



सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
for the year ended 31 March 2020**



लोकहितार्थं सत्यनिष्ठा
Dedicated to Truth in Public Interest



**Government of Himachal Pradesh
Report No. 4 of the year 2021
General Purpose Financial Report of
State Public Sector Enterprises**

**Report of the
Comptroller and Auditor General of India**

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Report No. 4 of the year 2021
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Preface

The accounts of Government Companies are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. The Statutory Auditors (Chartered Accountants) appointed by the CAG certify the accounts of such companies which are subject to supplementary audit by the CAG. The CAG gives his comments on or supplements the report of the Statutory Auditors. The Companies Act, 2013 empowers the CAG to issue directions to the Statutory Auditors on the manner in which the Company's accounts shall be audited.

2. The CAG is the sole auditor in respect of one Corporation, namely Himachal Road Transport Corporation. The CAG has the right to conduct a supplementary audit in respect of Himachal Pradesh Financial Corporation after Statutory Audit of Corporation by Auditors appointed by the shareholders of the corporation, out of the panel of Auditors approved by the Reserve Bank of India under section 37(1) of the Act. The Separate Audit Reports on the Annual Accounts of these corporations are forwarded separately to the State Government.

3. The accounts of the State Public Sector Enterprises (SPSEs) reviewed in this Report cover the accounts for the years 2013-14 to 2018-19 (to the extent received). In respect of SPSEs where any particular year's accounts were not received before 31 December 2020, the figures from the accounts last audited have been adopted.

4. All references to 'Government Companies/Corporations or SPSEs' in this Report may be construed to refer to 'State Government Companies/Corporations' unless the context suggests otherwise.

OVERVIEW

OVERVIEW

This Report contains six Chapters viz., Financial Performance of State Public Sector Enterprises (Power Sector); Financial Performance of State Public Sector Enterprises (Other than Power Sector); Oversight Role of CAG; Corporate Governance; Corporate Social Responsibility; and Impact of implementation of Indian Accounting Standards (Under Phase-I and Phase-II) in State Public Sector Enterprises.

Introduction

State Public Sector Enterprises (SPSEs) are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy.

As on 31 March 2020, there were 29 SPSEs under the audit jurisdiction of the CAG. There were four Power Sector SPSEs and 25 SPSEs of Other than Power Sector. Three out of four Power Sector SPSEs were Government Companies and one was Government Controlled other Company. Out of 25 SPSEs (Other than Power Sector), there are 19 Government Companies, two Statutory Corporations and four Government Controlled other Companies. Two Companies out of 19 Government Companies and one Company out of four Government Controlled other Companies are inactive.

I Financial Performance of State Public Sector Enterprises (Power Sector)

As on 31 March 2020, there were four Power Sector State Public Sector Enterprises in the State. These SPSEs include two in Generation (HPPCL and BVPCL), one in both Generation and Distribution (HPSEBL) and remaining one in Transmission (HPPTCL). BVPCL is a subsidiary Company of HPSEBL.

(Paragraph 1.1)

As on 31 March 2020, the total investment (equity and long-term loans) in four power sector SPSEs was ₹14,212.31 crore and registered an increase of ₹1,313.09 crore over that of 31 March 2019.

(Paragraph 1.3)

II Financial Performance of State Public Sector Enterprises (Other than Power Sector)

As on 31 March 2020, the total investment (equity and long-term loans) in all SPSEs (Other than Power Sector) was ₹1,616.89 crore and registered an increase of ₹140.71 crore over that of 31 March 2019.

The long-term loans advanced by the State Government constituted 50.47 *per cent* (₹220.33 crore) of the total long-term loans and registered an increase of ₹11.11 crore over that of 31 March 2019.

(Paragraph 2.2)

Dividend Payout by SPSEs

Out of the profit making SPSEs, only seven were eligible to declare dividend. However, only three SPSEs declared/paid dividend of ₹2.25 crore and remaining four profit making SPSEs did not pay/provide dividend of ₹1.34 crore.

(Paragraph 2.3.1)

Erosion of Net worth of SPSEs

The capital investment and accumulated losses of 25 SPSEs as per their latest accounts finalised as of 31 December 2020 were ₹1,090.67 crore and ₹1,726.85 crore respectively, resulting in negative net worth of ₹636.18 crore.

(Paragraph 2.4.1)

Turnover, Assets and Capital Employed

There was slight increase in turnover from 2017-18 to 2019-20. Total assets increased from ₹3,342.62 crore (2017-18) to ₹3,629.19 crore (2019-20) while capital employed is decreasing year after year due to the SPSEs incurring losses during last three years.

(Paragraph 2.5.1)

III Oversight Role of CAG

Timeliness in preparation of accounts by Government Companies and Government Controlled Other Companies

As of 31 March 2020, there were 29 SPSEs under the purview of CAG's audit. Of these, accounts for the year 2019-20 were due from all Government Companies and Government Controlled Other Companies except one Government Controlled other Company (Himachal Worsted Mills Limited), which was under liquidation since 2000-01.

Fourteen accounts of 10 Government Companies (Two accounts of Himachal Pradesh Kaushal Vikas Nigam) and three Government Controlled Other Companies were finalized from October 2019 to December 2020. There were 62 accounts pending for finalisation in respect of 28 SPSEs (including statutory corporations) as on 31 December 2020.

(Paragraphs 3.3.2 and 3.3.3)

Result of Supplementary Audit

As a result of Supplementary Audit of 13 Companies, value addition made by Supplementary Audit in financial statements of these SPSEs was in the form of changes in profit/loss of ₹125.52 crore and changes in assets/liabilities of ₹544.38 crore for the relevant years of accounts.

(Paragraphs 3.5.1 (i) and 3.5.2)

IV Corporate Governance

Independent Directors

Out of 26 SPSEs, eight SPSEs were required to appoint independent directors. However, only three SPSEs have appointed the required number of directors during 2015-20 and remaining five SPSEs did not appoint any independent director.

(Paragraph 4.2.1)

Applicability of Audit Committee

Out of 26 SPSEs, nine SPSEs were eligible to constitute an Audit Committee. However, only six SPSEs constituted Audit Committee.

(Paragraph 4.5.1)

V Corporate Social Responsibility (CSR)

Constitution of CSR Committee and Framing of CSR Policy

All the five SPSEs eligible to constitute CSR committee, constituted CSR committees between June 2014 and July 2018.

Four SPSEs had framed the CSR Policy based on the recommendation of the CSR Committee and approval of Board of Directors. However, one SPSE (HPSEBL) did not frame any CSR Policy so far (August 2021).

(Paragraphs 5.5.1.1 and 5.5.1.3)

Allocation and utilisation of funds

No SPSE has allocated funds separately for CSR activities during the period 2014-20. Against the prescribed norm of two *per cent* of average net profit of preceding three years, an amount of ₹262.19 lakh was required to be spent by these SPSEs, however, the SPSEs incurred expenditure of ₹221.12 lakh during 2014-20.

- Himachal Pradesh General Industries Corporation Limited did not spend ₹69.37 lakh as required by CSR policy during 2014-19.
- Against the requirement of ₹94.71 lakh, Himachal Pradesh State Industrial Development Corporation Limited spent only ₹1.50 lakh during 2014-19.

(Paragraph 5.5.2.1)

VI Impact of Implementation of Indian Accounting Standards (Under Phase I & II) in State Public Sector Enterprises

Impact of implementation of Ind AS on selected key areas

Impact on Profit after Tax (PAT)

There was increase in profit of Himachal Pradesh Power Corporation Limited (₹0.54 crore) and increase in loss of Himachal Pradesh State Electricity Board Limited (₹67.23 crore) after adjustment under Ind AS.

(Paragraph 6.5.1)

Impact of adoption of Ind AS on booking of Revenue

Out of four SPSEs subject to review in audit, two SPSEs carried out adjustment on revenues consequent to adoption of Ind AS viz., Himachal Pradesh State Electricity Board Limited (HPSEBL) and Himachal Pradesh Power Corporation Limited (HPPCL). Increase in revenue of Himachal Pradesh State Electricity Board Limited (₹16.80 crore) was due to including exceptional and extraordinary items under Revenue head. Increase in revenue of Himachal Pradesh Power Corporation Limited (₹69.76 lakh) was due to adjustment of Income from Capital Work in Progress, which was taken to revenue. Decrease in revenue (₹149.98 crore) in respect of Himachal Pradesh State Electricity Board Limited was due to reversal of Other Income.

