

## OVERVIEW

This Report contains one performance audit on Sainj Hydro Electric Project and 11 paragraphs with financial implication of ₹ 728.04 crore relating to issues of avoidable payment due to non-compliance of rules, directives and procedures, non/ short recovery and infructuous expenditure that resulted in losses to the companies / corporations.

### 1. *Functioning of State Public Sector Undertakings (PSUs)*

#### 1.1 Power Sector Companies

The State government has four Power Sector companies, one company (Beas Valley Power Corporation Limited) did not commence any commercial activities till 2017-18.

As on 31 March 2018, the total investment (equity and long term loans) in four power sector undertakings was ₹ 12,114.52 crore. The investment consisted of 25.69 *per cent* towards equity and 74.31 *per cent* in long-term loans.

The Long term loans advanced by the State government constituted 67.75 *per cent* (₹ 6,099.10 crore) of the total long term loans whereas 32.25 *per cent* (₹ 2,902.86 crore) of the total long term loans were availed from other financial institutions. However, during 2016-17, the State government has taken over ₹ 2,890.50 crore (75 *per cent*) of the outstanding debts (₹ 3,854 crore) of the DISCOMs as on 15 September 2015 under Ujwal DISCOM Assurance Yojana (UDAY) scheme.

*(Paragraphs 1.2 & 1.3)*

#### 1.2 Other than Power Sector Companies

There were 21 State Public Sector Undertakings (PSUs) as on 31 March 2018 which were related to sectors other than Power Sector. These State PSUs were incorporated during the period 1967-68 to 2017-18 and included 19 Government Companies and two Statutory Corporations *i.e.* Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation. The Government Companies further included two (Agro Industrial Packaging India Limited and Himachal Worsteds Mills Limited) non-functional companies. During the year 2017-18, one PSU (Dharamshala Smart City Limited) was incorporated.

The State government provides financial support to the State PSUs in the shape of equity, loans and grants/subsidy from time to time. Of the 21 State PSUs (other than Power Sector), the State government invested funds in 18 State PSUs only as the State government did not infuse any funds in the three Government Companies.

*(Paragraph 4.1)*

As on 31 March 2018, the total investment (equity and long term loans) in these 21 PSUs was ₹ 1,491.98 crore. The investment consisted of 69.38 *per cent* towards equity and 30.62 *per cent* in long-term loans. The Long term loans advanced by the State government constituted 47.14 *per cent* (₹ 215.39 crore) of the total long term loans whereas 52.86 *per cent* (₹ 241.52 crore) of the total long term loans were availed from other financial institutions.

The investment has grown by 39.32 *per cent* from ₹ 1,070.88 crore in 2013-14 to ₹ 1,491.98 crore in 2017-18. The investment increased due to addition of ₹ 186.28 crore and ₹ 234.82 crore towards equity and long term loans respectively during 2013-14 to 2017-18.

*(Paragraph 4.4)*

## **2. Performance audit of Execution of Sainj Hydro Electric Project**

The Himachal Pradesh Power Corporation Limited (Company) implemented Sainj Hydro Electric Project (Project) having installed capacity of 100 MW. The Project with estimated cost of ₹ 676.29 crore was scheduled to be completed by March 2015, but the same was commissioned after a delay of 29 months in September 2017 at a cost of ₹ 1,319.33 crore. As a result, the generation cost had increased from ₹ 3.74 to ₹ 6.23 per unit against the prevailing average sale rate of ₹ 4.30 per unit thereby rendering the Project commercially unrewarding. The Performance Audit of the Project covered Planning, Execution, Project Management, Financial Management and Monitoring.

### **Highlights**

The Asian Development Bank (ADB) loan received through Government of India in the shape of 90 *per cent* grant (₹ 659 crore) and 10 *per cent* loan (₹ 73.22 crore) was extended as 100 *per cent* loan by Government of Himachal Pradesh, placing extra burden of ₹ 931.80 crore including interest of ₹ 272.80 crore on the project cost and increasing the generation cost by ₹ 4.40 per unit.

Against the DPR cost of ₹ 676.29 crore the Project was completed at a cost of ₹ 1319.33 crore. Consequently, keeping in view current sale rate of power the project cost is anticipated to be recovered in nine and half years instead of five years, had there been no cost overrun. Thus, there would be delay of four and half years in recovery of project cost directly impacting the commercial viability of the Project.

