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 2019, there were 30 PSUs in Uttarakhand, including three[1] Statutory corporations and 27 Government companies (including eight inactive government companies[2]) 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 2019 is covered in this report. The nature of PSUs and the position of accounts are indicated in **Table-3.1.1:**

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[3]				Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 30 September 2019
		Accounts upto 2018-19	Accounts upto 2017-18	Accounts upto 2016-17	Total	
Working Government companies[4]	19[5]	4	5	1	10	15 (65)
Statutory corporations	3	0	2	1	3	3(5)
Total working PSUs (A)	***22***	***4***	***7***	***2***	***13***	***18 (70)***
Inactive Government companies (B)	8	0	0	0	0	8(212)
Total (A + B)	***30***	***4***	***7***	***2***	***13***	***26(282)***

The working PSUs registered an annual turnover of ₹ 9,272.04 crore[6] as per their latest finalised accounts as on 30 September 2019. This turnover was equal to 3.77 *per cent* of Gross State Domestic Product (GSDP) for the year 2018-19 of ₹ 2,45,895 crore. The working PSUs incurred loss of ₹ 585.45 crore[7] as per their latest finalised accounts. As on March 2019, the State PSUs had around 18,000 employees.

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1 Uttarakhand Parivahan Nigam, Uttarakhand Forest Development Corporation and Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam.

2 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.

3 From October 2018 to September 2019.

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

5 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 first accounts of two PSUs namely Ecotourism Development Corporation of Uttarakhand and Kishau Corporation Limited were not received. Further, first accounts of Uttarakhand Alpsankhyak Kalyan Tatha Wakf Vikas Nigam have not been received till date.

6 Power PSUs: ₹ 7,291.08 crore + Non-Power PSUs: ₹ 1,980.96 crore.

7 Power PSUs: ₹ 464.53 crore + Non-Power PSUs: ₹ 120.92 crore.

There are eight inactive PSUs[8] in the state. These were inactive for last three to 19 years and have 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 auditors 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 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.

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[8] 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 been included as inactive PSUs for the year 2018-19 onwards as there has not been any commercial activities in these PSUs.

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 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 non-compliance 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 utilization 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 2019 is given in **Table-3.1.2:**

Table-3.1.2: Sector-wise investment in PSUs

Name of sector	Government companies		Statutory corporations		Total	Investment[9] (*₹ in crore*)		
	Working	Inactive	Working	Inactive		Equity	Long term loans	Total
Power	4	--	--	--	4	3,140.79	2,908.25	6,049.04
Finance	1	2	--	--	3	24.45	2.67	27.12
Service	3	--	1	--	4	258.71	88.35	347.06
Infrastructure	4	--	1	--	5	32.70	259.22	291.92
Others	7	6	1	--	14	49.00	291.94	340.94
Total	***19***	***8***	***3***		***30***	***3,505.65***	***3,550.43***	***7,056.08***

Source: Compilation based on information received from PSUs.

The thrust of PSU investment was mainly on power sector during the last five years. This sector had received as much as 85.73 *per cent* (₹ 6,049.04 crore) of total investment of ₹ 7,056.08 crore.

3.1.1.8 The investment in different sectors at the end of 31 March 2015 and 31 March 2019 is indicated in the **Chart-3.1.1:**

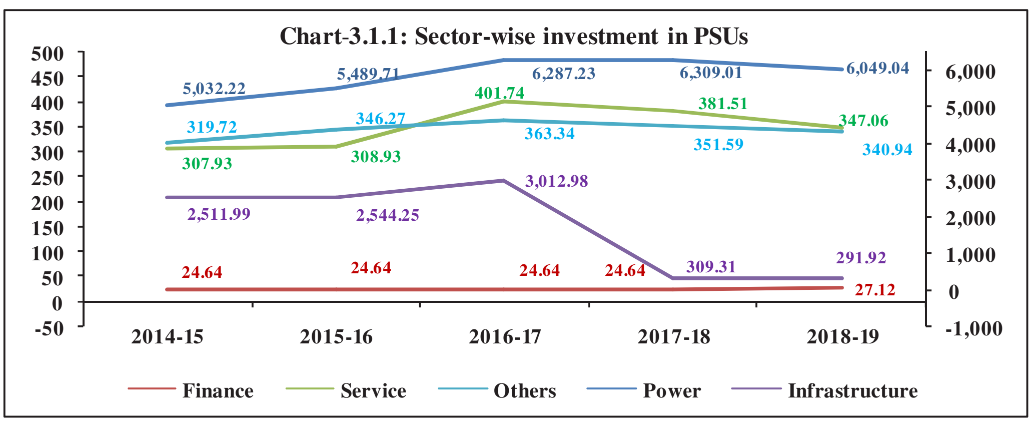


Chart-3.1.1: Sector-wise investment in PSUs

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

9 Investment includes equity and long term loans.

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** provides the details of turnover of these undertakings and GSDP of Uttarakhand for a period of five years ending 31 March 2019:

Table-3.2.1: Details of turnover of power sector undertakings *vis-à-vis* GSDP of Uttarakhand

(₹in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover	4,421.60	5,745.16	5,883.21	6,780.91	7,291.08
GSDP of Uttarakhand	1,61,439	1,77,163	1,95,125	2,22,836	2,45,895
Percentage of Turnover to GSDP of Uttarakhand	*2.74*	*3.24*	*3.02*	*3.04*	*2.97*

Source: Compilation based on Turnover figures of power sector PSUs and GSDP figures as per Finance Account 2018-19 of Government of Uttarakhand.

The undertakings recorded continuous increase in their turnover over that of previous years. The increase in turnover ranged between 2.40 *per cent* and 29.93 *per cent* during the period 2014-15 to 2018-19, whereas increase in GSDP of Uttarakhand ranged between 8.29 *per cent* and 14.20 *per cent* during the same period. The compounded annual growth rate of GSDP was 11.09 *per cent* during the period 2014-15 to 2018-19. The compounded annual growth rate is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth rate of 11.09 *per cent* of the GSDP, the turnover of these undertakings recorded higher compounded annual growth rate of 13.32 *per cent* during the period 2014-15 to 2018-19. This resulted in increase in share of turnover of these undertakings to the GSDP from 2.74 *per cent* in 2014-15 to 2.97 *per cent* in 2018-19.

3.2.1.2 Formation of Power Sector Undertakings

The Uttar Pradesh State Electricity Board was unbundled on 14 January 2000 into three different entities for carrying out the business of Transmission and Distribution of Electricity in undivided Uttar Pradesh. Consequent to the formation of State of Uttaranchal (09 November 2000), Uttaranchal[10] 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. Through the Memorandum of Understanding (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 into 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

[10] As per Uttaranchal (Alteration of name) Act, 2006 dated 21 December 2006, the State of Uttaranchal shall be known as the State of Uttarakhand.

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. 43 (iii) to annual accounts of UJVNL for the year 2018-19).

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[11] is a new company incorporated on 16 January 2017 in the power sector. It had not commenced commercial activities till 31 March 2019.

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 2019.

3.2.1.4 Investment in Power Sector Undertakings

The activity-wise summary of investment[12] in the power sector undertakings as on 31 March 2019 is given 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	1,191.00	303.96	1,129.81	2,624.77
Transmission of Power	1	520.88	17.85	608.50	1,147.23
Distribution of Power	1	1,428.91	27.04	821.09	2,277.04
Total	***4***	***3,140.79***	***348.85***	***2,559.40***	***6,049.04***

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

As on 31 March 2019, the total investment (equity and long term loans) in the four power sector undertakings was ₹ 6,049.04 crore. The investment consisted of 51.92 *per cent* towards equity and 48.08 *per cent* in long-term loans.

The loans advanced by the State Government constituted 12.00 *per cent* (₹ 348.85 crore) of the total long term loans whereas 88.00 *per cent* (₹ 2,559.40 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 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[13] (UDAY)

[11] A Joint Venture between Government of Uttarakhand and Government of Himachal Pradesh for irrigation, power generation and drinking water.

[12] Investment includes equity capital and long term loans extended by GoU.

[13] Scheme launched by Ministry of Power and GoI for financial and operational turnaround of DISCOMs.

scheme. Accordingly, the Company converted GoU loans of ₹ 151.13 crore in 2015-16 and allotted shares to GoU. However, the Finance Department is yet to convert (December 2020) 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 2019 are given in **Table-3.2.3:**

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

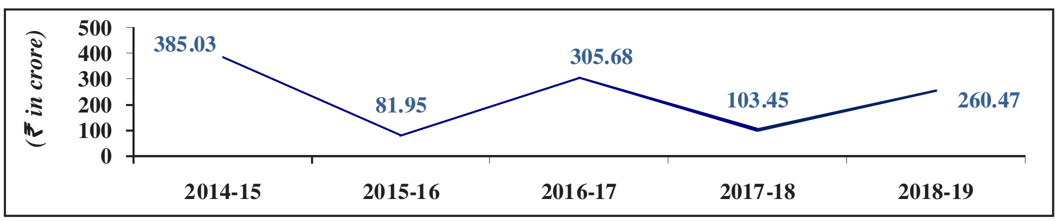
(₹ in crore)

Particulars[14]	2016-17		2017-18		2018-19	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital (i)	4	130.01	3	53.00	3	193.01
Loans given (ii)	3	129.27	2	35.49	3	53.92
Grants/Subsidy provided (iii)	1	46.40	1	14.96	3	13.54
Total Outgo (i+ii+iii)		305.68	-	103.45	-	260.47[15]
Loan repayment written off	-	-	-	-	-	-
Loans converted into equity	-	-	-	-	-	-
Guarantees issued	-	-	1	358.31	-	-
Guarantee Commitment	2	988.83	2	894.75	2	445.17

Source: Compilation based on information received from PSUs.

The details of budgetary support towards equity, loans and grants/subsidies for the last five years ending 31 March 2019 are given in a **Chart-3.2.1:**

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



The budgetary assistance received by these power sector PSUs ranged between ₹ 81.95 crore and ₹ 385.03 crore during the period 2014-15 to 2018-19. The grant of ₹ 13.54 crore was given to UJVNL (₹ 7.79 crore for Lakhwar project), PTCUL (₹ 5.65 crore for ADB projects) and UPCL (₹ 0.10 crore as capital grant). 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 the DISCOM are discussed in the ***paragraph 3.2.1.21*** of this chapter. 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[16] under UDAY scheme but the Finance Department of the State Government

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14 Amount represents outgo from State Budget only.

15 The budgetary assistance of ₹ 260.47 crore received during the year 2018-19 included ₹ 193.01 crore, ₹ 53.92 crore and ₹ 13.54 crore in the form of equity, loans and grants/subsidy respectively.

16 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.

has not issued orders in this regard (December 2020).

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 2017 was ₹ 988.83 crore which decreased to ₹ 445.17 crore as on 31 March 2019. The guarantee fee payable for the year 2018-19 was ₹ 5.97 crore and guarantee fee paid was ₹ 3.58 crore during the year 2018-19.

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 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 2019 are given in **Table-3.2.4:**

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	3,135.80	3,140.79	(-) 4.99
Loan	211.58[17]	348.85	(-) 137.26
Guarantee	917.79	445.17	472.62[18]

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[19] power sector undertakings under the audit purview of C&AG as of 31 March 2019. Accounts for the year 2018-19 were submitted by three[20] working PSUs by 30 September 2019 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 2019 are given in **Table-3.2.5:**

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17 Loan amount is on lower side as old balances of UP Electricity Board (-) ₹ 143 crore shown in Finance accounts which remained unreconciled.

18 The main reason for decrease in Guarantee is conversion of loan for R-APDRP scheme as per scheme guidelines by UPCL into Grant and repayment of loan which were not depicted in Finance Accounts.

19 Uttarakhand Power Corporation Limited, Uttarakhand Jal Vidyut Nigam Limited, Power Transmission Corporation of Uttarakhand Limited and Kishau Corporation Limited.

20 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 2019.

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

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Number of PSUs	3	3	3	4	4
2.	Number of accounts due during current year	5	5	-	4	5
3.	Number of accounts submitted during current year	3	5	3	3	3
4.	Number of PSUs which finalised accounts for the current year	1	3	3	3	3
5.	Number of previous year accounts finalised during current year	2	2	-	-	-
6.	Number of PSUs with arrears in accounts	2	-	-	1	1
7.	Number of accounts in arrears	2	-	-	1	2
8.	Extent of arrears	One year	-	-	One year	Two year

Source: Compilation based on accounts of working PSUs received during the period up to September 2019.

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

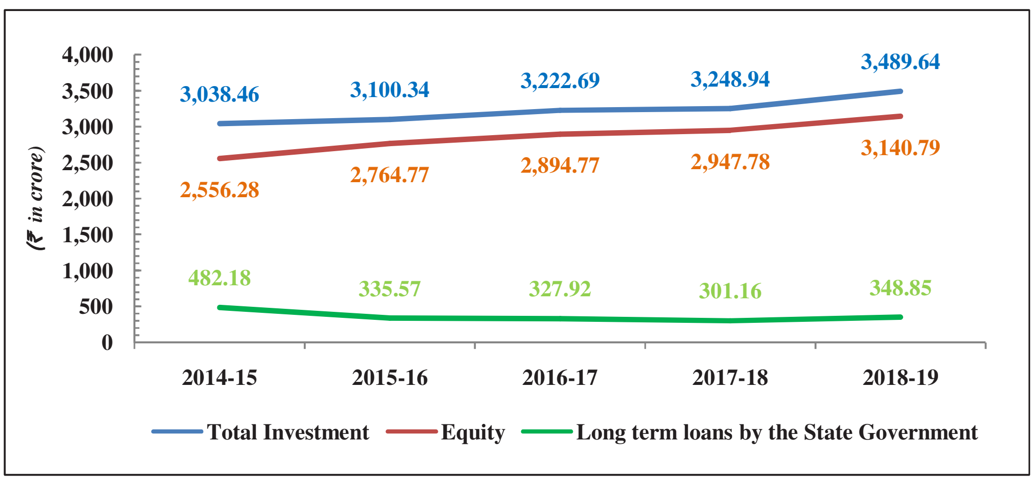
3.2.1.8 Performance of Power Sector Undertakings

The financial position and working results of power sector PSUs[21] are detailed in ***Appendix-3.2.1*** as per their latest finalised accounts as of 30 September 2019.