(Paragraph 6.5.2)

Impact of adoption of Ind AS on total value of assets

Net impact of decrease in value of total assets of ₹25.20 crore and ₹0.72 crore was in Himachal Pradesh State Electricity Board Limited and Beas Valley Power Corporation Limited respectively. Net impact of increase in total value of assets of ₹0.54 crore in Himachal Pradesh Power Corporation Limited was noticed.

(Paragraph 6.5.3)

Impact of adoption of Ind AS on net worth

Beas Valley Power Corporation Limited reported decrease (-) ₹0.72 crore in net worth. Increase in net worth of HPPCL (₹0.54 crore) was due to decrease in accumulated loss under Ind AS.

(Paragraph 6.5.4)

INTRODUCTION

FUNCTIONING OF

STATE PUBLIC SECTOR ENTERPRISES

Introduction

Functioning of State Public Sector Enterprises

1 General

State Public Sector Enterprises (SPSEs) consist of State Government Companies and Statutory Corporations. SPSEs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2020, there were 29 SPSEs under the audit jurisdiction of the CAG. These include 25 SPSEs (Other than Power Sector) and four Power Sector SPSEs. Out of 25 SPSEs (Other than Power Sector), there are 19 Government Companies, two¹ Statutory Corporations and four² Government Controlled Other Companies. Two Companies³ out of 19 Government Companies and one Company⁴ out of four Government Controlled other Companies are inactive. Out of four SPSEs (Power Sector), there are three⁵ Government Companies and the remaining one⁶ is a Government Controlled Other Company. During the year 2019-20, two new SPSEs⁷ (Other than Power Sector) were incorporated. The working results of all the SPSEs are given in **Appendix-I**.

The financial performance of the SPSEs on the basis of latest finalised accounts as on 31 December 2020 is covered in this Report. The nature of SPSEs and the position of accounts are indicated in the table below:

Table-1: Nature of SPSEs covered in the Report

Nature of SPSEs	Total Number of SPSEs	Number of accounts received during the reporting period from October 2019 to December 2020						Number of SPSEs of which accounts are in arrears (total accounts in arrears) as on 31 December 2020
		Accounts for 2019-20	Accounts for 2018-19	Accounts for 2017-18	Accounts for 2016-17	Accounts for 2015-16	Total	
Government Companies	22	-	7	2	1	1	11	22(52)
Statutory Corporations	2	-	1	-	-	-	1	2(3)
Government controlled other Companies	4	-	2	1	-	-	3	4(7)
Total working SPSEs	28	-	10	3	1	1	15	28 (62)

Source: Compiled from annual financial statements received in the Office of the Principal Accountant General (Audit), Himachal Pradesh. Himachal Worsted Mills Limited not considered as it is under liquidation.

¹ Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

² Dharamshala Smart City Limited, Himachal Consultancy Organisation Limited, Shimla Jal Prabandhan Nigam Limited and Himachal Worsted Mills Limited (Inactive Company).

³ Agro Industrial Packaging India Limited and Himachal Pradesh Beverages Limited.

⁴ Himachal Worsted Mills Limited.

⁵ Himachal Pradesh State Electricity Board Limited, Beas Valley Power Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited.

⁶ Himachal Pradesh Power Corporation Limited.

⁷ Sri Naina Devi Ji and Sri Anandpur Sahib Ji Ropeway Company Limited and Ropeway and Rapid Transport System Development Corporation HP Limited.

All the SPSEs (29) incurred consolidated loss of ₹270.79 crore as detailed in **Appendix-I**. However, 13 SPSEs earned profit of ₹45.73 crore and nine SPSEs incurred losses of ₹316.52 crore as per their latest finalised accounts as of 31 December 2020. Of the remaining seven SPSEs, three⁸ did not prepare their first accounts, Beas Valley Power Corporation Limited did not start commercial operations and for three⁹ the excess of expenditure over income was reimbursable by the State Government.

2 Accountability framework

The procedures for audit of Government companies are laid down in Section 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 Comptroller and Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139(5) and (7) of the Companies Act, 2013. Section 139(5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of one hundred and eighty days from the commencement of the financial year. Section 139(7) of the Companies Act, 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditor is to be appointed by the CAG within sixty days from the date of registration of the company and in case the CAG 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 CAG 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, Power 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 CAG.

3 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 CAG 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 CAG including, among other things, financial

⁸ *Sri Naina Devi Ji and Sri Anandpur Sahib Ji Ropeway Company Limited, Ropeway and Rapid Transport System Development Corporation HP Limited and Shimla Smart City Limited.*

⁹ *Shimla Jal Prabandhan Nigam Limited, Himachal Pradesh Road and Other Infrastructure Development Corporation Limited and Dharmshala Smart City Limited.*

statements of the Company under Section 143(5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG 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 two Statutory Corporations¹⁰ the Comptroller and Auditor General of India is the sole auditor for the Himachal Road Transport Corporation (HRTC) and in respect of Himachal Pradesh Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the Comptroller and Auditor General of India.

4 Submission of accounts by SPSEs

4 (i) Need for timely finalisation and submission of accounts

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 House 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 CAG. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State. Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year and that AGM is held within 15 months of the previous/ last AGM.

Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the concerned 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.

4 (ii) Role of Government and Legislature

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

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSEs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, 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 CAG are submitted to the Government

¹⁰ *Himachal Road Transport Corporation and Himachal Pradesh Financial Corporation.*

for placing before the State Legislature under the provisions of Section 19A of the CAG's (Duties, Power and Conditions of Service) Act, 1971.

5 Investment by Government of Himachal Pradesh in SPSEs

The Government of Himachal Pradesh (GoHP) has significant financial stake in the SPSEs. These are mainly of three types:

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

The names of all Government companies/ Government controlled Other Companies and Statutory Corporations under the purview of CAG's audit along with month and year of incorporation, their administrative department and brief description of activities being carried out by them are detailed in **Appendix-II**.

The SPSE wise summary of Government of Himachal Pradesh investment in the SPSEs is detailed in **Appendix-III** and Sector wise summary of Government of Himachal Pradesh investment as on 31 March 2020 is given in **Table-2** below:

Table-2: Sector-wise GoHP investment in SPSEs

(₹ in crore)