Time overrun of 29 months was attributable to delay by the Company in providing access to the sites to the Contractor, stoppage of work by local people, change in location and design of Gas Insulated Switchgear (GIS) & Pot head yard. Project was completed with cost overrun of ₹ 643.04 crore. Consequently, per unit generation cost had increased from ₹ 3.74 to ₹ 6.23 per unit against the prevailing average sale rate of ₹ 4.30 per unit.

*(Paragraph 2.7.1)*

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We also noticed following:

Overpayment of price escalation ₹ 13.60 crore.

*(Paragraph 2.12.3)*

Non-safeguarding the interests of the Company by inserting suitable clauses overburdened the Project by ₹ 18.82 crore.

*(Paragraph 2.13)*

### **3. Compliance Audit**

Beas Valley Power Corporation failed to include the royalty charges in the analysed cost of aggregate and sand at quarry site, for working out the differential cost of aggregate and sand procured from open market resulted in extra payment of differential cost of ₹ 75.02 lakh.

*(Paragraph 3.1)*

Himachal Pradesh State Electricity Board Limited failed to charge the Contract Demand from three consumers as per the limit prescribed by the Himachal Pradesh Electricity Regulatory Commission in its tariff orders issued in April 2013 resulted in short recovery of CD of ₹ 1.97 crore during the period from April 2013 to December 2018. This loss would increase further as short recovery is continuing till the suitable action as per tariff order is taken by the Company.

*(Paragraph 3.2)*

Himachal Pradesh State Electricity Board Limited failed to deduct the component of Excise Duty, from the bills of the contractor, in absence of documentary proof, as per the terms and conditions of the contract agreement, resulting in extra payment of Excise Duty of ₹ 42.77 lakh to the contractor.

*(Paragraph 3.3)*

Before applying for Long Term Access, failure of the Himachal Pradesh Power Corporation Limited to sign PPAs, which was a pre-requisite for signing of Long Term Access agreement, resulted in avoidable loss of ₹ 37.41 lakh, due to forfeiture of fee and security by Power Grid Corporation of India Limited after revocation of approval in absence of Power Purchase Agreements.

*(Paragraph 3.4)*

Failure of the Himachal Pradesh State Electronic Development Corporation Limited in securing its financial interests involving extra cost towards unnecessary bundling of Visio software resulted in non-recovery of ₹ 84 lakh, with consequential interest loss of ₹ 27.82 lakh.

*(Paragraph 5.1)*

Non-adjustment of credit sales by Himachal Pradesh General Industries Corporation Limited while allowing quantity discount on monthly sales resulted in inadmissible cash discount of ₹ 55.65 lakh.

***(Paragraph 5.3)***

Himachal Pradesh State Industrial Development Corporation executed 448 deposit works during last three years out of which 92 works were test checked and it was found that it had started the execution of works before technical sanction. The financial management of the Company was not efficient and effective, as it failed to, restrict expenditure up to the amount of funds received (₹ 21.29 crore excess over funds received) and timely return savings of ₹ 12.43 crore to the respective clients. The conditions of the contract were not adhered resulting in extra payment / expenditure of ₹ 4.23 crore. Monitoring and internal control was also inadequate and ineffective as the Company did not monitor the progress of works and failed to ensure its statutory obligations.

***(Paragraph 5.5)***

Failure of the Management of Himachal Road Transport Corporation in initiating timely action for collection of service tax from the passengers through fare resulted in non-collection of service tax amounting to ₹ 1.04 crore for the period of delay. Apart from this, possibility of imposition of interest and penalty on delayed payment of service tax cannot be ruled out.

***(Paragraph 5.6)***

Due to non-adherence of specifications of MoRTH & IRC by Himachal Pradesh Road & Other Infrastructure Development Corporation without considering local requirements in all reaches / stretches in the Detailed Project Report, led to increase of 15,988.932 M<sup>3</sup> Granular Sub Base, resulting in extra payment of ₹ 93.37 lakh to the contractor. Further, considering 20 *per cent* overhead rate instead of 8 *per cent* ₹ 8.22 crore was paid extra to the contractor and this would increase further after completion of works.

***(Paragraph 5.7)***