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 ₹6,049.04 crore consisting of ₹3,140.79 crore as equity and ₹2,908.25 crore as long term loans. Out of this, GoU has investment of ₹3,489.64 crore in these PSUs consisting of equity of ₹3,140.79 crore and long-term loans of ₹348.85 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 2014-15 to 2018-19 is given in **Chart-3.2.2:**

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

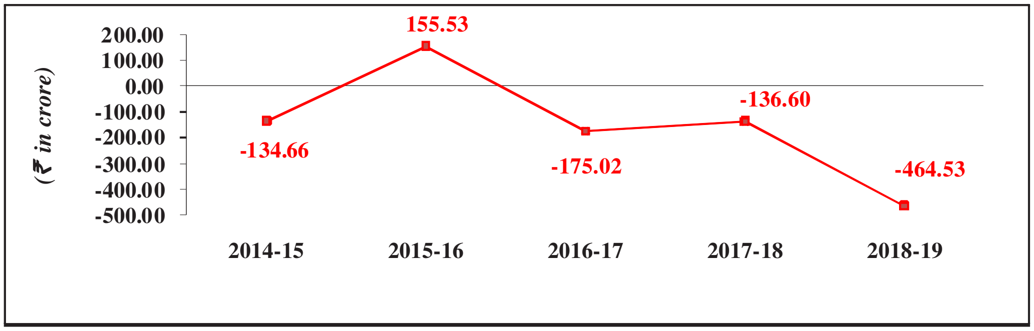
21 Kishau Corporation Limited had not commenced commercial activities till 31 March 2019 and its first accounts are yet to be received.

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[22] earned/incurred by three[23] power sector undertakings during 2014-15 to 2018-19 is depicted below in **Chart-3.2.3:**

Chart-3.2.3: Profit/Loss earned/incurred by Power Sector Undertakings



The loss incurred by the three PSUs was ₹464.53 crore in 2018-19 against losses of ₹136.60 crore incurred in 2017-18. According to financial statements for the year 2018-19 of these PSUs, two PSUs earned profit of ₹88.70 crore and one PSU incurred loss of ₹553.23 crore (***Appendix-3.2.1***). The profit making PSUs were Uttarakhand Jal Vidyut Nigam Limited (₹26.24 crore) and Power Transmission Corporation of Uttarakhand Limited (₹62.46 crore) while UPCL incurred loss of ₹553.23 crore in 2018-19.

(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 on historical cost basis[24] 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.

The investment of the State Government in the Power Sector PSUs has 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 in ***paragraph 3.2.1.2***.

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22 Figures are as per the latest financial statements during the respective years.
23 Excluding Kishau Corporation limited which had not commenced commercial activities till 31 March 2019.
24 Original book value of Investment.

As on 31 March 2019, the investment of State Government in these PSUs was ₹3,489.64 crore consisting of equity of ₹3,140.79 crore and long-term interest bearing loans of ₹348.85 crore.

The return on investment on historical cost basis for the period 2014-15 to 2018-19 is given in **Table-3.2.6:**

Table-3.2.6: Return on State Government Investment on historical cost basis

Financial year	Funds[25] infused by the GoU in form of Equity on historical cost basis at the end of the year (*₹in crore*)	Total Earnings/Losses for the year (*₹in crore*)	Return on Investment (in *per cent*)
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	2,947.78	(-)136.60	*(-)4.63*
2018-19	3,140.79	(-)464.53	*(-)14.79*

Source: Information furnished by power sector PSUs.

The Return on Investment was negative with the exception of the year 2015-16 in which PTCUL and UJVNL earned profit which was more than the loss of UPCL. UPCL was incurring losses continuously from 2014-15 while profitability of UJVNL also declined during this period except for the year 2015-16. The losses incurred by UPCL brought the overall Return on Investment of power sector PSUs into negative zone.

(b) Return on Investment on the basis of Rate of Real Return on Government 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 Rate of Real Return (RORR) on Government Investments since inception, in all Government companies taken together till 31 March 2019. The investments of Government in all the PSUs in the form of equity, interest free loans, and interest free loans converted into equity and grants/subsidies given by the Government for operational and management expenses less the disinvestments have been identified and indexed to their Present Value (PV) and summated. The RORR thereafter has been calculated by dividing the Profit after Tax (PAT) by the sum of the PV of the investments.

The RORR measures the profitability and efficiency with which equity and a similar non-interest bearing capital have been employed, after adjusting them for their time value, and assumes significance when compared with the conventional Rate of Return (ROR), which is calculated by dividing the PAT by the sum of all such investments counted on historical cost basis. Out of three PSUs, two PSUs[26] had positive RORR on investment during the years 2014-15 to 2018-19.

[25] No interest free loan was given by GoU to power sector undertakings.
[26] PTCUL and UJVN Limited.

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 2019 is indicated in ***Appendix-3.2.2***. The consolidated position of the PV of the State Government investment relating to the three[27] power sector companies since inception of these companies till 31 March 2019 is indicated in **Table-3.2.7:**

Table-3.2.7: Year wise details of investment by the state government and present value (PV) of government funds from 2000-01 to 2018-19

(₹ 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	Total investment at the end of the year	Average rate of interest on government borrowings (in percentage)	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[28]
A	B	C	D	E=C+D	F=B+E	G	H=F*(1+G/100)	I=F*G/100	J
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	10.00	*8.36*	10.84	0.84	(-) 27.62
2002-03	10.84	0.00	0.00	0.00	10.84	*10.40*	11.97	1.13	(-) 13.80
2003-04	11.97	0.00	0.00	0.00	11.97	*8.51*	12.99	1.02	(-) 34.73
2004-05	12.99	168.66	0.00	168.66	181.65	*9.10*	198.18	16.53	(-) 180.75
2005-06	198.18	241.64	0.00	241.64	439.82	*7.47*	472.67	32.85	(-) 125.29
2006-07	472.67	119.98	0.00	119.98	592.65	*7.79*	638.82	46.17	(-) 180.25
2007-08	638.82	229.20	0.00	229.20	868.02	*7.99*	937.37	69.35	(-) 206.65
2008-09	937.37	72.03	0.00	72.03	1,009.40	*7.75*	1,087.63	78.23	(-) 347.35
2009-10	1,087.63	694.88	0.00	694.88	1,782.51	*7.64*	1,918.69	136.18	(-) 543.10
2010-11	1,918.69	31.71	0.00	31.71	1,950.40	*7.34*	2,093.56	143.16	(-) 196.78
2011-12	2,093.56	41.78	0.00	41.78	2,135.34	*7.83*	2,302.54	167.20	5.33
2012-13	2,302.54	516.35	0.00	516.35	2,818.89	*8.50*	3,058.50	239.61	8.80
2013-14	3,058.50	258.80	0.00	258.80	3,317.30	*7.57*	3,568.42	251.12	339.32
2014-15	3,568.42	171.25	0.00	171.25	3,739.67	*7.73*	4,028.75	289.08	(-) 134.66
2015-16	4,028.75	208.49[29]	0.00	208.49	4,237.24	*8.19*	4,584.27	347.03	155.53
2016-17	4,584.27	130.01	0.00	130.01	4,714.28	*8.91*	5,134.32	420.04	(-). 175.02
2017-18	5,134.32	53.00	0.00	53.00	5,187.32	*8.27*	5616.31	428.99	(-) 136.60
2018-19	5,616.31	193.01	0.00	193.01	5,809.32	*8.15*	6282.78	473.46	(-) 464.53
	Total	***3,140.79***	***0.00***	***3,140.79***					

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 in ***paragraph 3.2.1.2***. The balance of investment of the State Government in the power sector PSUs at the end of the year increased to ₹ 3,140.79 crore in 2018-19 from ₹ 10 crore (equity) in 2001-02 as the State Government made further investment in the shape of equity (₹ 3,130.79 crore). The PV of investment of the State Government upto 31 March 2019 worked out to ₹ 6,282.78 crore.

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27 Uttarakhand Power Corporation Limited, Uttarakhand Jal Vidyut Nigam Limited, Power Transmission Corporation of Uttarakhand Limited.

28 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.

29 Includes ₹ 151.13 crore loan converted into equity refer ***paragraph 3.2.1.4***.

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 2018-19 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 2018-19 is given in **Table-3.2.8:**

Table-3.2.8: Return on State Government Funds

(₹in crore)

Total Earnings/ Loss (-)	Investment by the GoU in form of Equity[30]	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	RORR on State Government investment considering the present value of the investments (*per cent*)
(-) 464.53	3,140.79	*(-) 14.79*	6,282.78	*(-) 7.39*

Source: Information furnished by power sector PSUs.

The returns on investment for the year 2018-19 based on RORR and on historical cost were both negative. Although RORR shows improved results in figures but in fact due to negative returns it depicts distorted results which are not comparable.

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 power sector PSUs were ₹ 1,979.75 crore as against the capital investment of ₹ 3,140.79 crore resulting in net worth of ₹ 1,161.04 crore. Of the three power sector PSUs, the net worth of UPCL (- ₹ 1,693.04 crore) was eroded completely.

The State Government provided financial support to these PSUs by infusing equity during the period 2015-19. Despite investment of ₹ 1,428.91 crore in UPCL, the accumulated losses of UPCL increased from ₹ 1,955.09 crore in 2014-15 to ₹ 3,121.95 crore in 2018-19 which resulted in negative net worth of ₹ 1,693.04 crore. The net worth of UPCL during 2015-19 were in negative due to losses in all these years. Other two PSUs[31] had positive net worth.

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30 No interest free loans were given to power sector PSUs by State Government.

31 Uttarakhand Jal Vidyut Nigam Limited and Power Transmission Corporation of Uttarakhand Limited.

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-3.2.9:**

Table-3.2.9: Dividend Payout of Power Sector PSUs during 2014-15 to 2018-19

(₹ 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 (*per cent*)
	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**
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	2,947.78	2	1,641.74	1	27.28	*0.93*
2018-19	4	3,140.79	2	1,711.87	1[32]	22.53	*0.72*

Source: Information furnished by power sector PSUs.

Only one Power Sector PSU (UJVNL) paid/declared dividend during 2015-16 to 2018-19 while Power Transmission Corporation of Uttarakhand Limited paid/declared dividend only during 2016-17. During Exit Conference held in February 2020, the Secretary Finance directed his office to frame a policy for payment of the dividend by profit earning PSUs and to issue directions to Uttarakhand Forest Development Corporation, PTCUL and UJVNL to declare dividend on the profit and deposit the same in State Government Account.

The dividend payout ratio during 2014-15 was nil whereas during 2015-16 to 2018-19, 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 a 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 2014-15 to 2018-19 are given in **Table-3.2.10:**

[32] Uttarakhand Jal Vidyut Nigam Limited.

Table-3.2.10: 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)
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	1,083.41	--
2018-19	(-) 464.53	1,161.04	--

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

During the last five years ended March 2019, the Net Income was positive in 2015-16 only, while Shareholders' funds were positive in all the years. Therefore, RoE in respect of these PSUs could not be worked out except for the year 2015-16 wherein RoE was 12.72 *per cent*. The net income of these PSUs remained negative in the four years due to losses incurred by UPCL. They could not realise their cost of supply of power from tariff[33] 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[34]. The details of RoCE of all the three power sector PSUs during the period from 2014-15 to 2018-19 are given in **Table-3.2.11:**

Table-3.2.11: Return on Capital Employed

Year	EBIT (₹ *in crore*)	Capital Employed (₹ *in crore*)	RoCE (percentage)
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	4,444.65	*4.77*
2018-19	(-) 228.94	4,069.29	*(-) 5.63*

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

The RoCE ranged between (-) 5.63 *per cent* and 13.27 *per cent* during the period 2014-15 to 2018-19. 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[35]. However, RoCE for the year 2018-19 turned negative as EBIT of UPCL decreased from (-) ₹ 36.36 crore in the year 2017-18 to (-) ₹ 433.93 crore.

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 2014-15 to 2018-19 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.

[33] Tariff means the schedule of charges for supply of electricity approved by Uttarakhand Electricity Regulatory Commission.

[34] 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.

[35] Uttarakhand Jal Vidyut Nigam Limited and Power Transmission Corporation of Uttarakhand Limited.

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 2014-15 to 2018-19 are given in **Table-3.2.12:**

Table-3.2.12: Interest coverage ratio

Year	Interest (₹ *in crore*)	Earnings before interest and tax (EBIT) (₹ *in crore*)	Number of PSUs[36] having liability of loans from Government, and other financial institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
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
2018-19	240.61	(-) 228.94	3	2	1

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

It was observed that two PSUs[37] have interest coverage ratio of more than one during 2014-15 to 2018-19. One PSU (UPCL) has interest coverage ratio less than one during 2014-15 to 2018-19. Thus, the PSU was not generating sufficient revenue to meet its expenses on interest.

3.2.1.17 Debt-Turnover Ratio

During the period 2014-15 to 2018-19, the turnover of power sector PSUs recorded compounded annual growth rate of 13.32 *per cent* and the compounded annual growth rate of debt was 3.49 *per cent* due to which the Debt-Turnover Ratio improved from 0.56:1 in 2014-15 to 0.40:1 in 2018-19 as given in **Table-3.2.13:**

Table-3.2.13: Debt Turnover ratio relating to the Power Sector undertakings

(₹ *in crore*)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government and others (Banks and Financial Institutions)	2,475.94	2,724.94	3,392.46	3,361.23	2,908.25
Turnover	4,421.60	5,745.16	5,883.21	6,780.91	7,291.08
Debt-Turnover Ratio	0.56:1	0.47:1	0.58:1	0.50:1	0.40:1

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

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36 One power sector PSU Kishau Corporation Limited has not been considered as its operation did not commence till March 2019.