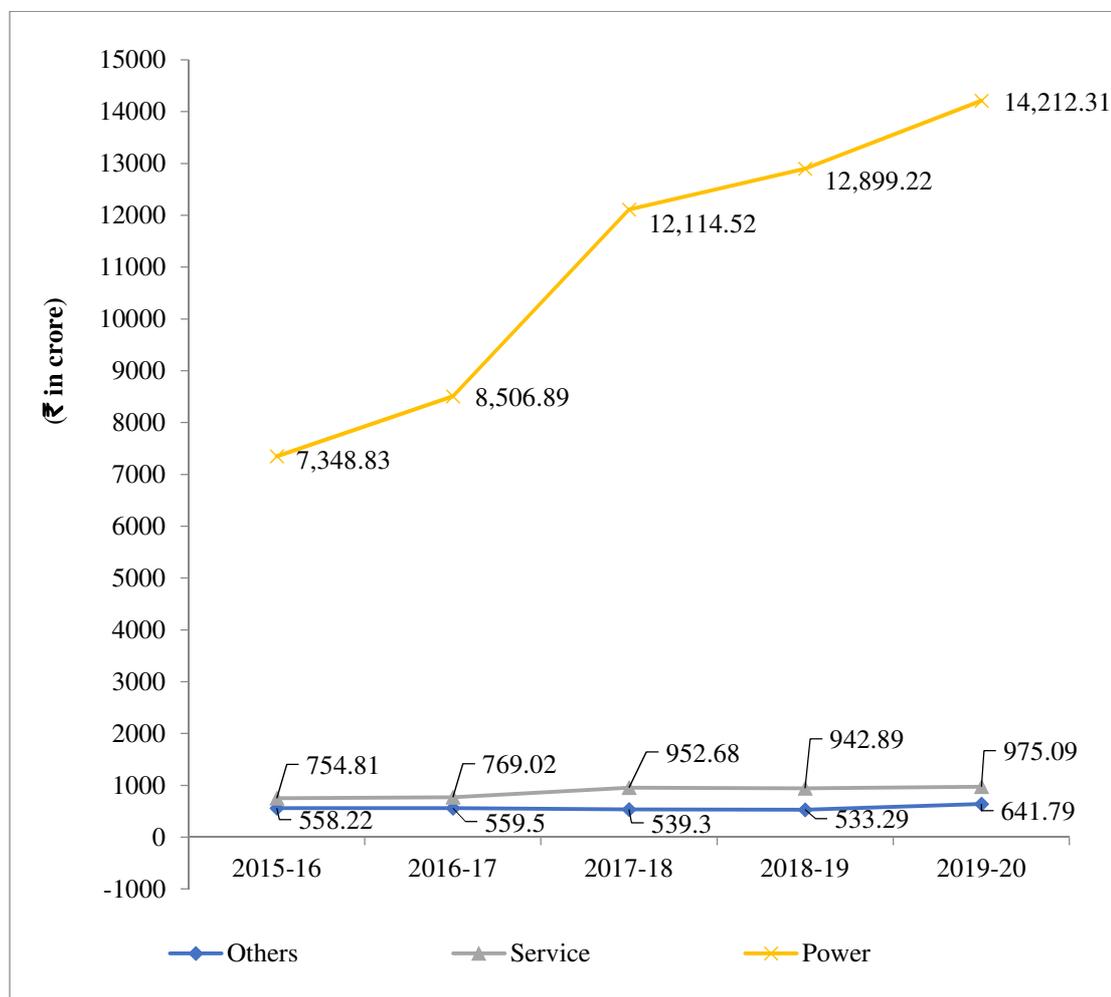
Name of sector	Government Companies	Statutory Corporations	Total	Investment		
				Equity	Long term loans	Total
Power	4	0	4	1,890.59	6,961.18	8,851.77
Finance	3	1	4	134.05	81.78	215.83
Service	10	1	11	872.42	0.30	872.72
Infrastructure	4	0	4	55.83	0.00	55.83
Others	6	0	6	83.59	138.25	221.84
Total	27	2	29	3,036.48	7,181.51	10,217.99

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

The thrust of SPSEs investment by the Government was mainly on power sector as on 31 March 2020. The power sector received government investments of ₹8,851.77 crore (86.63 per cent) out of total investment of ₹10,217.99 crore as given in **Appendix-III**.

However, the total investment including investment from other than GoHP resources in various sectors during the period from 2015-16 to 2019-20 is shown in **Chart-I** below:

Chart-1: Sector-wise investment in SPSEs for the last five years ending 31 March 2020



Keeping in view the high level of investment in Power Sector, we are presenting the pen picture of functioning of four Power Sector SPSEs in Chapter-I.

This Report contains six Chapters as under:

- Chapter-I: Financial Performance of State Public Sector Enterprises (Power Sector)
- Chapter-II: Financial Performance of State Public Sector Enterprises (Other than Power Sector)
- Chapter-III: Oversight Role of CAG
- Chapter-IV: Corporate Governance
- Chapter-V: Corporate Social Responsibility
- Chapter-VI: Impact of implementation of Indian Accounting Standards (under Phase I & II) in State Public Sector Enterprises.

CHAPTER - I

**FINANCIAL PERFORMANCE OF STATE
PUBLIC SECTOR ENTERPRISES
(POWER SECTOR)**

Chapter-I

Financial Performance of State Public Sector Enterprises (Power Sector)

1.1 Introduction

As on 31 March 2020, there were four¹¹ Power Sector State Public Sector Enterprises (SPSEs) in the State. All the four working Power Sector SPSEs are under audit jurisdiction of the CAG. The four working SPSEs include two in Generation (Himachal Pradesh Power Corporation Limited and Beas Valley Power Corporation Limited), one in both Generation and Distribution (Himachal Pradesh State Electricity Board Limited) and remaining one in Transmission (Himachal Pradesh Power Transmission Corporation Limited). Beas Valley Power Corporation Limited is a subsidiary Company of Himachal Pradesh State Electricity Board Limited. The financial performance of all four working Power Sector SPSEs is covered in this Section. The financial statements of two SPSEs¹² were finalised for the year 2017-18 and another two SPSEs¹³ for the year 2018-19 as per latest finalised accounts as of 31 December 2020.

Summary of financial performance of Power Sector SPSEs as per latest accounts finalised as on 31 December 2020

Number of SPSEs	4
SPSEs covered	4
Paid-up capital	₹3,142.57 crore
Equity investment of Government of Himachal Pradesh	₹1,415.95 crore
Long term loans	₹8,444.55 crore
Net profit (One SPSE)	₹3.66 crore
Net loss (Two SPSEs)	₹120.04 crore
Number of Power Sector SPSE did not prepare its first profit and loss account so far	One
Dividend declared	Nil
Total Assets	₹19,336.49 crore
Turnover	₹6,622.45 crore
Net worth*	₹1,438.45 crore
Accumulated loss	₹1,704.12 crore

Source: Compiled based on Annual Financial Statements of power sector SPSEs finalised as of 31 December 2020.

*Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure.

The ratio of turnover of Power Sector SPSEs to Gross State Domestic Product (GSDP) shows the contribution of activities of these SPSEs in the State economy. **Table-1.1**

¹¹ Himachal Pradesh State Electricity Board Limited (HPSEBL), Himachal Pradesh Power Corporation Limited (HPPCL), Himachal Pradesh Power Transmission Corporation Limited (HPPTCL) and Beas Valley Power Corporation Limited (BVPCL).

¹² Himachal Pradesh State Electricity Board Limited and Himachal Pradesh Power Corporation Limited.

¹³ Himachal Pradesh Power Transmission Corporation Limited and Beas Valley Power Corporation Limited.

below provides the details of turnover of the Power Sector SPSEs and GSDP of Himachal Pradesh for a period of five years ending March 2020.

Table-1.1: Details of turnover of Power Sector SPSEs vis-a-vis GSDP of Himachal Pradesh

Particulars	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover	5,093.79	5,599.56	5,993.79	6,325.56	6,622.45
GSDP of Himachal Pradesh	1,14,239	1,25,634	1,38,351	1,53,845	1,65,472
Percentage of Turnover to GSDP of Himachal Pradesh	4.46	4.46	4.33	4.11	4.00

Source: Power Sector SPSEs and Government of Himachal Pradesh.

The turnover of power sector SPSEs has recorded continuous increase over previous years. The increase in turnover ranged between 4.69 per cent and 9.93 per cent during the period 2015-20, whereas increase in GSDP of Himachal Pradesh ranged between 7.56 per cent and 11.20 per cent during the same period. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 9.71 per cent of the GSDP, the turnover of power sector SPSEs recorded lower compounded annual growth of 6.78 per cent during last five years. This resulted in decrease in share of turnover of these power sector SPSEs to the GSDP from 4.46 per cent in 2015-16 to four per cent in 2019-20.

1.2 Power demand, availability and supply position in the State

The peak demand for power, its availability and the share of the State's own power generating¹⁴ and distribution utility, the Himachal Pradesh State Electricity Board Limited (HPSEBL), during 2015-16 to 2019-20 is given in the **Table-1.2** below:

Table-1.2: Details of Power Generation by HPSEBL

Year	Installed Capacity of HPSEBL	Peak demand	Availability of Power	Total power Supply	Power Supplied by HPSEBL	HPSEBL's share in total supply
	(in MW)			(in MUs)		(in per cent)
2015-16	487.45	1,488	1,488	8,758	1,455	17
2016-17	487.45	1,499	1,499	8,779	1,491	17
2017-18	487.45	1,594	1,594	9,345	1,837	20
2018-19	487.45	1,700	1,700	9,618	1,956	20
2019-20	487.45	1,786	1,786	10,353	2,122	20

Source: Load Generation Balance Reports of Central Electricity Authority and Annual Accounts of HPSEBL.

The State was able to meet its peak demand through tied up agreements (Power Purchase Agreements), purchase and drawal of power under unscheduled interchange (UI)¹⁵ through power grid. Also, Himachal Pradesh State Electricity Board Limited's share in total power supply in the State remained almost static¹⁶ due to no increase in its installed capacity to match the increase in demand.

