 'Nil' comments were issued for the year 2019-20) of which the financial statements were audited by CAG. Some of the significant comments issued on financial statements of Government Companies and Government Controlled Other Companies have been given in **Table-5.12:**

**Table-5.12: Significant comment issued on Financial Statements**

Sr. No.	Name of the SPSE	Comments
<b>Comments on Profitability</b>		
1	Himachal Pradesh Power Transmission Corporation Limited (2019-20)	<p>The Company did not create liability of ₹ 5.28 crore on account of surcharge payable to Power Grid Corporation of India Ltd. for delayed payment of ₹ 28.37 crore regarding bay charges of 400/200 KV Sub-Station at Banala (Kullu) for the year 2018-19. This resulted in understatement of 'Current Liabilities-Other Financial Liabilities' and 'Loss' by ₹ 5.28 crore.</p> <p>The Company did not provide for ₹ 3.71 crore payable to HPSEBL against transmission charges recovered as an interim arrangement for Kashang-Bhaba transmission line. This resulted in understatement of 'Other Financial Liabilities-Current' and 'Loss' by same amount.</p> <p>Trade receivables were understated and 'Loss' was overstated by ₹ 38.24 crore, being balance transmission charges recoverable from HP Power Corporation Ltd. relating to 220 KV D/C Kashang-Bhaba Transmission Line and for 220/66 KV Bhoktoo Pooling Substation from Himachal Pradesh State Electricity Board Limited for the period 2016-2020.</p>
2	Himachal Pradesh State Civil Supplies Corporation Limited (2018-19)	<p>The Corporation provided only ₹ 4.25 crore on account of Group Gratuity and Leave Encashment against ₹ 15.59 crore as demanded by Life Insurance Corporation of India. This resulted in understatement of 'Other Current Liabilities-Other Payable' and overstatement of 'Profit' by ₹ 11.34 crore.</p>
3	Himachal Pradesh State Forest Development Corporation Limited (2017-18)	<p>Payable to Forest Department as well as Loss is understated by ₹ 15.66 crore due non-provisioning of interest (₹ 11.62 crore), extension fees (₹ 0.87 crore) and non-adjustment of resin and timber royalty (₹ 3.17 crore) respectively.</p> <p>Payable to Forest Department as well as 'Loss' is overstated by ₹ 6.59 crore due to non-writing back of ₹ 2.83 crore payable to Forest Department for the last 21 years, non-writing back of ₹ 2.63 crore on excess of provision of royalty made by Forest Working Divisions (Chopal: ₹ 2.40 crore and Sundernagar: ₹ 0.23 crore) and non-adjustment of resin royalty of ₹ 1.13 crore in respect of Forest Working Division Chopal (₹ 0.30 crore) and Hamirpur (₹ 0.83 crore) respectively.</p> <p>In contravention to Accounting Standard-15, the Corporation did not provide retirement benefits of ₹ 14.72 crore in respect of 397 employees against earned leave credited into their account up to 31 March 2018. This resulted in understatement of 'Short Term Provisions' and 'Loss' by the same amount.</p>