37 Uttarakhand Jal Vidyut Nigam Limited and Power Transmission Corporation of Uttarakhand Limited.

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 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 ₹ 0.03 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-3.2.14:**

Table-3.2.14: Parameter wise achievements *vis-à-vis* targets of operational performance[38] upto 31 December 2019

Parameter of UDAY Scheme	Target under UDAY Scheme	Progress under UDAY Scheme	Achievement (in percentage)
Feeder metering *(in Nos.)*	1,980	1,980	*100*
Metering at Distribution Transformers *(in Nos.)*			
Urban	7,569	7,890	*104.24*
Rural	--	--	--
Feeder Segregation *(in Nos.)*	60	22	*36.67*
Rural Feeder Audit *(in Nos.)*	1,395	989	*70.90*
Electricity to unconnected household *(in lakh Nos.)*	21.23	24.94	*117.48*
Smart metering *(in Nos.)*	1,98,750	Not yet taken up due to high capital cost and technology related issues.	
Distribution of LED UJALA *(in lakh Nos.)*	33.82	29.24	*86.46*
AT & C Losses (*in per cent*)	*14.50*	*24.32*	Not achieved
ACS-ARR Gap (*₹per unit*)	0	0.01	Not achieved
Net Income or Profit/Loss including subsidy	34.97	(-) 553.23	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 and providing electricity to unconnected households was extremely encouraging as targets had been achieved/over achieved. 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 23rd 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 converted into equity during 2015-16 by UPCL[39] 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[40] (as on 30 September 2015) availed from Rural 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*).

38 Progressive data.

39 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.

40 Average interest rate of 12 *per cent*.

3.2.1.22 Comments on Accounts of Power Sector Undertakings

Three Power sector Companies[41] forwarded their three audited accounts to the Principal Accountant General during the period from 1 October 2018 to 30 September 2019. 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 2016-19 are as in **Table-3.2.15:**

Table-3.2.15: Impact of audit comments on Power Sector Companies

(₹in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	4.81	2	120.81	2	372.64
2.	Increase in profit	-	-	-	-	-	0
3.	Increase in loss	1	2.15	1	36.82	1	357.03
4.	Decrease in loss	-	-	-	-	-	0
5.	Non-disclosure of material facts	1	1.93	2	3.75	-	15.43
6.	Errors of classification	3	176.73	3	589.96	2	160.96

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

During the year 2018-19, 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 one 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 2019, one long compliance audit paragraph and four compliance audit paragraphs relating to power sector undertakings were issued to the Principal Secretary of Energy Department, GoU with request to furnish replies within four weeks. Replies on the above paragraphs are still awaited (December 2020). The financial impact of the compliance audit paragraph is ₹ 36.66 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-3.2.16:**

[41] One new power sector PSU: Kishau Corporation Limited has not submitted its financial statements as its operation did not commence till March 2019.

Table-3.2.16: Position of explanatory notes on Audit Reports related to Power Sector PSUs (as on 31 March 2020)

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
2013-14	November 2015	--	03	--	03
2014-15	November 2016	--	03	--	03
2015-16	May 2017	--	--	--	--
2016-17	September 2018	--	03	--	03
2017-18	December 2019	--	01	--	01

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

Explanatory notes of above audit paragraphs were pending with power department[42] till March 2020.

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 March 2020 was as in **Table-3.2.17:**

Table-3.2.17: Performance Audits/Paragraphs appeared in Audit Reports *vis-à-vis* discussed as on 31 March 2020

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	--	--
2017-18	--	01	--	--

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[43] of the COPU presented to the State Legislature in December 2003 and December 2008 had not been received (March 2020) as indicated in **Table-3.2.18:**

Table-3.2.18: 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 2020.

[42] Uttarakhand Power Corporation Limited, Power Transmission Corporation of Uttarakhand Limited and UJVN Limited.

[43] COPU Reports presented before Vidhan Sabha on 11.10.2006 (two reports), 23.03.2011 and 29.09.2011.

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 2019 functioning in sectors other than Power Sector. These PSUs included 23 Government companies[44] and three Statutory corporations[45]. The Government companies included eight inactive[46] companies which includes seven subsidiary companies[47] owned by other Government companies and one[48] company under liquidation. Thus, there are 18 working companies and eight inactive companies.

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 26 State PSUs (other than Power Sector), the State Government invested funds in 18 Government companies and two[49] 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** provides the details of turnover[50] of working State PSUs and GSDP of Uttarakhand for a period

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44 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 the State Government.

45 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 under section 20 (1) of the C&AG's (DPC) Act, 1971.

46 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.

47 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 were included as inactive PSUs for the year 2017-18 onwards as there was no commercial activities in these PSUs.

48 UPAI Limited.

49 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).

50 This does not include four PSUs (One new PSU namely Eco-Tourism Development 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).

of five years ending March 2019:

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

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover	1,319.82	1,428.17	1,440.43	1,990.08	1,980.96
GSDP of Uttarakhand	1,61,439.00	1,77,163.00	1,95,125.00	2,22,836.00	2,45,895.00
Percentage of Turnover to GSDP of Uttarakhand	*0.82*	*0.81*	*0.74*	*0.89*	*0.81*

Source: Compilation based on turnover figures of working PSUs (other than power); turnover figures adopted from approved C&AG Audit report upto 2017-18; GSDP figures as per Finance Account 2018-19 of Government of Uttarakhand.

The turnover of these PSUs recorded continuous increase during 2014-15 to 2017-18 but marginally decreased in 2018-19, as per their latest audited accounts available in respective years. The working PSUs recorded turnover of ₹ 1,980.96 crore during the year 2018-19 as per their latest available accounts as on 30 September 2019. The increase in turnover ranged between (-) 0.31 *per cent* and 38.16 *per cent* during the period 2014-19, whereas increase in GSDP of the State ranged between 8.29 *per cent* and 14.20 *per cent* during the same period. Against the compounded annual growth rate of 11.09 *per cent* of the GSDP, the turnover of undertakings recorded compounded annual growth rate of 10.67 *per cent* during last five years. This resulted in marginal decrease in share of turnover of these PSUs to the GSDP from 0.82 *per cent* in 2014-15 to 0.81 *per cent* in 2018-19.

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 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[51] 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[52] in form of equity and long term loans upto 31 March 2019 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 2019 is given in **Table-3.3.2:**

[51] 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.

[52] 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.

Table-3.3.2: Sector-wise investment in State PSUs

Sector		Number of PSUs	Investment (₹ in crore)				
			Equity		Long term loans		Total
			GoU	Other	GoU	Other	
Social Sector	Working	3	26.01	5.99	0.00	2.46	34.46
	Non-working	2	0.42	0.58	1.17	0.04	2.21
PSUs in Competitive Environment	Working	11	305.28	15.07	313.06	302.78	936.19
Others	Working	4	9.10	0.05	0.00	0.00	9.15
	Non-working	6	0.17	2.19	4.15	18.52	25.03
	Total	***26***	***340.98***	***23.88***	***318.38***	***323.80***	***1,007.04***

Source: Compilation based on information provided by PSUs.

As on 31 March 2019, the total investment (equity and long term loans) in these PSUs was ₹ 1,007.04 crore (₹ 979.80 crore in working PSUs and ₹ 27.24 crore in non-working PSUs). The investment consisted of 36.23 *per cent* towards equity (99.08 *per cent* in working PSUs and 0.92 *per cent* in non-working PSUs) and 63.77 *per cent* in long-term loans (96.28 *per cent* in working PSUs and 3.72 *per cent* in non-working PSUs). The long term loans advanced by the GoU constituted 49.58 *per cent* (₹ 318.38 crore) of the total long term loans (98.33 *per cent* in working PSUs and 1.67 *per cent* in non-working PSUs) whereas 50.42 *per cent* (₹ 323.80 crore) of the total long term loans (94.27 *per cent* in working PSUs and 5.73 *per cent* in non-working PSUs) were availed from other financial institutions.

The investment has grown by 26.75 *per cent* from ₹ 794.50 crore in 2014-15 to ₹ 1,007.04 crore in 2018-19. There was addition of ₹ 161.04 crore towards equity and ₹ 51.50 crore in long term loans.

3.3.1.5 Disinvestment, restructuring and privatisation of State PSUs

During the year 2018-19, no disinvestment, restructuring or privatisation was done by the State Government in these PSUs.

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 2019 are given in the **Table-3.3.3:**

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

(₹ in crore)

Particulars[53]	2016-17		2017-18		2018-19	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	2	78.42	4	63.02	3	1.52[54]
Loans given (ii)	-	-	-	-	2	3.01[55]
Grants/Subsidy provided (iii)	5	490.80	5	649.21	9	1,203.90
Total Outgo (i+ii+iii)	-	569.22	-	712.23	-	1,208.43
Loan repayment written off	-	-	-	-	2	(-) 3.19
Loans converted into equity	-	-	-	-	-	-
Guarantees issued	1	6.25	-	-	2	2.46
Guarantee Commitment	1	0.19	1	0.67	5	266.69

Source: Compilation based on information provided by PSUs.

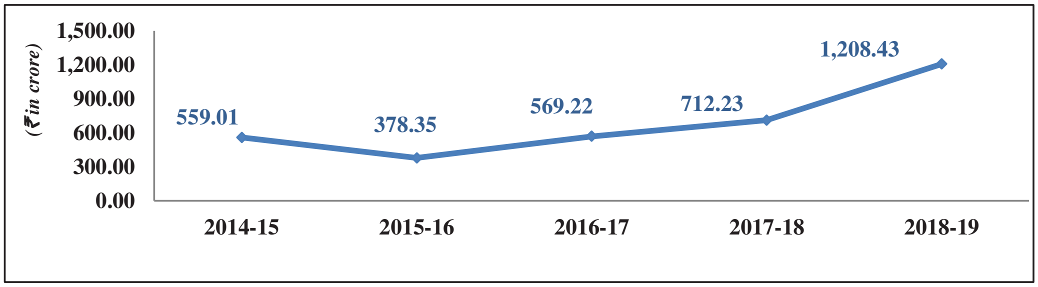
The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last five years ending March 2019 are given in the **Chart-3.3.1:**

53 Amount represents outgo from State Budget only.

54 Equity includes capital ₹ 0.50 crore was infused by the GoU in Uttarakhand Alpsankhyak Kalyan Tatha Wakf Vikas Nigam and ₹ 1.02 crore in Uttarakhand Bahuddeshiya Vitta Evam Vikas Nigam Limited.

55 Kiccha Sugar Company Limited (₹ 3.00 crore) and Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam (₹ 0.01 crore).

Chart-3.3.1: Budgetary outgo towards Equity, Loans and Grants/Subsidies



- The annual budgetary assistance to these PSUs ranged between ₹ 378.35 crore and ₹ 1,208.43 crore during the period 2014-15 to 2018-19. The budgetary assistance of ₹ 1,208.43 crore given during the year 2018-19 included ₹ 1.52 crore and ₹ 1,203.90 crore in the form of equity and grants/subsidy respectively. The State Government provided ₹ 3.01 crore as loan assistance to these PSUs during 2018-19. The State Government gave subsidy of ₹ 123.76 crore to Doiwala Sugar Company Limited (₹ 55.29 crore) and Kichha Sugar Company Limited (₹ 68.47 crore) for payment of sugarcane prices to farmers and grants of ₹ 956.78 crore were provided to Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam to create infrastructure of sewerage and water supply including ₹ 98 crore as revenue grant.
- 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 directed (September 2000) that guarantee fees be charged at the rate of one *per cent* per annum on the guarantee given by the State Government for PSUs seeking financial assistance. The same orders were adopted by the Uttarakhand Government. The amount of guarantee commitments outstanding as on 31 March 2015 was nil and it stood at ₹ 266.69 crore[56] as on 31 March 2019. During the year 2018-19, 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 details of unreconciled differences as on 31 March 2019 are given in the **Table-3.3.4:**

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

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	266.65	340.98	(-) 74.33
Loans	167.11	318.38	(-) 151.27
Guarantees	9.22	266.69	(-) 257.47

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

56 State Infrastructure and Industrial Development Corporation of Uttarakhand Limited (₹ 180.75 crore), Doiwala Sugar Company Limited (₹ 57.20 crore), Kiccha Sugar Company Limited (₹ 20.88 crore), Uttarakhand Alpsankhyak Kalyan Tatha Wakf Vikas Nigam (₹ 2.42 crore) and Uttarakhand Bahuddeshiya Vitta Evam Vikas Nigam Limited (₹ 5.44 crore).

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 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

Out of these 26 PSUs, 18 are working PSUs (15 Companies and three Statutory Corporations) and eight are inactive as of 31 March 2019. 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 2018-19 were required to be submitted by all the working PSUs by 30 September 2019. However, none of the working Government companies submitted their accounts for the year 2018-19 except one PSU[57] for audit by C&AG on or before 30 September 2019. The C&AG is the sole auditor for only two out of the three Statutory corporations, Uttarakhand Parivahan Nigam and Uttarakhand Forest Development Corporation (UFDC). The audit of Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam has been entrusted to the C&AG under Section 20 (1) of the C&AG's (DPC) Act, 1971. None of the Statutory corporations presented their accounts for the year 2018-19 for audit up to 30 September 2019.

Details of arrears in submission of accounts of working PSUs as on 30 September 2019 are given in **Table-3.3.5**:

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

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	**Number of PSUs**	18	18	19[58]	18[59]	18
2.	**Number of accounts due during the year**	183	176	187	78	84
3.	**Number of accounts submitted during current year**	07	19	37	12	15
4.	**Number of working PSUs which finalised accounts for the current year**	Nil	Nil	Nil	Nil	01[60]
5.	**Number of previous year accounts finalised during current year**	07	19	37	12	14
6.	**Number of working PSUs with arrears in accounts**	18	18	19	18	17
7.	**Number of accounts in arrears**	176	157	150[61]	66	69
8.	**Extent of arrears**	One to twenty eight years	One to twenty nine years	One to Thirty years	One to thirteen years	One to fourteen Years

Source: Compilation based on accounts of PSUs received during the period October 2018 to September 2019.

During the period 1 October 2018 to 30 September 2019, 12 out of the 18 working State PSUs had finalised 14 annual accounts. Further, for 17 PSUs, 69 annual accounts were in arrears which have been detailed in ***Appendix-3.3.2***. The

57 Dehradun Smart City Limited.

58 During 2016-17, one PSU namely Uttarakhand Alpsankhyak Kalyan Tatha Wakf Vikas Nigam which was incorporated in 2005-06 was included in the list of PSUs. 13 accounts of the PSUs have been included in the arrears accounts as the first account of the company is yet to be received till date.

59 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.

60 Dehradun Smart City Limited.

61 90 accounts (up to 2016-17) of four companies transferred to inactive PSUs **Table-3.3.6**.

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 Government was reminded at timely intervals by the Principal Accountant General (Audit) Uttarakhand regarding arrears in finalisation of accounts.