¹⁴ Apart from Himachal Pradesh State Electricity Board Limited, Himachal Pradesh Power Corporation Limited is also power generating. However, most of the power generated is not supplied to the State. Beas Valley Power Corporation Limited is yet to commence commercial operations.

¹⁵ Actual drawl minus total scheduled drawl.

¹⁶ The reasons for increased power supplied by Himachal Pradesh State Electricity Board Limited in 2017-18 was due to restoration of Bhaba HEP to its optimum capacity which was damaged in fire in January 2016.

1.3 Investment in Power Sector SPSEs

The amount of investment in equity and loans in four Power Sector SPSEs as at the end of 31 March 2020 is given in **Table-1.3**.

Table-1.3: Equity investment and loans in Power Sector SPSEs

(₹ in crore)

Sources of investment	As on 31 March 2019			As on 31 March 2020		
	Equity	Long term loans	Total	Equity	Long term loans	Total
State Government	1,635.95	6,393.82	8,029.77	1,890.59	6,961.18	8,851.77
State Government Companies/Corporations	430.77	-	430.77	430.77	-	430.77
Financial Institutions and others	1,295.86	3,142.82	4,438.68	1,295.86	3,633.91	4,929.77
Total	3,362.58	9,536.64	12,899.22	3,617.22	10,595.09	14,212.31
Percentage of State Government Investment to Total Investment	48.65	67.04	62.25	52.27	65.70	62.28

Source: Compiled based on information received from Power Sector SPSEs.

As on 31 March 2020, the total investment (equity and long-term loans) in four power sector SPSEs was ₹14,212.31 crore and registered an increase of ₹1,313.09 crore over that of 31 March 2019. Significant investment made by the State Government during 2019-20 was in Himachal Pradesh Power Corporation Limited (₹165.00 crore) as equity.

The Government of Himachal Pradesh (GoHP) provides financial support to Power Sector enterprises in various forms through annual budget. The summarized details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity in respect of Power Sector SPSEs for last three years ending March 2020 are given in **Table-1.4**.

Table-1.4: Details of budgetary support to power sector SPSEs during last three years

(₹ in crore)

Particulars ¹⁷	2017-18		2018-19		2019-20	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity Capital	3	182.11	3	250.00	3	254.64
Loans given	1	262.68	1	365.00	1	567.36
Grants/Subsidies provided	1	6.00	2	24.00	1	20.00
Total Outgo		450.79	-	639.00	-	842.00
Loan repayment written off	-	-	-	-	-	-
Loans converted into equity	-	-	-	-	-	-
Guarantees issued during the year	1	-	-	-	2	565.00
Guarantee Commitment/ Outstanding	1	3,715.50	-	-	2	1,250.91

Source: Compiled based on information from Power Sector SPSEs for the year 2019-20 and Finalised Accounts.

¹⁷ Amount represents outgo from State Budget only. No budgetary support was given by the State to Beas Valley Power Corporation Limited from State Budget.

1.3.1 Investment in equity

During 2019-20, the total investment at face value of equity in the four Power Sector SPSEs registered a net increase of ₹254.64 crore.

Investment in equity by the State Government and others during last three years ended 31 March 2020 in these Power Sector SPSEs is depicted in the **Chart-1.1**.

Chart-1.1: Investment in equity in Power Sector SPSEs



Source: Compiled based on information received from Power Sector SPSEs.

1.3.2 Loans given to power sector SPSEs

1.3.2.1 Computation of long-term loans outstanding as on 31 March 2020

The total long-term loans outstanding in four Power Sector SPSEs from all sources as on 31 March 2020 was ₹10,595.09 crore as detailed in **Appendix-III**. As on 31 March 2020, the long-term loans of these SPSEs registered an increase of ₹1,058.45 crore over that of 31 March 2019. Year-wise detail of outstanding long-term loans of Power Sector SPSEs is depicted in **Chart-1.2**.

Chart-1.2: Long Term Loans outstanding in Power Sector SPSEs



Source: Compiled based on information received from Power Sector SPSEs.

The long-term loans advanced by the State Government constituted 65.70 *per cent* (₹ 6,961.18 crore) of the total long-term loans whereas 34.30 *per cent* (₹3,633.91 crore) of the total long-term loans were availed from other financial institutions. The long-term loans increased from ₹9,001.96 crore in 2017-18 to ₹10,595.09 crore in 2019-20.

1.3.3 Adequacy of assets to meet loan liabilities

Ratio of total debt/loans to total assets is one of the methods used to determine whether a Company can stay solvent. To be considered solvent, the value of an entity’s assets must be greater than the sum of its loans/debts. The coverage of long-term loans by value of total assets in four power sector SPSEs which had outstanding loans as per their latest finalised accounts as on 31 December 2020 is given in **Table-1.5**.

Table-1.5: Coverage of long-term loans with total assets

Name of Power Sector SPSEs	Assets	Long Term Loans	Ratio of Assets to Long Term Loans
	(₹ in crore)		
Himachal Pradesh State Electricity Board Limited	9,209.36	4,719.12	1.95:1
Himachal Pradesh Power Transmission Corporation Limited	1,966.24	1,145.80	1.72:1
Himachal Pradesh Power Corporation Limited	6,414.55	1,181.72	5.43:1
Beas Valley Power Corporation Limited	1,746.34	1,397.91	1.25:1
Total	19,336.49	8,444.55	2.29:1

Source: *Compiled based on accounts finalised by SPSEs.*

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

1.3.4 Interest Coverage Ratio

Interest Coverage Ratio is used to determine the ability of a Company to pay interest on outstanding debt and is calculated by dividing a company's Earnings before Interest and Taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser will be the ability of the company to pay interest on debt. An interest coverage ratio of less than one indicates that the Company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in those Power Sector SPSEs which had interest burden during the period from 2017-18 to 2019-20, are given in **Table-1.6**.

Table-1.6: Shows the details of interest coverage ratio on power sector SPSEs

Name of the SPSEs	2017-18			2018-19			2019-20		
	Interest cost	EBIT	Interest coverage ratio	Interest cost	EBIT	Interest coverage ratio	Interest cost	EBIT	Interest coverage ratio
	(₹ in crore)			(₹ in crore)			(₹ in crore)		
HPSEBL	518.55	508.04	0.98	503.35	459.14	0.91	457.06	460.72	1.01
HPPCL	-	(-) 17.92	-	-	(-) 32.35	-	96.23	17.11	0.18
HPPTCL	-	(-) 11.30	-	-	(-) 8.02	-	9.13	(-) 31.79	(-) 3.48

Source: *As per latest finalised accounts of the Power Sector SPSEs.*

It was observed that the interest coverage ratio of only Himachal Pradesh State Electricity Board Limited was greater than one. For Himachal Pradesh Power Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited the interest coverage ratio was less than one which indicates higher risk of insolvency

in these Power Sector SPSEs. Beas Valley Power Corporation Limited is yet to commence commercial operations, accordingly, does not have EBIT.

1.3.5 Age wise analysis of interest outstanding on State Government Loans

As per latest finalised accounts as on 31 December 2020, interest of ₹523.55 crore was accrued on the long-term loans by the State Government in respect of three power sector SPSEs (except Beas Valley Power Corporation Limited) preparing their profit and loss account. The age-wise analysis of interest accrued on State Government loans in SPSEs is given in **Table-1.7**.

Table-1.7: Interest outstanding on State Government loans

Sr. No.	Name of SPSEs	Outstanding interest on State Government Loans	Interest on State Government loans (₹ in crore)	
			Interest on State Government loans outstanding for less than one year	Interest on State Government loans outstanding for more than one year
1	HPSEBL	36.91	0.02	36.89
2	HPPCL	193.72	75.77	117.95
3	HPPTCL	292.92	292.92	-
	Total	523.55	368.71	154.84

Source: Information as per latest finalised accounts of Power Sector SPSEs.

From the above it can be seen that accrued interest of ₹523.55 crore was pending for payment as per latest finalised accounts as of 31 December 2020 of which an amount of ₹154.84 crore was outstanding for more than one year.