Sr. No.	Name of the SPSE	Comments
<b>Comments on Financial Position</b>		
1	Himachal Pradesh State Electricity Board Limited (2020-21)	The 'Property Plant and Equipment' and 'Other Non-Current Liabilities -Consumer contribution towards cost of capital' is understated by ₹ 5.38 crore, being the value of self-executed works by various consumers, which became the property of the Company at the time of release of connection to that particular consumer.
2	Beas Valley Power Corporation Limited (2019-20)	In contravention to IndAS 37, the Company had shown ₹ 6.56 crore as interest recoverable from a contractor for the period from 2017-18 to 2019-20 instead of showing it as contingent asset, as the matter is in arbitration. This resulted in overstatement of 'Other Non-Current Assets- Other Advance' and understatement of 'Incidental Expenditure during Construction' by ₹ 6.56 crore.
3	Himachal Pradesh State Civil Supplies Corporation Limited (2018-19)	The Company purchased wheat from Food Corporation of India for ₹ 109.56 crore, which was allotted to the millers for custom grinding. However, the Company instead of booking the cost of milling in the financial statements, recorded the allotment to the millers as sale; and receipt of wheat/dalia after custom grinding from the millers was shown as purchase. Thus, the cost of wheat was included in purchase twice. This resulted in overstatement of 'Purchase' and 'Sale' by ₹ 109.56 crore. 'Other Current Liabilities' and 'Current Assets' is understated by ₹ 2.39 crore (Head Office: ₹ 0.48 crore and Area Office, Dharamshala: ₹ 1.91 crore) due to depicting debit balance under GST/VAT payable head, instead of under 'Current Assets (GST/VAT recoverable)'.  Understatement of 'Other Current Liabilities' and 'Fixed Assets-Capital Work-in-Progress' by ₹ 4.68 crore due to non-provisioning of expenses of invoices raised by a party for supply, delivery and installation of modern underground waste collection system at designated locations at Dharamshala between December 2017 and January 2018.  The non-provisioning of liabilities on account of invoices raised by Project Management Consultant during the year 2017-18 resulted in understatement of 'Sundry Creditors' and overstatement of 'Other Current Liabilities - Unutilised Grants' by ₹ 0.78 crore.
4	Dharamshala Smart City Limited (2017-18)	
<b>Comments on Disclosure</b>		
1	Himachal Pradesh State Electricity Board Limited (2018-19)	The Company vide Note No. 37 stated the details of 1,823 cases pending for decision in various Courts as on 31 March 2017 and liability of ₹ 7.78 crore was ascertained, but not provided whereas as on 31 March 2019, total 1,998 cases were pending in various courts, as such, Note is deficient to that extent.  National Highway Authority of India (NHAI) acquired Aut Traffic Tunnel valuing ₹ 66.30 crore (original cost) at Bagitar near Thalaut, District Mandi along with electrical system of tunnel valuing ₹ 1.67 crore (original cost). In addition to above, NHAI also acquired land and office building of RE Larji, PHD, Thalaut valuing ₹ 0.32 crore lakh (land-₹ 0.10 crore lakh and building- ₹ 0.22 crore (original cost)) and paid compensation of ₹ 4.13 crore to the Company. This being a material fact should have been disclosed by way of notes to accounts.