The GoU had provided ₹ 1,205.43 crore (Loan: ₹ 12.81 crore, Subsidy: ₹ 1,192.62 crore) to nine[62] of the 17 working PSUs, accounts of which had not been finalised by 30 September 2019 as prescribed under the Companies Act 2013, whereas no investment was made in eight PSUs 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 given in ***Appendix-3.3.2***. However, four accounts of four[63] of these working State PSUs for the period 2018-19 and two[64] accounts of two of these working State PSUs for the period 2016-17 and 2017-18 were finalised and submitted for audit during the period from October 2019 to February 2020 whereas 63 accounts pertaining to 12 working State PSUs were awaited till March 2020.

In the absence of timely 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

There were arrears in finalisation of accounts by eight inactive PSUs, detailed in **Table-3.3.6**. Out of these eight PSUs, one PSU (UPAI Limited) was under liquidation since March 1991.

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 2018-19
2.	**Trans Cables Limited (Subsidiary of Kumaun Mandal Vikas Nigam limited)**	2000-01 to 2018-19
3.	**Uttar Pradesh Digitals Limited (Subsidiary of Kumaun Mandal Vikas Nigam limited)**	1997-98 to 2018-19
4.	**Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)**	1990-91 to 2018-19
5.	**Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited),**	1987-88 to 2018-19
6.	**Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)**	1989-90 to 2018-19
7.	**Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited),**	2001-02 to 2018-19
8.	**Kumaun Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaun Mandal Vikas Nigam Limited).**	1987-88 to 2018-19

Source: Compilation based on accounts of PSUs received during the period October 2018 to September 2019.

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62 Uttarakhand Bahuddeshiya Vitta Evam Vikas Nigam Limited, Uttar Pradesh Hill Electronics Corporation Limited, Kichha Sugar Company Limited, Doiwala Sugar Company Limited, Uttaranchal Project Development and Construction Corporation Limited, Kumaun Mandal Vikas Nigam Limited, Uttarakhand Alpsankhyak Kalyan Tatha Wakf Vikas Nigam, Uttarakhand Metro Rail, Urban Infrastructure and Building Construction Corporation Limited and Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam.

63 Doiwala Sugar Company Limited, Kichha Sugar Company Limited, Uttaranchal Project Development and Construction Corporation Limited and Uttarakhand Metro Rail, Urban Infrastructure and Building Construction Limited.

64 State Industrial Infrastructure Construction Corporation Limited (2016-17) and Bridge, Ropeway, Tunnel and Other Infrastructure Development Corporation of Uttarakhand Limited (2017-18).

None of these inactive PSUs except Garhwal Anusuchit Janjati Vikas Nigam Limited[65] submitted their accounts up to March 2020.

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 provisions of the respective Acts. All three working Statutory Corporations had not forwarded their accounts of the year 2018-19 by 30 September 2019.

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

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 2017-18	Yet to be placed
Uttarakhand Parivahan Nigam	2010-11 to 2015-16	Yet to be placed
Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam	2016-17 and 2017-18	Yet to be placed

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 2018-19 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

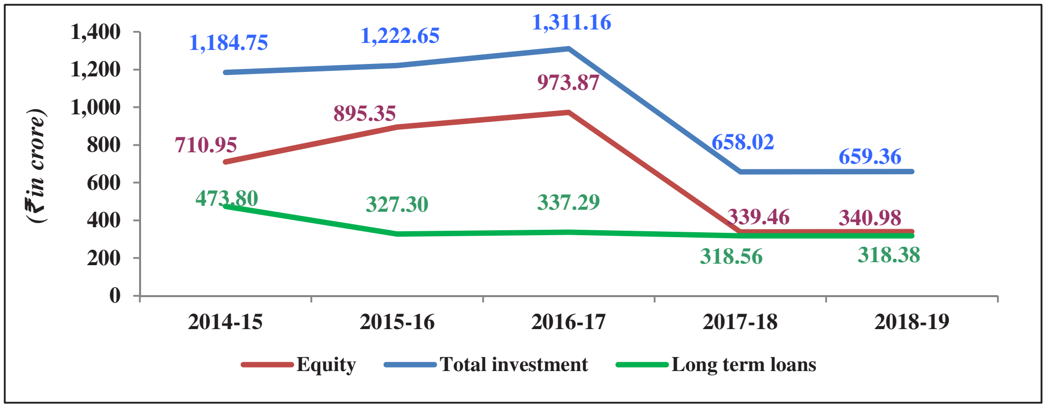
The financial position and working results of the 26 State PSUs are detailed in ***Appendix-3.3.3*** as per their latest finalised accounts as of 30 September 2019.

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 ₹ 1,007.04 crore consisting of equity of ₹ 364.86 crore and long term loans of ₹ 642.18 crore. Out of this, GoU has investment of ₹ 659.36 crore, consisting of ₹ 340.98 crore as equity and ₹ 318.38 crore as long term loans.

The year wise statement of investment of GoU in the PSUs sector during the period 2014-15 to 2018-19 is as detailed in **Chart-3.3.2:**

[65] Seven accounts from 1994-95 to 2000-01 submitted in October 2019.

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

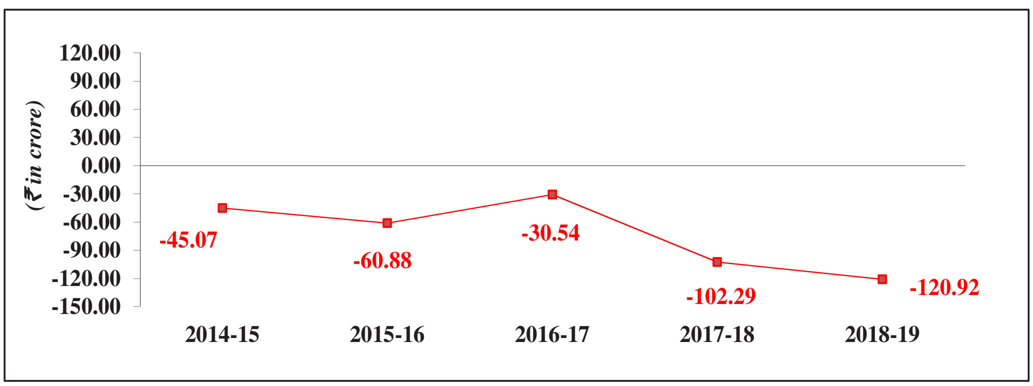


The profitability of a company is traditionally assessed through return on investment and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested and is expressed as a percentage of net profit to total investment. Return 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[66] earned/incurred by the 16 working PSUs of the State during 2014-15 to 2018-19 is depicted in **Chart-3.3.3:**

Chart-3.3.3: Profit/Losses earned/incurred by 16 working PSUs during the years



The loss of ₹ 45.07 crore incurred by the working PSUs in 2014-15 increased to ₹ 120.92 crore in 2018-19 due to substantial increase in loss of Kiccha Sugar Company Limited and Doiwala Sugar Company Limited. According to latest finalised accounts of these working State PSUs, five PSUs earned profit of ₹ 17.36 crore and ten PSUs incurred losses of ₹ 138.28 crore as detailed in ***Appendix-3.3.3***. One PSU namely Dehradun Smart City Limited remained on Break Even Point (No profit no loss during the year).

The top profit making PSUs were Uttarakhand Purv Sainik Kalyan Nigam Limited (₹ 8.60 crore) and State Industrial Development Corporation of Uttarakhand Limited

[66] Figures are as per the latest finalised accounts of the respective years.

(₹ 6.45 crore) while Doiwala Sugar Company Limited (₹ 46.29 crore) and Kichha Sugar Company Limited (₹ 50.71 crore) incurred heavy losses.

Position of working PSUs which earned/incurred profit/loss during 2014-15 to 2018-19 is given in the **Table-3.3.8:**

Table-3.3.8: Details of working Public Sector Undertakings which earned/incurred profit/loss during 2014-15 to 2018-19

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[67] profit/loss during the year
2014-15	14	07	06	01
2015-16	14	06	07	01
2016-17	14	06	07	01
2017-18	14	05	08	01
2018-19	16[68]	05	09	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 16 PSUs[69] only. The Government has invested ₹ 693.14 crore in these PSUs consisting of equity of ₹ 332.79 crore and long term loans of ₹ 360.35 crore.

The funds made available as grants[70]/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 ***Appendix-3.3.5***.

The total of the long term loans released during the period (2014-15 to 2018-19) was ₹ 360.35 crore, out of which ₹ 186.62 crore was interest free loans based on the reduced balances of interest free loans. Thus, the total investment of the State Government in these 16 PSUs on the basis of historical cost was ₹ 519.41 crore (₹ 332.79 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 2014-15 to 2018-19 is furnished in the **Table-3.3.9:**

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)
2014-15			
Social Sector	5.91	17.04	*34.68*
Competitive Sector	(-) 87.53	483.95	*(-) 18.09*
Others	36.55	8.95	*408.38*
Total	***(-) 45.07***	***509.94***	***(-) 8.84***
2015-16			
Social Sector	7.26	17.44	*41.63*
Competitive Sector	(-) 104.69	492.00	*(-) 21.28*
Others	36.55	8.95	*408.38*
Total	***(-) 60.88***	***518.39***	***(-) 11.74***

67 Profit/Loss below ₹ 50,000.

68 One PSU namely Dehradun Smart City Limited remained at break-even point (no profit no loss) during the year.

69 Two companies had not submitted their first accounts up to September 2019.

70 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.

2016-17			
Social Sector	6.26	17.44	*35.89*
Competitive Sector	(-) 49.06	491.85	*(-) 9.97*
Others	12.26	8.95	*136.98*
Total	***(-) 30.54***	***518.24***	***(-) 5.89***
2017-18			
Social Sector	7.56	17.44	*43.35*
Competitive Sector	(-) 127.95	491.85	*(-) 26.01*
Others	18.10	9.10	*198.90*
Total	***(-) 102.29***	***518.39***	***(-) 19.73***
2018-19			
Social Sector	9.46	18.46	*51.25*
Competitive Sector	(-) 120.67	491.85	*(-) 24.53*
Others	(-) 9.71	9.10	*(-) 106.70*
Total	***(-) 120.92***	***519.41***	***(-) 23.28***

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

The return on State Government investment is worked out by dividing the total earnings[71] of these PSUs by the cost of the State Government investments. The return on the State Government investment was negative in the period 2014-15 to 2018-19. It ranged between (-) 5.89 *per cent* and (-) 23.28 *per cent*. The return on State Government investment further went down during 2018-19 in comparison to that for the period 2017-18 mainly due to increase in loss of Doiwala Sugar Company Limited (₹ 46.29 crore) and Kichha Sugar Company Limited (₹ 50.71 crore) during the year 2018-19.

3.3.1.15 Return on Investment on the basis of Rate of Real Return on Government Investment

An analysis of the earnings *vis-à-vis* investments in respect of those 16 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 16 PSUs on historical cost basis, the return on investment has also been calculated after considering the Rate of Real Return (RORR) on Government Investments since inception, in all Government companies (except Government controlled other companies) taken together up to 31 March 2019. The investments of Government in all the PSUs in the form of equity, interest free loans, interest free loans converted into equity and grants/subsidies given by the Government for operational and management expenses less the disinvestments have been identified and indexed to their Present Value (PV) and summated. The RORR thereafter has been calculated by dividing the Profit after Tax (PAT) by the sum of the PV of the investments.

The RORR measures the profitability and efficiency with which equity and a similar non-interest bearing capital have been employed, after adjusting them for their time value, and assumes significance when compared with the conventional Rate of Return (ROR), which is calculated by dividing the PAT by the sum of all such investments counted on historical cost basis.

During the period from 2014-15 to 2018-19, these 16 PSUs had a negative return on investment. The return on investment for five years have been calculated and depicted on the basis of RORR.

[71] This includes net profit/losses for the concerned year relating to those State PSUs where the investments have been made by the State Government.

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 for operational and administrative expenditure have been reckoned as investment.
- The average rate of interest on government borrowings for the concerned financial year[72] 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 2014-15 to 2018-19 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 16 State PSUs in the form of equity and loans on historical cost basis for the period from 2001-02 to 2018-19 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 ***Appendix-3.3.5***.

The balance of investment by the State Government in these PSUs at the end of the year increased to ₹ 844.74 crore[73] in 2018-19 from ₹ 46.70 crore in 2001-02 as the State Government made further investments in form of equity (₹ 286.09 crore) and interest free loans (₹ 186.62 crore) during the period 2001-02 to 2018-2019. The PV of funds infused by the State Government upto 31 March 2019 was ₹ 1,560.91 crore.

During the period 2001-02 to 2018-19, 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[74] incurring substantial losses during these years. Similarly during 2011-12 to 2017-18, four PSUs[75] incurred substantial losses. Further, profit earned by one PSU[76] 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 Infrastructure and Industrial Development Corporation of Uttarakhand Limited (SIIDCUL) and UFDC which earned profit from 2004-05 to 2015-16 and from 2014-15 to 2017-18 respectively revealed that these PSUs could register profits because of their advantage in the market. SIIDCUL earned income from activities connected to development and

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[72] 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.

[73] ₹ 844.74 crore = ₹ 332.79 crore (Equity) + ₹ 186.62 crore (Interest Free Loan) + ₹ 325.33 crore (Grants/subsidies for operational and administrative expenditure).

[74] Doiwala Sugar Company Ltd. Kiccha Sugar Company Ltd. and Uttarakhand Parivahan Nigam.

[75] Uttarakhand Seeds and Tarai Development Corporation, Doiwala Sugar Company Ltd., Kiccha Sugar Company Ltd. and Uttarakhand Parivahan Nigam.

[76] State Infrastructure and Industrial Development Corporation of Uttarakhand Ltd.

allotment of industrial plots/land and UFDC earned significant revenue from sale of timber and mining activity.