1.4 Return on investment in Government Companies

1.4.1 Profit earned by Power Sector SPSEs

Out of four Power Sector SPSEs, one power sector SPSE (Himachal Pradesh State Electricity Board Limited) earned profit of ₹3.66 crore, two SPSEs (Himachal Pradesh Power Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited) incurred loss of ₹120.04 crore and as per latest account finalised as of 31 December 2020, one SPSE (Beas Valley Power Corporation Limited) did not prepare its first profit and loss account so far.

Activity wise contribution of profit or loss incurred by each Power Sector SPSEs as per their latest accounts finalised as of 31 December 2020 is given in **Table-1.8**:

Table-1.8: SPSEs and activity-wise contribution to profit earned or loss incurred by Power Sector SPSEs as per latest accounts finalised as of 31 December 2020

Activity	Name of the Power Sector SPSEs	Net Profit earned	Net loss incurred
		(₹ in crore)	
Generation	HPPCL	-	40.92
Transmission	HPPTCL	-	79.12
Distribution & Generation	HPSEBL	3.66	-

Source: Compiled based on accounts finalised by Power Sector SPSEs as of 31 December 2020.

As per latest finalised accounts by each SPSE, a consolidated net loss of ₹116.38 crore was incurred by three power sector SPSEs.

1.4.2 Erosion of Net worth of State Power SPSEs

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 accumulated losses of all power sector SPSEs were

₹1,704.12 crore as against the capital investment of ₹3,142.57 crore as detailed in **Appendix-I** resulting in positive net worth of ₹1,438.45 crore as given in **Table-1.9**. Of the all Power Sector SPSEs, the net worth of HPSEBL had completely eroded and was (-) ₹ 864.49 crore as per their latest finalized accounts.

The **Table-1.9** indicates net worth of all Power Sector SPSEs during 2017-20:

Table-1.9: Net worth of four Power Sector SPSEs during 2017-18 to 2019-20

(₹ in crore)	
Name of SPSE	Net Worth
2017-18	
HPSEBL	(-) 1,396.34
HPPCL	1,526.18
HPPTCL	253.34
BVPCL	300.00
Total	683.18
2018-19	
HPSEBL	(-) 1,390.57
HPPCL	1,634.03
HPPTCL	274.31
BVPCL	300.00
Total	817.77
2019-20	
HPSEBL	(-) 864.49
HPPCL	1,729.56
HPPTCL	273.38
BVPCL	300.00
Total	1,438.45

Source: Information as per latest finalised accounts of Power Sector SPSEs.

The State Government continued to provide financial support to these Power Sector SPSEs by infusing equity during the period 2017-20 to improve their liquidity and for capital works. Himachal Pradesh State Electricity Board Limited in 2019-20 (balance sheet of 2017-18) adjusted losses of ₹505.13 crore pertaining to the erstwhile State Electricity Board. This resulted in reduction of overall accumulated losses of power sector companies from ₹2,064.03 crore in 2017-18 to ₹1,704.12 crore in 2019-20.

Out of four Power Sector SPSEs, during 2017-18 to 2019-20, net worth of one¹⁸ SPSE was negative and of other three¹⁹ SPSEs was positive.

1.4.3 Dividend Payout by Power Sector SPSEs

The State Government had formulated (April 2011) policy that all profit-making Power Sector SPSEs (except those in welfare and utility sector) should pay a minimum return of five *per cent* on the paid-up share capital contributed by the State Government, subject to a ceiling of 50 *per cent* of the profit after tax. As per their latest finalised accounts as of 31 December 2020, only one power sector SPSE (Himachal Pradesh State Electricity Board Limited) earned profit ₹3.66 crore, which being in utility sector is not required to pay dividend.

¹⁸ Himachal Pradesh State Electricity Board Limited.

¹⁹ Himachal Pradesh Power Corporation Limited, Himachal Pradesh Power Transmission Corporation Limited and Bead Valley Power Corporation Limited.

1.4.4 Return on Equity of Power Sector SPSEs

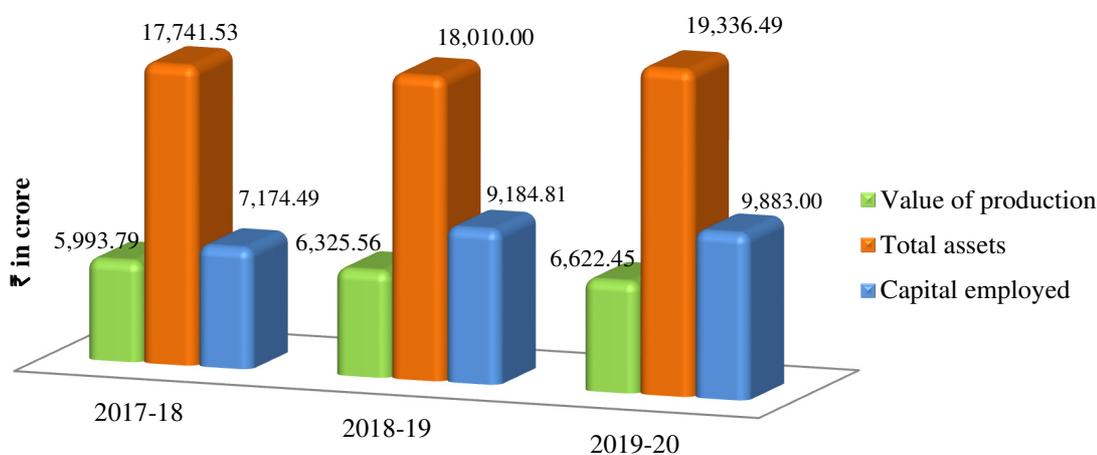
Return on Equity²⁰ is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. The RoE could not be calculated in respect of all three SPSEs during 2017-20 as either the net income or the net worth of all three SPSEs was negative in all three years under consideration. The net income of Himachal Pradesh State Electricity Board Limited was positive as per latest finalised accounts as of 31 December 2020, but net worth of the same was negative during that year.

1.5 Operating efficiency of Power Sector SPSEs

1.5.1 Value of production

The summary indicating value of production, total assets and capital employed²¹ of three Power Sector SPSEs over a period of three years is depicted in the **Chart-1.3**.

Chart-1.3: Value of Production, Assets and Capital Employed



Source: Information as per latest finalised accounts of Power Sector SPSEs.

The details of Power Sector SPSE wise value of production, total assets and capital employed during 2017-18 to 2019-20 are given in **Table-1.10**.

Table-1.10: SPSEs wise value of production, total assets and capital employed during 2017-18 to 2019-20 as per their finalised accounts as of 30 September of each year during 2017-19 and as of 31 December 2020 during 2019-20

(₹ in crore)			
Name of SPSEs	Value of production	Total assets	Capital employed
2017-18			
HPSEBL	5,980.02	9,651.99	1,850.49
HPPCL	1.65	5,679.51	3,274.42
HPPTCL	12.12	1,042.04	711.36
BVPCL	0	1,367.99	1,338.22
Total	5,993.79	17,741.53	7,174.49
2018-19			
HPSEBL	6,291.54	9,061.76	3,171.07
HPPCL	14.71	6,054.63	3,558.10

²⁰ Return on Equity = (Net Profit after tax/Equity) x 100, where Equity = Paid up Capital + Free Reserves – Accumulated Losses – Deferred Revenue Expenditure.

²¹ Capital Employed = Paid-up Capital + Free Reserves + Long Term Loans - Accumulated Losses - Deferred Revenue Expenditure.

Name of SPSEs	Value of production	Total assets	Capital employed
HPPTCL	19.31	1,400.63	1,002.44
BVPCL	0	1,492.98	1,453.20
Total	6,325.56	18,010.00	9,184.81
2019-20			
HPSEBL	6,520.76	9,209.36	3,854.63
HPPCL	83.36	6,414.55	2,911.28
HPPTCL	18.33	1,966.24	1,419.18
BVPCL	0	1,746.34	1,697.91
Total	6,622.45	19,336.49	9,883.00

Source: Compiled based on accounts finalised by Power Sector SPSEs.

There is continuous increase in value of production, assets and capital employed of power sector SPSEs from 2017-18 to 2019-20. The increase in production and assets were mainly due to commercial operation of Sainj Hydro Electric Project (HEP) and restoration of Bhaba HEP which was damaged during 2015-16.