Sr. No.	Name of the SPSE	Comments
	Himachal Pradesh State Electricity Board Limited (2020-21)	Directorate of Energy has raised a demand of ₹ 9.53 crore (₹ 3.13 crore on account of GoHP free power invoices short passed by the HPSEBL and ₹ 6.40 crore on account of GoHP invoices yet to be passed by HPSEBL) on account of difference of free power share of Government of Himachal Pradesh received from IPPs by the Company. The Company has neither recognised the liability nor carried out any reconciliation to confirm the liability. Hence, the same should have been depicted as Contingent Liability until reconciled. The Beas Valley Power Corporation Limited (Wholly owned Subsidiary Company of HPSEBL) has taken a loan of ₹ 933.40 crore from PFC Ltd. for HEP UHL Stage-III. This Loan has been secured by charge on immovable assets of the project land of UHL-III and guarantee of HPSEBL which was approved by of the Board of Directors of the Company in its 34 <sup>th</sup> Meeting. This being an important event should have been disclosed by way of Notes to the Accounts.
2	Himachal Pradesh Power Transmission Corporation Limited (2019-20)	The State Govt. accorded approval (07 March 2019 and 22 December 2020) for enhancing authorised share capital of the Company from ₹ 300 crore to ₹ 500 crore. The enhancing of authorised share capital was pending for want of approval from Ministry of Corporate Affairs (MCA). Approval from MCA was pending due to Company being "ACTIVE-non-compliant" as the Company had not appointed full time Company Secretary as per provisions of Company Secretary Act, 1956. Thus, the Company was forced to treat equity contribution of ₹ 85.74 crore received from State government as Share Application Money. This being material fact should have been disclosed by way of Note to the Accounts.
3	Shimla Jal Prabandhan Nigam Limited (2019-20)	Details Project Report (DPR) for providing Bulk Water Supply to Shimla from River Sutlej was prepared by the Nigam for ₹ 322.54 crore and its administrative approval and expenditure sanction was accorded by the BoDs dated on 22 October 2018. However, DPR was revised and administrative approval and expenditure sanction for ₹ 430.39 crore was accorded on 20 May 2020 by the BODs. This being a material fact should have been disclosed in Notes to Accounts.
4	Dharamshala Smart City Limited (2017-18)	Company failed to file the financial statements along with the prescribed documents for the financial year 2016-17 with the Registrar of Companies after the Annual General Meeting as per requirement of Section 137 of Companies Act.
<b>Comments on Independent Auditor's Report</b>		
1	Himachal Pradesh Power Corporation Limited (2018-19)	The Statutory auditor stated that total of three progressive payments to Andritz Hydro Power Limited amounting to ₹ 54.03 crore from 1 April 2016 to 31 March 2017 were in nature of advance and has to be adjusted with the invoices to be raised by the supplier in future. Thus, advance to the supplier is understated and capital work in progress is overstated to that extent. The observation of Statutory Auditors is deficient as the payments were made as per terms of contract after completion and certification of work.
2	Dharamshala Smart City Limited (2017-18)	The statement of Cash Flows duly adopted by the Board of Directors is not prepared by the Company. However, the Statutory Auditor in its Report has given true and fair view on the Financial Statement (including Cash Flows Statement) for the year. The Statutory Auditor's report is deficient to that extent.
3	Himachal Pradesh State Forest Development Corporation Limited (2017-18)	Statutory auditors stated that LIC has raised demand of ₹ 81.28 crore out of which ₹ 6.03 crore has been paid. Thus, there is shortfall of ₹ 75.25 crore. This statement is not based on facts. The LIC has raised (7 September 2017) demand of ₹ 84.07 crore and against which, the corporation paid only ₹ 3.50 crore, as such there was shortfall of ₹ 80.57 crore as on 31 March 2018. Hence, the qualification of Statutory Auditors is deficient by ₹ 5.32 crore.

Sources: Comments finalised and issued by CAG.

### 5.14.6 Statutory corporations where CAG is the sole auditor

The significant comments issued by the CAG on the accounts of Statutory Corporations where CAG is the sole auditor are detailed below:

**Table 5.13: Significant comments issued on Financial Statements**

Sr. No.	Name of the Statutory Corporation	Comments
<b>Comments on Profitability</b>		
1	Himachal Road Transport Corporation (2019-20)	The Corporation's 'Current Liabilities –Passenger and Goods Tax-HPSRT' and 'Loss' were understated by ₹ 22.84 crore due to: <ul style="list-style-type: none"> <li>• Short provisioning of Himachal Pradesh Special Road Tax of ₹ 4.15 crore;</li> <li>• Non-provisioning of penalty amounting to ₹ 6.52 crore for delayed payment of Himachal Pradesh Special Road Tax as calculated by Regional Office, HRTC, Pathankot; and</li> <li>• Short provisioning of pension arrears of ₹ 12.17 crore payable to retired employees of the Corporation as on 31 March 2020.</li> </ul>
<b>Comments on Financial Position</b>		
		The Corporation's 'Current Liabilities-Interest Payable-GPF Trust' and 'Accumulated Loss' were overstated by ₹ 0.53 crore due to excess provisioning of interest payable to General Provident Fund Trust on delayed payment of GPF of the employees.
<b>Notes to Accounts</b>		
		The Corporation stated (Para 11 of Accounting Policies) that provisions for Death Cum Retirement Gratuity, Leave Encashment on retirement on superannuation of employees / death of employees are made on actual basis. The accounting policy is not in consonance with Generally Accepted Accounting Principles prescribed under AS-15.

Sources: Comments finalised and issued by CAG.

### 5.15 Non-compliance with provisions of Accounting Standards/Ind AS

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Section 129 (1), 132 and 133 of the Act, the Central Government prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 39 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

The Statutory Auditors reported that eight companies did not comply with mandatory Accounting Standards/Ind AS detailed in **Appendix-5.7**.