3.3.1.17 During the years 2014-15 to 2018-19, 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-3.3.10:**

Table-3.3.10: 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	RORR on State Government investment considering the present value of the investments (percentage)
2014-15					
Social Sector	5.91	17.04	*34.68*	34.97	*16.9*
Competitive Sector	(-) 87.53	483.95	*(-) 18.09*	795.41	*(-) 11*
Others	36.55	8.95	*408.38*	26.76	*136.56*
Total	***(-) 45.07***	***509.94***	***(-) 8.84***	***857.14***	***(-) 5.26***
2015-16					
Social Sector	7.26	17.44	*41.63*	38.27	*18.97*
Competitive Sector	(-) 104.69	492.00	*(-) 21.28*	890.03	*(-)11.76*
Others	36.55	8.95	*408.38*	28.96	*126.23*
Total	***(-) 60.88***	***518.39***	***(-) 11.74***	***957.26***	***(-) 6.36***
2016-17					
Social Sector	6.26	17.44	*35.89*	41.68	*15.02*
Competitive Sector	(-) 49.06	491.85	*(-) 9.97*	983.28	*(-) 4.99*
Others	12.26	8.95	*136.98*	31.54	*38.88*
Total	***(-) 30.54***	***518.24***	***(-) 5.89***	***1,056.50***	***(-) 2.89***
2017-18					
Social Sector	7.56	17.44	*43.35*	45.13	*16.75*
Competitive Sector	(-) 127.95	491.85	*(-) 26.01*	1,125.42	*(-) 11.37*
Others	18.10	9.10	*198.9*	39.72	*45.57*
Total	***(-) 102.29***	***518.39***	***(-) 19.73***	***1,210.27***	***(-) 8.45***
2018-19					
Social Sector	9.46	18.46	*51.25*	49.91	*18.95*
Competitive Sector	(-) 120.67	491.85	*(-) 24.53*	1,456.15	*(-) 8.29*
Others	(-) 9.71	9.10	*(-) 106.7*	54.85	*(-) 17.70*
Total	***(-) 120.92***	***519.41***	***(-) 23.28***	***1,560.91***	***(-) 7.75***

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

The returns on investment on State Government based on RORR and on historical cost were both negative during 2014-15 to 2018-19.

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 equity capital investment and accumulated losses of all State PSUs as per their latest finalised accounts (as on 30 September 2019) were ₹ 342.37 crore and (-) ₹ 546.93 crore respectively resulting in net worth of (-) ₹ 204.56 crore as detailed in ***Appendix-3.3.3***. Analysis of investment and accumulated losses disclosed that net worth had been eroded fully in nine out of these 26 PSUs. The equity investment and accumulated losses of these nine PSUs were

₹ 278.10 crore and (-) ₹ 1,387.50 crore respectively. The net worth of Doiwala Sugar Company Limited at (-) ₹ 397.17 crore, Kichha Sugar Company Limited at (-) ₹ 297.00 crore and Uttarakhand Parivahan Nigam (-) ₹ 189.05 crore had been fully eroded.

The following **Table-3.3.11** indicates total paid up capital, total accumulated profit/loss, and total net worth of the working PSUs where the State Government has made direct investment:

Table-3.3.11: Net worth of Working PSUs during 2014-15 to 2018-19

(₹in crore)

Year	Paid up Capital at end of the year[77]	Accumulated Profit(+)/Loss(-) at end of the year[78] after adjusting Free Reserve	Deferred revenue Expenditure	Net Worth
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	352.88	(-) 442.29	0	(-) 89.41[79]
2018-19	353.90	(-) 532.12	0	(-) 178.22

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

The net worth of these PSUs decreased during the period from ₹ 2,280.74 crore in 2014-15 to (-) ₹ 178.22 crore in 2018-19. Out of 16 PSUs, 10 PSUs[80] showed positive net worth and net worth of six[81] PSUs was negative during 2018-19.

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 2014-15 to 2018-19.

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 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.

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77 As per the respective years finalised accounts in the current year.

78 Based on latest finalised accounts.

79 Excluding capital grant of Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam Limited.

80 Uttarakhand Bahuddeshiya Vitta Evam Vikas Nigam Limited, State Infrastructure and Industrial Development Corporation of Uttarakhand Limited, Uttaranchal Project Development and Construction Corporation Limited, Kumaun Mandal Vikas Nigam Limited, Garhwal Mandal Vikas Nigam Limited, Uttarakhand Purva Sainik Kalyan Nigam Limited, Uttarakhand Forest Development Corporation, Bridge, Ropeway, Tunnel and other Infrastructure Development Corporation of Uttarakhand Limited, Dehradun Smart City Limited and Uttarakhand Metro Rail, Urban Infrastructure and Building Construction Corporation Limited.

81 Uttar Pradesh Hill Electronics Corporation Ltd, Uttarakhand Seeds and Tarai Development Corporation Ltd., Doiwala Sugar Company Limited, Kichha Sugar Company Limited, Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam Limited and Uttarakhand Parivahan Nigam.

The details of Shareholders fund and ROE relating to working PSUs where funds were infused by the GoU during the period from 2014-15 to 2018-19 are given in **Table-3.3.12:**

Table-3.3.12: Return on Equity relating to working PSUs where funds were infused by the GoU

Year	Net Income (₹ *in crore*)	Shareholders' Fund (₹ *in crore*)	ROE (percentage)
2014-15	(-) 45.07	394.19	-
2015-16	(-) 60.88	527.92	-
2016-17	(-) 30.54	546.14	-
2017-18	(-) 102.29	(-) 89.41[82]	-
2018-19	(-) 120.92	(-) 178.22	-

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

Since the net income of these PSUs during 2014-19 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[83]. The details of total ROCE of 22 PSUs[84] together during the period from 2014-15 to 2018-19 are given in **Table-3.3.13:**

Table-3.3.13: Return on Capital Employed

Year	EBIT (₹ *in crore*)	Capital Employed (₹ *in crore*)	Return on Capital Employed (percentage)
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	606.03[85]	*(-) 5.64*
2018-19	(-) 54.83	460.11	*(-) 13.65*

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

The ROCE of these PSUs ranged between (-) 13.65 *per cent* and 1.25 *per cent* during the period 2014-15 to 2018-19. The ROCE of working PSUs during the year 2018-19 was (-) 13.65 *per cent* while ROCE of non-working PSUs was (-) 18.74 *per cent*. Also, the ROCE of Profit making working PSUs during 2018-19 was 3.10 *per cent* while of loss making working PSUs was (-) 31.79 *per cent.* The aggregate ROCE of non power sector PSUs had improved in 2016-17 in comparison to earlier accounting periods. This was due to improvement in reported financial results of Uttarakhand Parivahan Nigam, 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 2014-15 to

82 Excluding the capital grant of Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam Limited in the Paid up Capital.

83 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.

84 This does not include four PSUs (one new PSU namely Eco-Tourism Development 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 Limited where details are not available since creation of the State).

85 Excluding the capital grant of Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam Limited in the Paid up Capital.

2018-19 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 2014-15 to 2018-19 are given in the **Table-3.3.14:**

Table-3.3.14: 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
2014-15	35.17	(-) 13.30	10	6	4[86]
2015-16	36.92	(-) 48.42	11	5	6[87]
2016-17	61.84	40.47	10	5	5[88]
2017-18	64.68	(-) 41.70	10	4	6[89]
2018-19	57.00	(-) 60.48	9	1	8[90]

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

Of the nine State PSUs having liability of loans from Government as well as banks and other financial institutions during 2018-19, one PSUs had interest coverage ratio of more than one whereas remaining eight PSUs had interest coverage ratio below one which indicates that these eight 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 22 PSUs[91] recorded compounded annual growth rate of 10.67 *per cent* and compounded annual growth rate of debt was

86 Uttarakhand Bahuddeshiya Vitta Evam Vikas Nigam Limited, Kichha Sugar Company Limited, Doiwala Sugar Company Limited, Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam.

87 Uttarakhand Seeds &Tarai Development Corporation Limited, Kichha Sugar Company Limited, Doiwala Sugar Company Limited, Kumaun Mandal Vikas Nigam Limited, Uttarakhand, Peyjal Sansadhan Vikas Evam Nirman Nigam, Uttarakhand Parivahan Nigam.

88 Uttarakhand Seeds &Tarai Development Corporation Limited, Kichha Sugar Company Limited, Doiwala Sugar Company Limited, Kumaun Mandal Vikas Nigam Limited, Uttarakhand, Peyjal Sansadhan Vikas Evam Nirman Nigam.

89 Uttarakhand Seeds &Tarai Development Corporation Limited, Kichha Sugar Company Limited, Doiwala Sugar Company Limited, Kumaun Mandal Vikas Nigam Limited, Garhwal Mandal Vikas Nigam Limited, Peyjal Sansadhan Vikas Evam Nirman Nigam.

90 Uttarakhand Seeds & Tarai Development Corporation Limited, Kichha Sugar Company Limited, Doiwala Sugar Company Limited, Kumaun Mandal Vikas Nigam Limited, Garhwal Mandal Vikas Nigam Limited, Uttarakhand Bahuddeshiya Vitta Evam Vikas Nigam Limited and Bridge, Ropeway, Tunnel and other Infrastructure Development Corporation of Uttarakhand Limited.

91 This does not include four PSUs (one new PSU namely Eco-Tourism Development Corporation of Uttarakhand; 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 Limited where details are not available since creation of the State).

12.14 *per cent* due to which the debt turnover ratio reduced from 0.43:1 in 2014-15 to 0.32:1 in 2018-19 as given in **Table-3.3.15:**

Table-3.3.15: Debt Turnover Ratio relating to the State PSUs

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government and others (Banks and Financial Institutions)	564.01	432.20	731.68	684.98	642.18
Turnover	1,319.82	1,428.17	1,440.43	1,990.08	1984.00
Debt-Turnover Ratio	0.43:1	0.30:1	0.51:1	0.34:1	0.32:1

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

For the year 2018-19, Debt Turnover Ratio of working PSUs stood at 0.32:1 while that of non-working PSUs was 7.86:1. 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

The number of inactive PSUs at the end of each year during last five years ended 31 March 2019 is given in the **Table-3.3.16:**

Table-3.3.16: Inactive State PSUs

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
No. of inactive companies	4	4	4	8	8

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

Eight of the 26 State PSUs were inactive companies having a total investment of ₹ 27.24 crore towards capital (₹ 3.36 crore) and long term loans (₹ 23.88 crore) as on 31 March 2019 as detailed in **Table-3.3.17:**

Table-3.3.17: Investment in Inactive State PSUs

(₹ in crore)

Sl. No.	Name of inactive companies	Share Capital	Loan	Total Investment
1.	UPAI Limited	0.17	-	0.17
2.	Trans Cables Limited	1.63	2.75	4.38
3.	Uttar Pradesh Digitals Limited	0.35	19.92	20.27
4.	Kumtron Limited	0.18	-	0.18
5.	Uttar Pradesh Hill Phones Limited	0.03	-	0.03
6.	Uttar Pradesh Hill Quartz Limited	-	-	0.00
7.	Garhwal Anusuchit Janjati Vikas Nigam Limited	0.50	1.21	1.71
8.	Kumaun Anusuchit Janjati Vikas Nigam Limited	0.50	-	0.50
	Total	***3.36***	***23.88***	***27.24***

Out of these inactive PSUs, one[92] PSU was under liquidation since 31.03.1991. The Government may take appropriate decision regarding closure of these PSUs.

3.3.1.26 Comments on Accounts of State PSUs

Twelve working companies forwarded 15 audited accounts and one non-working company[93] forwarded its seven accounts to the Principal Accountant General during the period from 1 October 2018 to 30 September 2019. All 22 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 are given in **Table-3.3.18:**

92 UPAI.

93 Uttarakhand Anusuchit Jan Jati Vikas Nigam Limited.

Table-3.3.18: Impact of audit comments on Working and Non-working companies

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	10	52.45	6	37.81	8	43.74
2.	Increase in profit	0	-	-	-	3	22.23
3.	Increase in loss	20	150.65	2	7.62	5	24.10
4.	Decrease in loss	0	-	-	-	1	0.49
5.	Non-disclosure of material facts	15	3.75	4	15.85	5	230.52
6.	Errors of classification	12	25.36	5	185.38	8	193.17

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

During the year 2018-19, the Statutory Auditors had issued qualified certificates on 19 accounts and adverse certificate on two[94] accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 65 instances of non-compliance to the Accounting Standards in 12 accounts.

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

The annual accounts for the year 2018-19 were not forwarded by any Statutory Corporation, whereas UFDC forwarded annual accounts for the year 2017-18 in January 2019.

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

Table-3.3.19: Impact of audit comments on Statutory corporations

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	5	163.16	1	25.87	1	1.33
2.	Increase in profit	-	-	-	-	0	0
3.	Increase in loss	3	48.33	-	-	2	168.46
4.	Decrease in loss	-	-	-	-	0	0
5.	Non-disclosure of material facts	3	32.67	-	-	0	0
6.	Errors of classification	5	146.07	1	7.17	2	11.06

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

3.3.1.28 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

[94] Bridge, Ropeway, Tunnel and other Infrastructure Development Corporation of Uttarakhand Limited and State Infrastructure and Industrial Development Corporation Limited.

is given in **Table-3.3.20:**

Table-3.3.20: Position of explanatory notes on Audit Reports related to PSUs (as on 31 March 2020)

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
2017-18	December 2019	--	03	--	03

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

Explanatory notes of above audit paragraphs were pending with five departments[95] as of 31 March 2020.

3.3.1.29 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 March 2020 is as given in the **Table-3.3.21:**

Table-3.3.21: Performance Audits/Paragraphs appeared in Audit Reports *vis-à-vis* discussed as on 31 March 2020

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	--	--
2017-18	--	03	--	01

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

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

3.3.1.30 Compliance to Reports of COPU

Action Taken Notes (ATNs) on two[96] reports of the COPU presented to the State Legislature in December 2003 and December 2008 are yet to be received (31 March 2020) as indicated in the **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 31 March 2020.

95 Agriculture; Industries; Transport; Tourism and Forest.

96 COPU Reports presented before Vidhan Sabha on 30.12.2003 and 17.12.2008.

COMPLIANCE AUDIT

UTTARAKHAND POWER CORPORATION LIMITED

3.4 Compliance to Uttarakhand Right to Service Act 2011, Citizen Charter and Standard of Performance by Uttarakhand Power Corporation Limited

Uttarakhand Power Corporation Limited (UPCL) did not provide enlisted services in Uttarakhand Right to Service (URTS), Act 2011, Standard of Performance (SoP) and Citizen Charter (CC) within the prescribed timeline to its consumers. Uttarakhand Electricity Regulatory Commission (UERC) imposed penalty of ₹ 18.82 crore on UPCL due to delay in providing of new service connections. UPCL could not ensure replacement of burnt/defective meters within prescribed time resulting in penalty of ₹ 6.89 crore and delay in testing of meters attracted penalty of ₹ 66.34 lakh. Further, non-compliance to the norms in respect of disconnection/reconnection by UPCL attracted penalty amounting to ₹ 3.19 crore during 2016-17 to 2018-19.