1.5.2 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. The details of ROCE of Power Sector SPSEs during the period from 2017-18 to 2019-20 are given in **Table-1.11**.

Table-1.11: Return on Capital Employed

Year	EBIT	Capital Employed	ROCE
	(₹ in crore)		(In per cent)
2017-18	478.82	7,174.49	6.67
2018-19	418.77	9,184.81	4.56
2019-20	446.04	9,883.00	4.51

Source: Compiled based on accounts finalised by Power Sector SPSEs.

It can be seen from the above table that earnings before interest and tax decreased from ₹478.82 crore in 2017-18 to ₹446.04 crore in 2019-20 and percentage of return on capital employed of these Companies also decreased from 6.67 in 2017-18 to 4.51 in 2019-20.

Though the operating revenue was more in 2019-20 as compared to 2018-19, the ROCE was lesser due to higher Capital Employed for the year.

1.6 Return on the basis of Present Value of Investment

In view of the significant investment by the Government in the three Power Sector SPSEs, Rate of Real Return (RORR) is essential from the perspective of the State Government. Traditional calculation of ROI 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 (PV) of money. Therefore, in addition, RORR is calculated considering the Present Value (PV) of investment.

To bring the historical cost of investments to its present value at the end of each year up to 31 March 2020, the past investments / year-wise funds infused by the GoHP in the Power Sector SPSEs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government, for the concerned year. Therefore, PV of the State Government investment in the shape of equity (no interest free loans / subsidies for operational and administrative expenditure was received) since inception of these companies till 31 March 2020 was computed.

In order to bring the historical cost of investments to its Present Value (PV) at the end of each year up-to 31 March 2020, the past investments/year wise funds infused by the State Government in the Power Sector SPSEs were computed on the basis of following assumptions:

- Where interest free loans were given to the SPSEs and later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year.
- The average rate of interest on Government borrowings for the concerned financial year²² was adopted as compounded rate for arriving at the PV since these represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.
- Disinvestment has been deducted while calculating total investment at the end of the year.

1.6.1 Rate of Real Return (RORR) on the basis of Present Value of Investment

The Company wise position of State Government investment in the three power sector SPSEs in the form of equity and loans since inception of these SPSEs till 31 March 2020 is indicated in **Appendix-1.1**. However, no interest free loans/interest free loans were converted into equity/grants/subsidies/disinvestment given/made by the State Government during the last five years ending 31 March 2020.

The consolidated position of the PV of State Government investment in Power Sector SPSEs for year ending 31 March 2020 is indicated in **Table-1.12**.

²² *The average rate of interest on Government borrowings was adopted from the Reports of the Comptroller and Auditor General of India on State Finances (Government of Himachal Pradesh) 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.*

Table-1.12: Year-wise details of investment by the State Government and present value (PV) of Government funds from 2007-08 to 2019-20

(₹ in crore)

Year	Present Value of total investment at the beginning of the year	Equity infused by the State Government during the year	Net Interest free loans given by the State Government during the year	Interest free loans converted into equity during the year	Grants/subsidies given by State Government for operational and administrative expenditure	Disinvestment by the State Government during the year at face value	Total investment during the year (vii=ii+ii i-iv+v-vi)	Total investment at the end of the year (viii=i+vi i)	Average rate of interest on Government borrowings (in %)	Present value of total investment at the end of the year (x={viii*(1+ix)/100})	Minimum expected return to recover cost of funds for the year xi={viii*i x/100}	Total earnings for the year ²³	Return on Investment (xiii=xii/x*100)
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)	(xiii)
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2007-08	-	80.11	-	-	-	-	80.11	80.11	9.09	87.39	7.28	-	-
2008-09	87.39	252.32	-	-	-	-	252.32	339.71	9.19	370.93	31.22	-	-
2009-10	370.93	288.11	-	-	-	-	288.11	659.04	8.59	715.65	56.61	-	-
2010-11	715.65	532.28	-	-	-	-	532.28	1247.93	7.78	1345.02	97.09	-152.62	-
2011-12	1345.02	98.05	-	-	-	645.85	-547.80	797.22	7.80	859.41	62.18	-152.62	-
2012-13	859.41	257.96	-	-	-	-	257.96	1117.37	8.08	1207.65	90.28	-315.94	-
2013-14	1207.65	219.75	-	-	-	-	219.75	1427.40	7.71	1537.45	110.05	-512.76	-
2014-15	1537.45	294.27	-	-	-	550.00	-255.73	1281.72	7.91	1383.11	101.38	-356.72	-
2015-16	1383.11	174.04	-	-	-	-	174.04	1557.15	7.95	1680.94	123.79	-156.88	-
2016-17	1680.94	202.78	-	-	-	-	202.78	1883.72	7.60	2026.88	143.16	-129.32	-
2017-18	2026.88	182.11	-	-	-	-	182.11	2208.99	7.71	2379.30	170.31	-39.73	-
2018-19	2379.30	250.00	-	-	-	-	250.00	2629.30	8.32	2848.06	218.76	-83.28	-
2019-20	2848.06	254.66	-	-	-	-	254.66	3102.72	7.97	3350.01	247.29	-116.38	-
		3,086.44 ²⁴	-	-	-	1,195.85	1890.59	-	-	-	-	-	-

Source: Statistical information received from Power Sector SPSEs and latest finalised accounts.

Note: No grants/ subsidies were received from the State Government for operational and administrative expenditure.

The net investment of the State Government in these companies as of 31 March 2020 was ₹1,890.59 crore after adjustment of ₹1,195.85 crore (Himachal Pradesh Power Corporation Limited: ₹537.15 crore (2011-12) and ₹550.00 crore (2014-15) and Himachal Pradesh Power Transmission Corporation Limited: ₹108.70 crore (2011-12) due to disinvestment by the State Government. The State Government made investments in the shape of equity only and no grants/subsidy for meeting operational and administrative expenses were received from the State Government during this period. The PV of investments of the State Government up to 31 March 2020 worked out to ₹3,350.01 crore. The net earnings of these three SPSEs during the year 2019-20 was (-) ₹116.38 crore. Thus, the rate of real return for these SPSEs for the year 2019-20 was (-) 3.47 per cent. It could be seen that total earnings of the companies remained negative from 2010-11 onwards, which indicates that instead of generating returns on the invested funds, these companies were not able to even recover the cost of funds.

²³ Total Earning for the year depicts total of net earnings (profit/loss) for the concerned year relating to those three Power Sector SPSEs where funds were infused by State government.

²⁴ Includes disinvestment of ₹1,195.85 crore made by the State Government during 2011-12 and 2014-15.

1.6.2 Return on Investment on Historical Cost and Present Value of Investment

The State Government as on 31 March 2020 had invested ₹1,890.59 crore on historical cost basis. However, it is evident from the **Table-1.12**, the return on State Government investment in SPSEs remained negative in all years till 31 March 2020.

1.7 Implementation of UDAY (Ujwal DISCOM Assurance Yojana) Scheme

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

1.7.1 Financial Turnaround

The Government of Himachal Pradesh conveyed (18 August 2016) its ‘in principle’ consent to the Ministry of Power, Government of India to take benefit of the UDAY Scheme. Thereafter, tripartite Memorandum of Understanding (MoU) was signed on 8 December 2016 between the Ministry of Power, the Government of Himachal Pradesh and State DISCOM (Himachal Pradesh State Electricity Board Limited). As per provisions of UDAY Scheme and tripartite Memorandum of Understandings (MoU), out of total outstanding debt (₹ 3,854.00 crore) pertaining to the State DISCOM as on 15 September 2015, the Government of Himachal Pradesh took over total debt of ₹2,890.50 crore during 2016-17 by taking over the loan.

The amount of ₹ 2,890.50 crore which was provided by way of interest bearing loans under UDAY Scheme, is to be converted into 75 per cent grant and 25 per cent equity during 2020-21.

1.7.2 Achievement of operational parameters

The achievements *vis-a-vis* targets under UDAY Scheme regarding different operational parameters relating to the one State DISCOM (Himachal Pradesh State Electricity Board Limited) is given in **Table-1.13**.