During the course of supplementary audit, the CAG observed that the following companies had also not complied with the Accounting Standards/Ind AS, which were not reported by the statutory auditors as detailed in **Table-5.14**:

**Table-5.14: Non-compliance with Accounting Standards/Ind AS by SPSEs as commented by CAG**

Accounting Standard/Ind AS	Name of the SPSEs	Deviation
AS- 9: Revenue Recognition	Himachal Pradesh State Electronics Development Corporation Limited (2019-20)	Recognising rent recoverable as income, which is sub judice before Rent controller, Solan
Ind AS- 7: Cash Flow Statements	Dharamshala Smart City Limited (2017-18)	Non-attachment of cash flow statement.

Accounting Standard/Ind AS	Name of the SPSEs	Deviation
Ind AS-37: Provisions, Contingent Liabilities and Contingent Assets	Beas Valley Power Corporation Limited (2019-20)	Showing interest recoverable from a contractor which is under arbitration instead of Contingent Asset.
Accounting Standard-15	Himachal Pradesh State Forest Development Corporation Limited (2017-18)	Non-provisioning of Retirement Benefits.

### 5.16 Management Letters

One of the objectives of financial audit is to establish communication on matters arising from the audit of financial statements between the auditors and those charged with the responsibility of governance of the Corporate entity.

The material observations on the Financial Statements of SPSEs/SCs were reported as comments by the CAG under Section 143 (6)(b) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process, were also communicated to the management through 'Management Letters' for taking corrective action. These deficiencies generally related to:

- Adjustments arising out of audit that could have a significant effect on the financial statements; and
- Inadequate or non-disclosure of certain information on which management of the concerned Statutory Corporation gave assurances that corrective action would be taken in the subsequent year.

During the year, Management Letters were issued to 11 SPSEs as per detail given in **Appendix-5.8** and one Statutory Corporation (Himachal Road Transport Corporation).

### 5.17 Conclusions


- As on 31 March 2021, there were 29 SPSEs including two Statutory Corporations. Out of 29 SPSEs, there are three inactive SPSEs.
- Out of the total profit of ₹ 28.18 crore earned by 11 working SPSEs, 52.34 *per cent* was contributed by two SPSEs (Himachal Pradesh State Industrial Development Corporation Limited: ₹ 9.69 crore and Himachal Pradesh General Industries Corporation Limited: ₹ 5.06 crore).
- Out of total loss of ₹ 518.60 crore incurred by 10 SPSEs, loss of ₹ 493.04 crore was incurred by four SPSEs (Himachal Pradesh State Electricity Board Limited: ₹ 185.32 crore, Himachal Road Transport Corporation: ₹ 146.43 crore, Himachal Pradesh Power Corporation Limited: ₹ 105.98 crore and Himachal Pradesh Power Transmission Corporation Limited: ₹ 55.31 crore).
- SPSEs did not adhere to the prescribed timeline regarding submission of their Financial Statements as per the Companies Act, 2013. There were 66 accounts of 25 SPSEs in arrears as on 30 November 2021.

- During 2020-21, the financial implication of CAG's comments on the Financial Statements of the SPSEs amounted to ₹ 189.67 crore on profitability and ₹ 2,081.07 crore on assets/ liabilities.

### 5.18 Recommendations


- State Government may ensure timely submission of Financial Statements of SPSEs, as in the absence of finalisation of accounts, government investments in such SPSEs remain outside the oversight of the State Legislature.
- The inactive SPSEs are neither contributing to State economy nor meeting the intended objectives. The State Government needs to take a decision regarding commencement/completion of liquidation process of inactive SPSEs.
- State Government may ensure declaration/payment of dividend from the profit making SPSEs for compliance of the directives of the Dividend Policy.

Shimla  
The 01 July 2022

  
(RITU DHILLON)  
Principal Accountant General (Audit)  
Himachal Pradesh

*Countersigned*

New Delhi  
The 08 July 2022

  
(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India