3.4.1 Introduction

Electricity is an essential requirement for all facets of our life. It has been recognized as a basic human need. The Uttarakhand Sustainable Development Goal 7 aims to ensure that every citizen has access to affordable, reliable and modern energy services by 2030.

The Uttarakhand Electricity Regulatory Commission (UERC) notified in 2007, the Standard of Performance (SoP) to ensure that the distribution licensee of the state provides quality service to its consumers. Similarly, in order to achieve the goal, Uttarakhand Government notified the Uttarakhand Right to Service Act (URTS Act), 2011. The services in respect of power sector were included in URTS Act *vide* notification in June 2016.

Uttarakhand Power Corporation Limited (UPCL) is the sole licensee for distribution of electricity in the State. It has 2.33 million consumers across the State. To achieve the standard of performance for optimising consumer satisfaction, UPCL uploaded Citizen Charter (CC) on its website on notification of services relating to Power Sector by URTS in June 2016 in addition to the SoP and URTS Act, 2011. The timelines for providing services as per the URTS Act, CC and SoP are given in ***Appendix-3.4.1.***

3.4.2 Objective and Scope of Audit

An audit was conducted (May 2019 to August 2019) with the objective to assess the compliance by UPCL with the provisions of the URTS Act, 2011; CC and SoP when it provides services to its consumers.

The performance of UPCL in timely providing new connections, load enhancement cases, replacement of burnt/defective meters, timely repair of defective/damaged transformers, voltage related issues, billing issues, transfer of consumer connections and conversion of services, disconnection/reconnection of power supply and power supply failure were examined. Records of 12[97] out of 41 electricity distribution divisions (EDDs) of UPCL pertaining to the period from 2016-17 to 2018-19 were scrutinised during May 2019 to August 2019. The divisions which were selected by adopting stratified sampling method are given in ***Appendix-3.4.2***.

An Entry Conference was held (May 2019) with the Management to discuss the objectives of the audit and the Exit Conference was held (March 2020) with the MD, UPCL wherein the audit findings were discussed. No representative from Power Department attended the meeting. The Government/Management had not furnished reply to paragraph issued on 07 February 2020, however response offered by the Management in Exit conference have been suitably incorporated.

3.4.3 Audit criteria

The audit objectives have been benchmarked against criteria derived from:

- Standard of Performance Regulation, 2007 of UERC;
- Uttarakhand Right to Service Act, 2011 as amended from time to time; and
- Citizen Charter of UPCL.

3.4.4 Organizational Structure

UPCL was incorporated on 12 February 2001 under the Companies Act, 1956. The management of UPCL is vested with a Board of Directors comprising of a Chairman *i.e.* Secretary (Power), GoU; a Managing Director, five whole time Directors and eight part time/independent Directors appointed by the State Government. The day-to-day operations are carried out by the Managing Director, who is the Chief Executive of the UPCL with the assistance of whole time Directors. The executing units of UPCL are divisions, each, headed by an Executive Engineer (EE). The Organization chart of UPCL is at ***Appendix-3.4.3***.

3.4.5 Audit findings

Audit findings are discussed below:

3.4.5.1 Delay in providing new service connections

CC provides that the UPCL shall be under obligation to provide a new connection within 30 days from the date of application for connection. The UPCL was also liable to pay penalty of ₹ 10 per thousand rupee deposited by the consumer for each day of default in case of delay. The penalty is payable to UERC.

Scrutiny of the records (May 2019 to August 2019) revealed that in the selected 12 divisions, out of 1,53,995 connections provided, 5,091 connections were provided after the due date as per CC during 2016-17 to 2018-19. The range of delay of the cases of new service connections is given in the **Table-3.4.1:**

Table-3.4.1: Range of delay in providing new service connections

Range of delay	1 to 30 days	31 to 90 days	91 to 180 days	181 to 365 days	Beyond 365 days
Number of cases	2,554	1,354	746	325	112

[97] EDDs Almora, Bhagwanpur, Dehradun (South), Haldwani (Rural), Jwalapur, Kashipur, Kotdwar, Pithoragarh, Roorkee (Rural), Rudrapur, Sitarganj and Tehri.

The delay in providing new service connections is not only in violation of above norms but also is in contravention of the 2030 vision of Uttarakhand, which envisaged 24x7 power for all, and the commitment of Government of Uttarakhand to provide quality life to its citizen by providing them an opportunity for higher electricity consumption. Also, default in providing connections penalty is payable to affected consumers.

The delay in providing new service connections affected UPCL on two counts. On one hand, it failed to provide quality service to consumers and on the other hand, it had to bear a penalty of ₹ 18.82 crore imposed[98] by UERC in April 2019 due to non-compliance with the above rule which increased the loss of the UPCL further.

The main reasons for delay in providing new connections were non-availability of resources including material required for the timely provision of new connections. Further, the distribution divisions and test divisions of UPCL were jointly responsible for providing new connections in time. The reasons for delay are discussed in detail in ***paragraph 3.4.5.4***.

The Executive Engineer Uttarakhand Jal Sansthan, Kotdwar (Consumer) requested for providing new connections for the pumping station at Nainidanda, Kotdwar. The Division prepared the estimate of ₹ 2.41 crore and raised (20 December 2017) the demand note. The consumer deposited (02 January 2018) ₹ 2.20 crore against the demand but the connection was provided on 25 February 2019, after a delay of more than one year. This delay in providing connection also deprived general public from supply of safe water.

The Management while accepting (March 2020) the audit observation attributed the delay to several factors like lack of awareness among staff of UPCL, issue of right of way, shortage of human resources, non-availability of consumer at premises, lack of IT conversant staff and issue of network connectivity.

The reasons cited by the Management were controllable and the Management should have planned accordingly to avoid delay in providing new connections as per the URTS Act and Citizen Charter.

3.4.5.2 Commercial Issues

The performance of UPCL in complying with the norms for rectifying the following commercial problems was examined (May 2019 to August 2019) at the sampled divisions:

- Replacement of Burnt Meters;
- Replacement of Defective Meters;
- Testing of Meters; and
- Conversion of services.

(a) Replacement of burnt meters

As per CC in case the meter of the consumer is burnt, the utility has to ensure that the supply of the consumer is restored within six hours and the burnt meter is replaced

[98] Upto 2018-19.

within three days failing which penalty at the rate of ₹ 50 for each day of default is leviable by UERC on UPCL for payment to affected consumers.

Audit noticed (May 2019 to August 2019) that in the 12 sampled divisions, 9,131 complaints regarding burnt meters were received, out of which 8,508 complaints (93.17 *per cent*) were rectified with delays ranging from one to 1,058 days. The range of delay of the cases is given in the **Table-3.4.2:**

Table-3.4.2: Range of delay in replacement of burnt meters

Range of delay	1 to 30 days	31 to 90 days	91 to 180 days	181 to 365 days	Beyond 365 days
Number of cases	4,644	2,665	838	302	59

Non-replacement of burnt meters on time may result in misuse of power till the installation of a new meter.

It was also noticed (May 2019 to August 2019) that the rate of the non-compliance was in the range of 90.45 to 95.60 *per cent* thereby attracting a penalty of ₹ 2.06 crore during 2016-17 to 2018-19 as detailed in ***Appendix-3.4.4***.

(b) Testing of meters

The testing of meters is required when the consumer or the utility feels that the meter installed on the premises of the consumer is not recording the precise consumption of power. Testing of meter is required to be done within 30 days of the complaint being registered failing which a penalty of ₹ 25 for each day of default as per CC and SoP was leviable.

Audit noticed (May 2019 to August 2019) that in the 12 sampled divisions during 2016-17 to 2018-19, a total number of 11,443 complaints were registered and in 5,142 cases (44.94 *per cent*) were rectified with a delay ranging from one to 1,156 days in the compliance of the norms. The range of delay was between 42.72 and 48.33 *per cent*. Range of delay of the cases is given in the **Table-3.4.3:**

Table-3.4.3: Range of delay in testing of meters

Range of delay	1 to 30 days	31 to 90 days	91 to 180 days	181 to 365 days	Beyond 365 days
Number of cases	2,769	1,548	567	215	43

Testing of meters is also required as in case of a three phase meter (used by consumer having a load above 4 KW) if only one phase is defective, it records only two-third of the total power consumption. On the other hand, in cases where the consumer feels that meter is recording excess consumption, any delay in meter testing by UPCL causes dissatisfaction to consumer besides extra burden of higher electricity bills.

Non adherence with the norm, therefore, not only resulted in consumer dissatisfaction but also attracted penalty of ₹ 66.34 lakh (***Appendix-3.4.5***).

UPCL accepted (March 2020) the delay in replacement of burnt meters and defective meters and attributed the delay in testing due to lack of manpower and IT conversant staff. It added that the engineers of the divisions were overburdened and some of the Junior Engineers (JEs) were not conversant with the IT and technical systems.

Reply of the management is not convincing as UPCL was aware about the limitation of its manpower while adopting the CC and it could have either trained its manpower or outsourced the work so that meter related issues could be resolved in allocated time.

(c) Replacement of defective meters

The URTS Act provides that problems relating to defective meters of the consumers should be rectified within 45 days. Non-compliance of this provision attracts penalty at the rate of ₹ 50 for each day of default as per SoP. Further, UPCL is forced to do billing on assessment basis instead of on actual consumption of electricity when defective meters are not replaced in time.

It was noticed (May 2019 to August 2019) in Audit:

- In the 12 sampled divisions, of the 45,761 complaints reviewed, 13,698 complaints (29.93 *per cent*) were rectified with delay ranging from one to 1,203 days after considering the prescribed period of 45 days during 2016-17 to 2018-19. Range of delay of the cases is given in the **Table-3.4.4:**

Table-3.4.4: Range of delay in replacement of defective meters

Range of delay	1 to 30 days	31 to 90 days	91 to 180 days	181 to 365 days	Beyond 365 days
Number of cases	6,149	4,289	1,996	972	292

- Due to the absence of actual meter reading, billing was done on assessment[99] basis instead of on actual consumption. However, the loss could not be quantified as actual consumption could not be ascertained in respect of those consumers whose meters were defective.
- The rate of non-compliance in respect of replacement of defective meters was in the range of 25.13 *per cent* to 36.19 *per cent.* Also, due to non-compliance of the norm, UPCL attracted a penalty of ₹ 4.83 crore. (***Appendix-3.4.6***).
- Delay in replacement of defective meters also left scope for drawal of power not being billed by the concerned consumers and recurring loss to the UPCL as metering in such cases is done on previous three billing cycles.

(d) Conversion of service

As per the URTS Act and SoP, a consumer has right to change the name of the consumers due to change in the ownership/occupancy of the property. Transfer of the consumer's name must be done within 2 billing cycles *i.e.* 60 days. Non-compliance of the same attracts a penalty at the rate of ₹ 50 for each day of default.

Audit analysis (May 2019 to August 2019) in 12 sampled divisions showed that out of 8,972 cases, 712 cases of conversion requests were not acted upon in time during 2016-17 to 2018-19 and the delay ranged from one to 743 days. The range of delay in cases is given in the **Table-3.4.5:**

Table-3.4.5: Range of delay in conversion of service

Range of delay	1 to 30 days	31 to 90 days	91 to 180 days	181 to 365 days	Beyond 365 days
Number of cases	314	230	116	38	14

Non-adherence to the norms led to inconvenience to the consumers whose request for conversion services was not resolved within prescribed time and also attracted penalty amounting to ₹ 23.78 lakh (***Appendix-3.4.7***).

[99] The consumer is billed on the basis of average consumption of past three billing cycles immediately preceding the date of meter being found/reported defective.

(e) Disconnection/Reconnection of supply

In cases where consumers want disconnection of power, UPCL must carry out special readings and prepare final bill, including all arrears up to the date of billing, within five days of receiving such request. Also, in case of request of reconnection, if the consumer requests for reconnection of supply within a period of six months after disconnection, the UPCL shall reconnect the consumer's installations within five days of payment of past dues and reconnection charges. Further, in case of delay in disconnection/reconnection within prescribed time, ₹ 50 for each day of default were to be levied.

Audit noticed (May 2019 to August 2019) in 12 sampled divisions, 18,036 cases related to disconnection/reconnection were registered. Of these 9,474 cases (52.52 *per cent*) were rectified with delays of up to 1,444 days. The range of delay in cases is given in the **Table-3.4.6:**

Table-3.4.6: Range of delay in disconnection/reconnection of supply

Range of delay	1 to 30 days	31 to 90 days	91 to 180 days	181 to 365 days	Beyond 365 days
Number of cases	5,800	2,069	758	442	405

Non-compliance to norms led to inconvenience to the consumers whose request for disconnection/reconnection was not resolved within prescribed time. The delay also attracted penalty amounting to ₹ 3.19 crore during 2016-17 to 2018-19 (***Appendix-3.4.8***).

UPCL accepted (March 2020) the audit observation and stated that delay in providing above services was lack of technical manpower. It further stated that the present procedure of disconnection/reconnection was complicated and required more time. UPCL had requested UERC to simplify the procedure for disconnection/ reconnection.

The reply is not convincing as the Management should have taken measures to augment its resources to comply with the provisions of URTS Act, SoP and CC.

3.4.5.3 Failure in Supply of Power

One of the reasons of the consumer dissatisfaction is the failure of supply of power. It is caused by the scheduled and unscheduled maintenance (shutdown) and tripping (breakdown) of the feeders, fuse blow outs, voltage related and other local isolated faults, *etc*. A scheduled maintenance is required for repair and upgradation of the lines and distribution system for improving the overall quality network and unscheduled maintenance is required for repair of fault in the distribution network.