Table-1.13: Parameter-wise achievements *vis-a-vis* targets of operational performance up-to 30 September 2020

Parameter of UDAY Scheme	Target under UDAY Scheme	Progress under UDAY Scheme	Achievement (in per cent)
Feeder metering (in Nos.)	Meters already installed		
Metering at Distribution Transformers (in Nos.)	-	-	-
Urban	Meters already installed		
Rural	7,921	865	10.92
Rural Feeder Audit (in Nos.)	Energy Audit already being done		
Electricity to unconnected household (in lakh Nos.)	0.18	0.67	372
Distribution of LED UJALA (in lakh Nos.)	Already distributed		
Aggregated Technical and Commercial (AT &C) Losses (in per cent)	12.75	9.47	100
Average Cost of Supply (ACS)- Average Realisable Revenue (ARR) - (₹ per unit)	(-) 0.05	0.03	92.38

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

The performance of the Power Sector SPSE was excellent in energy audit of rural feeders, electricity to unconnected households and in most important target of reduction

in aggregated technical and commercial losses and reduction in ACS-ARR gap, but it performed poorly in metering of distribution transformers (DTs) in rural areas.

The DISCOM paid interest of ₹683.34 crore, for the period February 2017 to March 2020, on the loans given by the GoHP under UDAY Scheme to discharge the loan liability due to other financial institutions and banks. The loans were extended by the GoHP at rates of interest ranging between 7.49 *per cent* and 8.19 *per cent* per annum.

CHAPTER - II

**FINANCIAL PERFORMANCE OF STATE
PUBLIC SECTOR ENTERPRISES
(OTHER THAN POWER SECTOR)**

CHAPTER-II

Financial Performance of State Public Sector Enterprises (Other than Power Sector)

2.1 Introduction

As on 31 March 2020, there were 25 State Public Sector Enterprises (Other than Power Sector) under the audit jurisdiction of the CAG. These State Public Sector Enterprises (SPSEs) include 19 Government Companies, two²⁵ Statutory Corporations and four²⁶ Government Controlled other Companies. Two companies²⁷ out of 19 Government Companies and one company²⁸ out of four Government Controlled other Companies are inactive. During the year 2019-20, two new SPSEs²⁹ (Other than Power Sector) were incorporated.

Financial performance of SPSEs is covered in this report and the nature of these SPSEs is indicated in **Table-2.1**.

Table-2.1: Coverage and nature of SPSEs covered in this report

Nature of the SPSEs	Total Number of SPSEs	Number of SPSEs covered in the Report				Total	Number of SPSEs of which first accounts were not received or under liquidation
		Accounts up to					
		2018-19	2017-18	2016-17	Accounts up to 2015-16 and previous years		
Government Companies	19	6	3	2	5	16	3 ³⁰
Statutory Corporations	2	1	1	0	0	2	0
Total:	21	7	4	2	5	18	3
Government Controlled other Companies	4	2	0	1	0	3	1 ³¹
Grant total	25	9	4	3	5	21	4

The names of all Government companies/ Government controlled other Companies and Statutory Corporations under the purview of CAG's audit along with month and year of incorporation, administrative department and brief description of activities being carried out by them are detailed in **Appendix-II**.

²⁵ Himachal Road Transport Corporation and Himachal Pradesh Financial Corporation.

²⁶ Dharamshala Smart City Limited, Himachal Consultancy Organisation Limited, Shimla Jal Prabandhan Nigam Limited and Himachal Worsteds Mills Limited (Inactive Company).

²⁷ Agro Industrial Packaging India Limited and Himachal Pradesh Beverages Limited.

²⁸ Himachal Worsteds Mills Limited.

²⁹ Sri Naina Devi Ji and Sri Anandpur Sahib Ji Ropeway Company Limited and Ropeway and Rapid Transport System Development Corporation HP Limited.

³⁰ Sri Naina Devi Ji and Sri Anandpur Sahib Ji Ropeway Company Limited, Ropeway and Rapid Transport System Development Corporation HP Limited and Shimla Smart City Limited.

³¹ Himachal Worsteds Mills Limited (Inactive Company).

This Report includes results of SPSEs (Other than Power Sector) based on their latest accounts received till 31 December 2020.

The SPSEs are controlled by the various Departments of the State Government. The position of SPSEs have therefore been divided and analysed as per these Departments (Sectors).

Summary of financial performance of SPSEs (Other than Power Sector) as per latest accounts finalised as of 31 December 2020

Number of SPSEs	25
SPSEs covered	25
Paid-up capital (25 SPSEs)	₹1,090.67 crore
Equity investment of Government of Himachal Pradesh (23 SPSEs)	₹1,056.24 crore
Long term loans (10 SPSEs)	₹431.63 crore
Consolidated profit/loss (19 SPSEs)	(-) ₹154.41 crore
Net profit (12 SPSE)	₹42.07 crore
Net loss (7 SPSEs)	(-) ₹196.48 crore
Number of SPSEs where excess of expenditure over income is reimbursed by the State Government or which have not prepared their profit and loss accounts/ first accounts so far	Six
Dividend declared/paid (03 SPSEs)	₹2.25 crore
Dividend not declared as per State Government policy (04 SPSEs)	₹1.34 crore
Total Assets	₹3,629.19 crore
Turnover	₹3,290.26 crore
Net worth	(-) ₹636.18 crore
Accumulated loss	₹1,726.85 crore

Source: As per latest finalized accounts.

The ratio of turnover of SPSEs (Other than Power Sector) to Gross State Domestic Product (GSDP) shows the contribution of activities of these SPSEs in the State economy. The **Table-2.2** below provides the details of turnover of the SPSEs (Other than Power Sector) and GSDP of Himachal Pradesh for a period of five years ending 31 March 2020.

Table-2.2: Details of turnover of SPSEs (Other than Power Sector) vis-a-vis GSDP of Himachal Pradesh (₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover of SPSEs (Other than Power Sector)	2,471.95	2,743.10	2,821.02	3,400.40	3,290.26
GSDP of Himachal Pradesh (at current prices)	1,14,239	1,25,634	1,38,351	1,53,845	1,65,472
Percentage of SPSE's Turnover to GSDP of Himachal Pradesh	2.16	2.18	2.04	2.21	1.99

Source: Compiled based on Turnover figures of all SPSEs (Other than Power Sector) Government of Himachal Pradesh.

The turnover of these SPSEs (Other than Power Sector) has remained stagnant from 2015-16 to 2018-19, but marginally decreased from ₹3,400.40 crore in 2018-19 to ₹3,290.26 crore in 2019-20. The increase in turnover ranged between 2.84 per cent and 20.54 per cent during the period 2015-19, but slightly decreased by 3.24 per cent during 2019-20 against previous year i.e., 2018-19. The increase in GSDP of the State ranged between 7.56 per cent and 11.20 per cent during 2015-20. The compounded annual growth is a useful method to measure growth rate over multiple time periods. The compounded annual growth of GSDP of Himachal Pradesh was 9.71 per cent during last five years. Against the compounded annual growth of 9.71 per cent of the GSDP, the turnover of SPSEs (Other than Power Sector) recorded lower compounded annual growth of 7.41 per cent during last five years. This resulted in decrease in share of turnover of these SPSEs to the GSDP from 2.16 per cent in 2015-16 to 1.99 per cent in 2019-20.

2.2 Investment in SPSEs (Other than Power Sector)

The position of these SPSEs has been analysed under categories based on the Departments under which they operate. Of the 25 SPSEs, the State Government invested funds only in 23 SPSEs and no funds were invested in two SPSEs³². The amount of investment in equity and loans in 23 SPSEs is detailed in **Appendix-III** and as at the end of 31 March 2020 is given in **Table 2.3**.

Table-2.3: Equity investment and loans in 25 SPSEs

(₹ in crore)

Sources of investment	As on 31 March 2019			As on 31 March 2020		
	Equity	Long Term Loan	Total	Equity	Long Term Loan	Total
Central Government	19.03	29.77	20.57	19.03	1.54	20.57
State Government	1,064.64	209.22	1,273.86	1,145.89	220.33	1,366.22
Central/ State Government Companies	6.18	0	6.18	6.18	63.57	69.75
Others	8.67	138.67	147.34	9.22	151.13	160.35
Total	1,098.52	377.66	1,476.18	1,180.32	436.57	1,616.89
Share of State Government to overall equity/loans (in per cent)	96.92	55.40	88.11	97.08	50.47	84.50

Source: Compiled based on information received from SPSEs (Other than Power Sector).