URTS Act and SoP imposes a responsibility on UPCL to take corrective measures within the prescribed time for restoring the supply of power. In case, power supply is not restored within the prescribed time, SoP and CC also provide that UPCL should pay compensation to each of the affected consumers (***Appendix-3.4.1***). As UPCL did not maintain data/records of all the consumers who were affected by a disruption in power supply, Audit could not work out the amount of compensation payable to them. The audit observations are, therefore, restricted to number of complaints recorded by UPCL. The compliance of UPCL with norms in respect of those consumers who made the complaint is discussed below:

(a) Blow out Fuse or tripping in Main Circuit Breaker

The Low Tension (LT) side of a Distribution Transformer is attached to a protective device like Main Circuit Breaker (MCB) and High Tension (HT) side with a Fuse Set. The basic objective of the MCB and Fuse Set is to protect the Distribution Transformer from any fault arising in the associated LT or HT portion line of the transformer. The foremost reason of the MCB tripping is the fault in LT line or cables. Other reasons include faults arising due to breaking of LT line or consumer cable. In case of blow out of fuse or where MCB has tripped, the same should be restored within four hours in urban areas and in eight hours in rural areas failing which penalty at the rate of ₹ 10 for each hour of default period was to be levied/paid as per SoP. Audit noticed (May 2019 to August 2019) in 12 sampled divisions, out of 307 fuse blow out/MCB tripped cases, 52 cases (16.94 *per cent*) were rectified with a delay of upto 330 hours (14 days). The range of delay is given in the **Table-3.4.7:**

Table-3.4.7: Range of delay in rectification of fuse blown out/MCB tripping

Range of delay	Upto 01 day	Upto 01 to 02 days	Upto 02 to 07 days	Above 07 days
Number of cases	38	08	05	01

This problem is easily rectifiable as it does not require any additional equipment to be installed. The problem can be solved by tagging of appropriate fuse wire[100]. The undue delay of rectification of fuse wire shows UPCL's inefficiency in resolving such problems. Further, it also attracted a penalty of ₹ 14,860 during 2016-17 to 2018-19 (***Appendix-3.4.9***).

(b) Break of Service line

Service line is the line/conductor which connects the meter at the premises of the consumer with the nearest pole or transformer. The service line can break due to multiple reasons like strong wind, rain, accident, *etc*. The fault which arises due to snapping of the service line of the pole may affect a consumer connected to it or bunch of consumers connected with the service line. In case the service line is broken, the same should be restored within six hours in urban areas and 12 hours in rural areas failing which a penalty at the rate of ₹ 10 for each hour of default as per SoP was to be levied/paid.

Audit noticed (May 2019 to August 2019) that 26,852 cases were registered during 2016-17 to 2018-19 for rectification in 12 sampled divisions. Out of these, 3,090 cases (11.51 *per cent*) were rectified after a delay of one to 1,273 hours. Range of delay of the cases is given in the **Table-3.4.8:**

Table-3.4.8: Range of delay in rectification of broken service lines

Range of delay	Upto 01 day	01 to 02 days	02 to 07 days	07 to 14 days	14 to 28 days	Above 28 days
Number of cases	2,214	374	407	63	24	08

Two divisions namely Dehradun (South) and Jwalapur (Haridwar) have densely populated areas which are prone to such incidence; hence, maximum number of service line broken cases were noticed in these two divisions during the above period.

[100] In case of blown fuse, a small fuse wire on LT/HT side is to be replaced and this work requires deployment of two line men.

Also, power failure and delay in rectification results in loss of revenue to UPCL. The delay also attracted penalty of ₹ 10.43 lakh (***Appendix-3.4.10***) which is required to be paid to affected consumers.

(c) Voltage related and local problems

The problems which affect only an individual customer or a limited number of consumers are called local problems. These local problems occur mostly due to loosening of neutral wire and lengthy LT lines. Also, problems related to voltage fluctuations may affect the working of the electronic equipment of the households. These are resolved by attending faults on complaints and installation of new transformers and reducing the length of LT line. According to URTS Act, these problems must be rectified within four hours failing which a penalty at the rate of ₹ 50 for each day of default as per SoP and CC is leviable.

Audit noticed (May 2019 to August 2019) that in 12 sampled divisions, out of 5,469 cases, 947 cases (17.31 *per cent*) were rectified after the prescribed time. Range of delay of the cases is given in the **Table-3.4.9:**

Table-3.4.9: Range of delay in rectification of voltage and local related problems

Range of delay	Upto 01 day	01 to 02 days	02 to 07 days	07 to 14 days	14 to 28 days	Above 28 days
Number of cases	623	119	101	58	30	16

Non-compliance to the norms led to inconvenience to the consumers whose request for voltage related and local problems was not resolved within the prescribed time. The UPCL also attracted penalty amounting to ₹ 1.30 lakh during 2016-17 to 2018-19 (***Appendix-3.4.11***).

(d) Fault in distribution line/system

The LT line of the distribution network is called the distribution line and faults may arise due to lightning, heating of jumper, strong winds, rain and accidents. The faults in distribution line have to be restored within 12 hours failing which a penalty at the rate of ₹ 10 for each hour of default as per SoP is leviable.

Audit noticed (May 2019 to August 2019) that in 12 sampled divisions, 12,640 cases were registered for restoring of distribution line, out of which, 341 cases (2.70 *per cent*) were rectified after the prescribed time. Range of delay of the cases is given in the **Table-3.4.10:**

Table-3.4.10: Range of delay in rectification of fault in distribution lines/system

Range of delay	Upto 01 day	01 to 02 days	02 to 07 days	07 to 14 days	14 to 28 days	Above 28 days
Number of cases	284	35	16	02	02	02

Non-compliance to the norms led to inconvenience to the consumers whose request for fault in distribution line/system was not resolved within prescribed time. UPCL also attracted penalty amounting to ₹ 98,780 during 2016-17 to 2018-19 (***Appendix-3.4.12***).

(e) HT Mains failed

The HT line of the distribution network carries power at a voltage level of 11KV and above. Any fault in HT affects all the 11 KV/LT consumers connected from it. Faults on HT line may arise because of short circuit of line, major storms, lightning, breaking of jumper[101] and natural calamities. It can be rectified by identifying the appropriate reasons. For rectification of fault in HT Mains, the restoration time permitted is 12 hours failing which penalty at the rate of ₹ 200 for each day of default as per SoP was to be levied/paid to consumers.

Audit noticed (May 2019 to August 2019) in five out of 12 sampled divisions, 39 complaints related to failure of HT Mains were registered. Out of these, 13 complaints (33.33 *per cent*) were rectified after a delay up to 19 hours.

The cases related to HT mains failure can be prevented by taking protective measures like hot spot scanning to identify heating jumpers and pin insulators. Non-compliance to the norms of restoration caused inconvenience to the consumers. The UPCL also attracted penalty amounting to ₹ 1,158.29 during 2016-17 to 2018-19 (***Appendix-3.4.13***).

UPCL accepted the audit observations and stated (March 2020) that for resolving such problems, technical staff was required to visit the site and due to shortage of technical staff and difficult terrain, the delay occurred.

3.4.5.4 Reasons for non-compliance

URTS Act, CC and SoP guarantee a standard of performance which a consumer is entitled to receive and these prescribe the maximum time limit within which services should be delivered to any consumer. For providing the services enlisted in the above enumerated Act, the utility should maintain a certain level of infrastructure and equip its divisions with adequate manpower, machinery and tools. The reasons behind non-compliance with the prescribed norms for service delivery are discussed below:

(a) Tough Terrain and lack of planning

The State of Uttarakhand is spread over 53,484 square kilometres of which 46,035 square kilometres (86.07 *per ce*nt) are hilly. For providing quality services in such a terrain within the time limit prescribed in URTS Act, CC and SoP, detailed planning is required.

Audit noticed (May 2019 to August 2019) that UPCL did not have any plan in place for standardising the time required for ensuring timely execution of work particularly in remote hilly locations where it is often difficult to carry[102] equipment/material to the site and carry out repairs. It was further noticed that UPCL had only two store divisions located at Dehradun and Haldwani and it lacked store divisions at remote locations. UPCL also failed to formulate a documented policy in respect of procedures to be adopted for assessing the requirement of resources for the compliance of above norms.

Management stated (March 2020) that there are 12 sub-centres of two store divisions at different locations in the State for timely supply of required materials to distribution divisions.

[101] Jumper is interconnection of line meeting at pole.
[102] There are areas where transformers have to be carried on head load.

Reply of the management is not convincing as despite having 12 sub-centres in the State, the required material for carrying out repairs, such as replacement of damaged transformers, wires, burnt/defective meters were not available in time at these 12 sub centres.

(b) Inadequate availability of meter and cable

Meters to record energy consumption and cables are the primary items required for providing a new connection; replacement of the defective or burnt meter and for resolving supply and voltage related issues. Any shortage in these items may result in deficiency in providing consumer services. The status of the meter availability *vis-à-vis* requirement during 2016-17 to 2018-19 is given in the **Table-3.4.11:**

Table-3.4.11: Status of availability of meters and cables

Name of material	Unit	Opening Balance	Received during the year	Issued during the year	Closing balance	Pending requirement	Shortfall
2016-17							
1P 10-60 meter	Nos	1,54,027	2,22,036	2,21,932	1,54,131	2,29,253	75,122
3P 10-60 meter	Nos	10,661	--	10,539	122	27,996	27,874
PVC Cable 2X4/ 2X6 Sq.mm	Mtr	1,85,085	1,99,900	3,84,985	-	11,06,157	11,06,157
LT PVC Cable 4X6/4X10 Sq.mm	Mtr	70,687	1,60,657	89,652	1,41,692	2,37,444	95,752
2017-18							
Name of material	**Unit**	**Opening Balance**	**Received during the year**	**Issued during the year**	**Closing balance**	**Pending requirement**	**Shortfall**
1P 10-60 meter	Nos	1,54,131	1,05,000	2,39,736	19,395	2,13,836	1,94,441
3P 10-60 meter	Nos	122	17,500	16,789	833	26,631	25,798
PVC Cable 2X4/ 2X6 Sq.mm	Mtr	0	10,00,644	8,06,599	1,94,045	8,33,230	6,39,185
LT PVC Cable 4X6/4X10 Sq.mm	Mtr	1,41,692	80,337	1,18,798	1,03,231	1,99,447	96,216
2018-19							
Name of material	**Unit**	**Opening Balance**	**Received during the year**	**Issued during the year**	**Closing balance**	**Pending requirement**	**Shortfall**
1P 10-60 meter	Nos	19,395	5,23,876	3,74,417	1,68,854	62,417	-
3P 10-60 meter	Nos	833	23,000	20,291	3,542	17,743	14,201
PVC Cable 2X4/ 2X6 Sq.mm	Mtr	1,94,045	11,69,922	8,54,659	5,09,308	15,90,551	10,81,243
LT PVC Cable 4X6/4X10 Sq.mm	Mtr	1,03,231	60,079	1,26,757	36,553	3,06,751	2,70,198

Source: Information provided by UPCL.

It can be seen from above that UPCL could not meet shortfall of 2,69,563 single phase meters during 2016-17 and 2017-18; and 67,873 three phase meters during 2016-17 to 2018-19. Similarly, in case of PVC cables it was observed that during 2016-17 to 2018-19, UPCL had shortfall of 28,26,585 square meter cable. The non-availability of the material affects timely providing new connections and in providing quality service to the consumers.

(c) Non adherence to the yardstick for creation of maintenance divisions

Yardstick for creation of maintenance division was approved[103] by erstwhile UPSEB and the same was adopted by UPCL. The yard stick provides that if the total number of the consumers surpasses 25,000, a new division should be created. This norm not only reduces the span of the control for an Executive Engineer but also ensures efficient management of the division.

[103] *Vide* B.O. No. 197-AFA/SEB.XI 954/59 dated 20-12-1972.

Audit observed (May 2019 to August 2019) that UPCL failed to adhere to the said norm and in all the sampled divisions, the total number of the consumers was in the range of 46,134 consumers[104] to 1,28,625 consumers[105] which was much more than that specified in the norm. Division wise consumers are detailed in ***Appendix-3.4.14.*** Large size of the divisions makes it difficult for the Executive Engineer to exercise effective control, monitoring and take remedial measures within prescribed time.

Management accepted (March 2020) the audit observation and stated that creation of new divisions would be considered.

(d) Lack of skilled manpower at Divisions

For the compliance of SoP, URTS Act and CC, availability of adequate and trained manpower is of utmost importance. Analysis of the manpower position of the sampled division revealed that there was a wide gap in the sanctioned man power *vis-à-vis* person in position. Against 1,143 numbers of sanctioned posts of EE, JE, AE, TG-I, TG-II and draftsman, only 411 persons (35.64 *per cent*) were available as on 30 October 2019 (***Appendix-3.4.15***).

Management while accepting (March 2020) the audit observation stated that a proposal for selection and filling up posts had been forwarded to Government of Uttarakhand.

(e) Coordination issues between distribution and test divisions

There are test and distribution divisions which have to synchronize their activities for resolving meter related problems of the consumers. Distribution division is the division with which the consumer is directly connected with while the Test division is responsible for the replacement of the defective meters and other meter related issues. Hence, in meter related issues, distribution divisions and test divisions are jointly responsible for resolving the problems. Any coordination issue between the test and distribution divisions of UPCL may cause delay in resolving the meter related issues of consumers. This delay reflects on the part of distribution divisions.

As per practice in UPCL, the electricity bill is generated by the meter reader of distribution division and status of meter is indicated if any complaint of damaged meter is there. After completion of generation of electricity bills by meter readers of all the consumers for a particular month same is uploaded in the system. Based on uploaded data an exception report of the consumers with defective meter is generated by the distribution division. This exception report is available on Management Information System (MIS) which can be seen/downloaded by concerned officials of test divisions. Thus, there is considerable time lag in generation of the exception report and reporting of defective meters by consumers causing delay in replacement of defective meters.

It was observed (May 2019 to August 2019) that UPCL lacked an appropriate management system which could enable the test divisions to timely address the complaints of consumers.

[104] EDD Bhagwanpur.
[105] EDD Rudrapur.

Management accepted the findings and stated (March 2020) that efforts were being made to resolve the coordination issue between the distribution and test divisions.

3.4.6 Conclusions

UPCL did not provide enlisted services in URTS Act, SoP and CC within the prescribed timeline to its consumers. Considerable delay was noticed in providing new service connection/replacement of burnt/defective meters, testing of meters, conversion of services, disconnection/reconnection of supplies, fuse blown out and MCB tripped, voltage related and local problems and HT mains failed and service line broken. The delay in addressing consumer problems resulted in poor quality of service and non-reliable power supply. These delays were attributed to the paucity of material like meter and cable, poor synchronisation between test and distribution divisions in resolving the meter related issues, non-manageable size of the divisions and lack of skilled manpower.

3.4.7 Recommendations

The State Government/UPCL may consider:

- preparation of an action plan for meeting the requirements of its consumers keeping in view the hilly/snow bound terrain of the State. It may also consider approaching the UERC for rationalising the time allowed for different services keeping in view the tough/snow bound terrain in the State;
- equipping its divisions with adequate manpower, material and machinery to provide quality service to all consumers;
- creating an appropriate management system for better coordination between functional divisions;
- restructuring its divisions to ensure better control and monitoring for providing quality services to consumers in time as per norms; and
- maintaining the data of all the affected consumers so that the penalty amount may be calculated and paid to them in time.

The matter was reported to the Government (March 2020), their reply was awaited (December 2020).

3.5 Loss due to non-installation of Lightning Arrestors

The Company failed to install lightning arrestors on the distribution transformers resulting in their damage and it had to spend ₹1.21 crore for their replacement.

As per Clause 74 (Protection against lightning) of Central Electricity Authority (CEA) (Measures relating to Safety and Electric supply) Regulation, 2010[106], the owner of every overhead line, sub-station or generating station which is exposed to lightning shall adopt efficient means {Lightning Arrestor (LA)[107]} for diverting to earth any electrical surges due to lightning which may result in injuries. These regulations came

[106] Notified on 20 September 2010.

[107] It is a device which has the property of diverting to earth any atmospheric electrical surge of excessively high amplitude applied to its terminals and is capable of interrupting flow of current if present and restoring itself thereafter to its original operating conditions.

in force on 24 September 2010 and were applicable in Uttarakhand from the same date.

Scrutiny of records (January 2018 to January 2019) of six divisions[108] of Uttarakhand Power Corporation Limited (UPCL) revealed that they failed to install the LA on the distribution transformers in compliance of the above safety regulations. It was observed that during the period between January 2017 and March 2018, 404 distribution transformers[109] of UPCL were damaged on account of lightning which could have been avoided had the lightning arrestors been installed. UPCL spent ₹ 1.21 crore[110] for replacement of the damaged transformers.

On this being pointed out, all the Divisions accepted (January, June, November 2018 and January 2019) the observation. Five divisions[111] stated that the LAs would be installed. However, New Tehri Division stated that the LAs were installed in maximum distribution transformers and due to lightning, the LAs were damaged. The reply of the New Tehri Division was not acceptable as considering the mandatory provisions relating to installation of LA and the weather conditions prevalent in the State, UPCL should have ensured installation as well as working of the LA on each transformer. The non-installation of LA not only adversely affected the company financially but also compromised the quality of the power supply.

The matter was referred to the Government (October 2019); their reply was awaited (December 2020).

POWER TRANSMISSION CORPORATION OF UTTARAKHAND LIMITED

3.6 Undue benefit to contractors

Power Transmission Corporation of Uttarakhand Limited failed to deduct one per cent of construction cost as Labour Cess from 16 contractors in 23 works amounting to ₹ 17.95 lakh.

The Government of Uttarakhand (GoU) issued (November 2010) orders directing all its Companies/Corporation to collect one *per cent* labour cess from the bills of contractors and credit the proceeds into account of the Labour Commissioner/ Secretary, Building and Other Construction Labour Welfare Board (UBOCLWB) within 30 days.

Audit scrutiny of the records of three Divisions[112] of PTCUL (November 2017 and November 2018) revealed that they had executed works against 23 agreements

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108 EDD (Electricity Distribution Division), New Tehri; EDD, Ranikhet; EDD, Gopeshwar; EDD, Champawat; EDD, Uttarkashi and EDD, Kotdwar.

109 EDD, New Tehri-114 transformers; EDD, Ranikhet-44 transformers; EDD, Gopeshwar-82 transformers; EDD, Champawat-29 transformers; EDD, Uttarkashi-10 transformers and EDD, Kotdwar-125 transformers.

110 (EDD, New Tehri: ₹ 26.86 lakh+EDD, Ranikhet: ₹ 8.22 lakh+EDD, Gopeshwar: ₹ 22.22 lakh +EDD, Champawat: ₹ 18.74 lakh+EDD, Uttarkashi: ₹ 10.11 lakh+EDD, Kotdwar: ₹ 34.81 lakh) = ₹ 120.96 lakh (say ₹ 1.21 crore).

111 EDD, Ranikhet; EDD, Gopeshwar; EDD, Champawat; EDD, Uttarkashi and EDD, Kotdwar.

112 Division 1-Executive Engineer, 220 KV O & M PTCUL, Haridwar, Division 2-Executive Engineer, O & M Civil Division PTCUL, Roorkee Division 3-Executive Engineer 132 KV O & M Division, PTCUL, Kashipur.

(***Appendix-3.6.1***) which were entered into at PTCUL Headquarters. However, there was no clause in these agreements for deduction of labour cess equal to one *per cent* from contractor bills, though the agreements contained a clause about deduction of legal taxes/statutory taxes. Despite this, divisions made a payment of ₹ 17.95 crore against the bills submitted by contractors without deducting the labour cess of ₹ 17.95 lakh[113].

All the Divisions stated (November 2017 and November 2018) that labour cess could not be deducted from the bills of contractors as registration regarding labour cess was not done. The same was done in compliance of the instructions issued (October 2016) by PTCUL. The reply of the divisions is not convincing as GoU had already issued (November 2010) notification for deduction of labour cess which was a statutory obligation. This non-compliance by PTCUL was an undue favour to the contractors to the extent of ₹ 17.95 lakh.

The matter was referred to the Government (February 2019); their reply was awaited (December 2020).

3.7 Idle Expenditure

Lack of planning in Construction of bays at sub-station of Power Transmission Corporation of Uttarakhand Limited resulted in an idle expenditure of ₹3.07 crore as six out of 30 bays could not be put to use since commissioning of the sub-station.

The Central Vigilance Commission guidelines for improvement in award and execution of electrical, mechanical and other allied contracts provide that "Gross over-designing cannot be justified on the basis of unpredictable long-term futuristic demands. This kind of over-designing, particularly in sub-stations, not only results in unjustified one-time extra expenditure but also results in avoidable recurring expenditure in terms of maintenance costs and higher standing losses".

Power Transmission Corporation of Uttarakhand Limited (PTCUL) entered into an agreement (November 2009) for construction of 220/132/33 KV sub-station at Mahuakheraganj, Kashipur on turnkey basis at a cost of ₹ 74.99 crore[114] through Rural Electrification Corporation loan funding. The sub-station had 30 bays[115] and was energised on 25 November 2011 at a total cost of ₹ 78.79 crore[116].

Scrutiny of records (September 2018) of Executive Engineer (EE), PTCUL and further information collected (March 2019 and July 2019) from the EE, UPCL and PTCUL, Kashipur revealed that the sub-station was running under load against the

[113] ₹ 12.82 lakh (Executive Engineer, 220 KV O&M PTCUL, Haridwar) + ₹ 4.04 lakh (Executive Engineer, O&M Civil Division PTCUL, Roorkee) + ₹ 1.09 lakh (Executive Engineer 132 KV O & M Division, PTCUL, Kashipur).

[114] ₹ 65.43 crore for supply of material and ₹ 9.56 crore for erection.

[115] Number of 220 KV bays-07, 132 KV bays -10 and 33 KV bays-13. A bay of a substation is a part of a substation containing extra-high (or high) voltage switching devices and connections of a power line, a power transformer, *etc*., to the substation busbar system (s) as well as protection, control, and measurement devices for the power line, the power transformer, *etc*.

[116] Payment to contractor: ₹ 71.56 crore + Interest during construction (IDC): ₹ 1.76 crore + A&G and employee cost: ₹ 5.47 crore.

installed capacity[117]. It was observed that out of 30 bays of the sub-station, six bays[118] costing ₹ 3.07 crore[119] could not be put to use till date (July 2019) since the energisation of the sub-station as the Uttarakhand Power Corporation Limited (UPCL) was not able to construct new feeders to use these bays as the approach road of the sub-station was only 12-15 feet wide and narrow space at location created Right of Way problem.

The Management accepting the facts stated (September 2018) that they were trying best to utilise the spare bays. They added (July 2019) that two of 132 KV bays might be utilised in near future. The reply was not convincing as the six spare bays could not be put to use since energisation as the width of the approach road to sub-station was not sufficient to construct any additional feeders for their utilisation. Further, it was not necessary to construct all the bays together and new bays could have been constructed as and when required after working out the logistics.

The construction of excess bays by PTCUL, therefore, resulted in an idle expenditure of ₹ 3.07 crore.

The matter was referred to the Government (August 2019); their reply was awaited (December 2020).

3.8 Avoidable liability of Commitment Charges

Asian Development Bank (ADB) withdrew/terminated its loan as the Power Transmission Corporation of Uttarakhand Limited failed to utilise the loan in time which resulted in a burden of ₹2.28 crore in the form of commitment charges payable to ADB.

The Twelfth Finance Commission recommended that External Assistance may be transferred to States on the same terms and conditions as attached to such assistance by the external funding agencies. Also, Forest Conservation (FC) Act 1980 states that the work should not be started on non-forest land till approval of the Central Government for release of forest land under the Act has been given. Further, for reduction in project implementation period, the Ministry of Power (MoP), Government of India (GoI) constituted a Task Force on transmission projects (February 2005). The task force suggested and recommended (July 2005) the following remedial actions to accelerate the completion of Transmission systems:

- Undertake various preparatory activities such as surveys, design & testing, processing for forest & other statutory clearances, tendering activities *etc*., in advance/parallel to project appraisal and approval phase and go ahead with construction activities, once Transmission Line Project sanction/approval is received;

Government of India (GoI), Ministry of Power (MoP) recommended (May 2007) the proposal of Government of Uttarakhand (GoU) and Power Transmission Corporation

[117] The total rated capacity/ load bearing capacity of the substation is 1,224.68 ampere against which sub-station has run upto maximum 447.24 ampere since its energisation (November 2011) to March 2019.

[118] Three 132 KV and three 33 KV.

[119] ₹ 68.57 lakh (Cost of one 132 KV bay) x 3 + ₹ 33.91 lakh (Cost of one 33 KV bay) x 3 = ₹ 3.07 crore.

of Uttarakhand Limited (PTCUL) for construction of power evacuation system for 5,406 MW in the State at an estimated cost of ₹ 2,446.74 crore to Department of Economic Affairs, Government of India for assistance of Asian Development Bank (ADB). The project included construction of a 400 KV DC Srinagar-Kashipur line and 400/220 KV Pipalkoti Gas Insulated Sub-station. Both works were funded by ADB and a loan agreement[120] of one hundred fifty million dollars ($ 150,000,000) was signed (June 2013) between GoI and ADB. The agreement for the project was also signed between ADB and GoU on the same date. As per agreement, the loan closing date was 30 March 2016 and the commitment charges on the loan at the rate of 0.15 *per cent* annually was leviable on the undisbursed amount.

Audit noticed (November 2017) that out of loan amount of $150 million PTCUL withdrew only ₹ 45.10 crore[121] ($7.3 million) on 02 December 2014. The remaining amount was not utilised as PTCUL failed to plan its activities as per the recommendations of the Task Force. Also, the progress of both the projects was slow due to delay in award of contract, forest clearance issues and non-performance by the contractor. The work of Pipalkoti Sub-station could not be awarded[122] till the closure date of loan. In the case of 400 KV DC Srinagar-Kashipur line, the agreement was terminated (October 2017) due to poor performance of the contractor. There was non-initiation of the work; non-availability of the representative of the contractor; non-submission of employees/workers details; non-finalization of L-2 network[123]; non-establishment of site office; non-deployment of skilled man-power; non-completion of route survey; non-optimization of tower location; non-submission of digitized Maps, *etc*. Contractor also failed to prepare the case for diversion of forest land in accordance with Forest Conservation Act, 1980.

It was observed that the Company did not follow the guidelines given by the Task Force Committee for timely completion of the projects. Also, the provisions of the FC Act 1980 were not adhered to as the work was awarded before securing the statutory forest clearance.

Eventually, ADB withdrew its loan (February 2017) after extending the loan period by nine months. As the loan could not be utilised, a liability of ₹ 2.28 crore[124] on account of commitment charges on the loan of ADB was created.

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[120] No. 2924-IND Uttarakhand Power.

[121] Total amount of ₹ 53.06 crore (₹ 45.10 crore from ADB loan + ₹ 7.96 crore from internal resources) was given by PTCUL to contractor as mobilization advance.

[122] Though, land was allotted to PTCUL in July 2009 by GoU for construction of substation but the possession could not be taken due to local agitation. Further, PTCUL intimated (February 2020) that as per decision taken in the 38th Standing Committee Meeting (30 May 2016) of the northern region, the substation at Pipalkoti would not be required till September 2018. PTCUL further added that the substation is now required to be constructed by December 2022 for evacuation of power of THDC. However, it was noticed that neither PTCUL revised its DPR for the project which was prepared in 2012-13 nor any action like floating of tender was initiated till date (March 2020).

[123] L2 network is a project network prepared keeping in view of work completion schedule and indicates major and critical activities covered under the contract.

[124] The liability of the payment of commitment charges of ₹ 2.28 crore was confirmed by Aid Accounts and Audit Division, Ministry of Finance, GoI and the same was accepted by PTCUL.

The matter was referred (March 2018) to the GoU for comments and soliciting information regarding creation of liability/payment of commitment charges. In response, a meeting was called (5 July 2019) by the State Government in which Secretary (Finance), GoU agreed with the audit observation and directed (5 July 2019) the management of PTCUL to deposit the amount of commitment charges immediately in the account of the State Exchequer. Further, Additional Secretary (Finance), GoU has requested (February 2020) the Secretary (Power), GoU to direct/instruct the management of PTCUL for depositing the commitment charges (₹ 2.28 crore) in the account of the State Government. However, PTCUL is yet to deposit the same (December 2020).

The matter was referred to the Government (March 2020); their reply was awaited (December 2020).

Dehradun | **(S. ALOK)**
The 03 February 2021 | **Principal Accountant General (Audit)**
Uttarakhand

Countersigned

New Delhi | **(GIRISH CHANDRA MURMU)**
The 10 February 2021 | **Comptroller and Auditor General of India**