As on 31 March 2020, the total investment (equity and long-term loans) in all SPSEs (Other than Power Sector) was ₹1,616.89 crore and registered an increase of ₹140.71 crore over that of 31 March 2019. During 2019-20 the State Government made a significant equity investment in Himachal Road Transport Corporation (₹79.39 crore).

The long-term loans advanced by the State Government constituted 50.47 per cent (₹220.33 crore) of the total long-term loans and registered an increase of ₹11.11 crore over that of 31 March 2019.

The Government of Himachal Pradesh (GoHP) provides financial support to SPSEs

³² Himachal Consultancy Organisation Limited and Himachal Worsted Mills Limited.

(Other than Power Sector) in various forms through annual budget from time to time. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity in respect of SPSEs during the last three years ending March 2020 are given in **Table-2.4** below:

Table-2.4: Details of budgetary support to SPSEs (Other than Power Sector)

Particulars ³³	2017-18		2018-19		2019-20	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity Capital	2	50.80	3	62.85	4	81.25
Loans given	1	5.44	1	4.10	1	3.90
Grants/Subsidies provided	6	423.63	9	416.36	8	671.15
Total Outgo		479.87		483.31		756.30
Loan repayment written off	-	-	-	-	-	-
Loans converted into equity	-	-	-	-	-	-
Guarantees issued during the year	5	192.65	5	115.60	5	108.60
Guarantee Commitment/ Outstanding	5	277.98	1	0.60	6	196.24

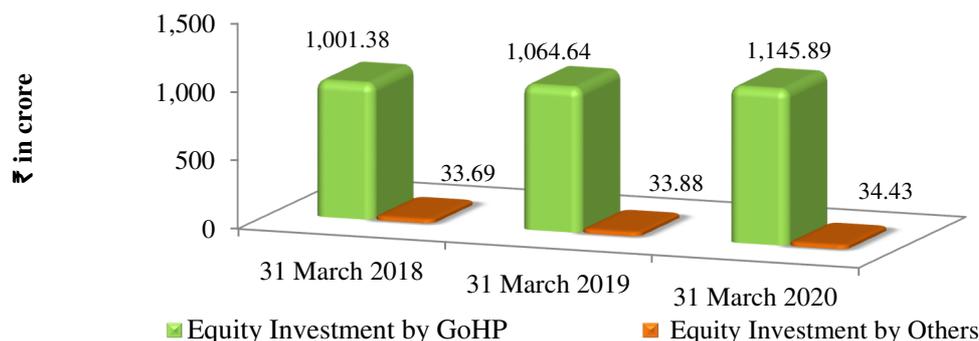
Source: Compiled based on information received from SPSEs (Other than Power Sector).

2.2.1 Investment in equity

During 2019-20, the total investment at face value of equity in all SPSEs (Other than Power Sector) registered a net increase of ₹81.25 crore as compared to 2018-19.

Investment in equity by the State Government and others during three years ended 31 March 2020 in these SPSEs (Other than Power Sector) is depicted in the **Chart-2.1**.

Chart-2.1: Investment as equity in SPSEs (Other than Power Sector)



Source: Compiled based on information received from SPSEs (Other than Power Sector).

As on 31 March 2020, there was an increase in total equity of ₹145.25 crore (₹144.51 by State Government) as compared to 2017-18 which was 14.03 per cent over that of 31 March 2018. However, equity investment by others during 2018-20 remained stagnant.

³³ Amount represents outgo from State Budget only.

Details of significant investments in equity capital (investment of more than ₹25 crore) made by the State Government as on 31 March 2020 in the paid-up capital of these SPSEs is given in **Table-2.5**.

Table-2.5: Significant investments made by the State Government

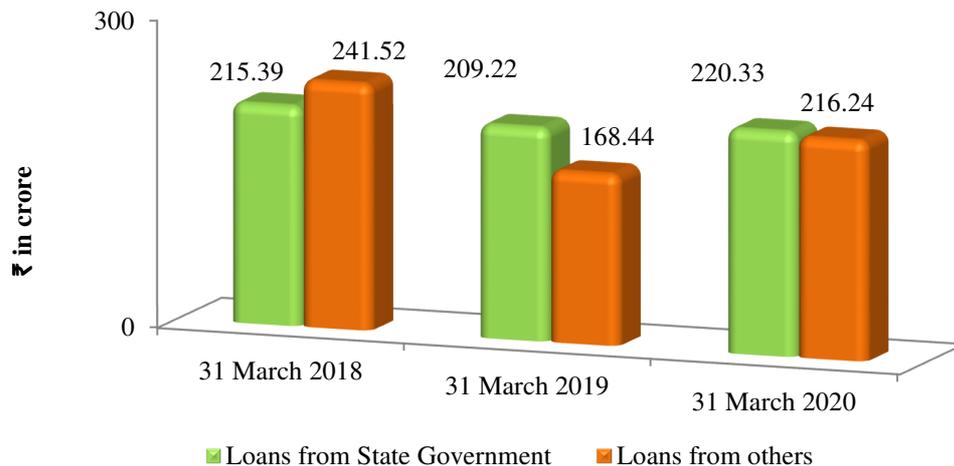
Name of the SPSEs	Name of the Administrative Department	Amount (₹ in crore)
Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Horticulture	31.20
Himachal Pradesh Financial Corporation	Industries	92.98
Himachal Pradesh Road & Other Infrastructure Development Corporation Limited	Public Works	25.00
Himachal Pradesh State Industrial Development Corporation Limited	Industries	30.82
Himachal Road Transport Corporation	Transport	842.10

2.2.2 Loans given to SPSEs

2.2.2.1 Computation of long-term loans outstanding as on 31 March 2020

The total long-term loans outstanding in all SPSEs (Other than Power Sector) from all sources as on 31 March 2020 was ₹436.57 crore. As on 31 March 2020, the long-term loans of these SPSEs registered a decrease of ₹20.34 crore over that of 31 March 2018. Year-wise details of outstanding long-term loans of SPSEs (Other than Power Sector) are depicted in **Chart-2.2**.

Chart-2.2: Outstanding long-term loans of SPSEs (Other than Power Sector) for the last three years ending 31 March 2020



Source: Compiled based on information received from SPSEs (Other than Power Sector).

As on 31 March 2020, the long-term loans advanced by the State government constituted 50.47 per cent (₹220.33 crore) of the total long-term loans whereas 49.53 per cent (₹216.24 crore) of the total long-term loans were availed from Government of India, financial institutions and others.

2.2.2.2 Adequacy of assets to meet loan liabilities

Ratio of total debt/loans to total assets is one of the methods used to determine whether a Company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts. The coverage ratio of long-term loans by value of total assets in 10 SPSEs which had outstanding loans as per their latest finalised accounts as on 31 December 2020 is given in **Table-2.6**.

Table-2.6: Coverage of long-term loans with total assets

Nature of SPSE	Positive Coverage			
	No. of SPSEs	Assets	Long Term Loans	Ratio of Assets to Loans
	(₹ in crore)			
Statutory Corporation	2	1,173.62	236.49	4.96:1
Government Companies	8	566.17	195.14	2.90:1
Total	10	1,739.79	431.63	4.03:1

Source: Compiled based on Annual Financial Statement of the SPSEs till 31 December 2020.

Out of the 10 SPSEs, in one inactive SPSE (Agro Industrial Packaging India Limited), the asset to loan ratio was less than one (0.02:1) as the value of total assets (₹1.33 crore) was lower than the outstanding loans (₹60.15 crore). The highest asset to loan ratio was for Himachal Pradesh State Electronics Development Corporation Limited (206.10:1) mainly due to lesser loan amount.

2.2.2.3 Interest Coverage Ratio

Interest coverage ratio (ICR) 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 ICR below one indicates that the company is not generating sufficient revenues to meet its expenses on interest. The details of positive and negative ICR of SPSEs during the period from 2017-18 to 2019-20 are given in **Table-2.7**.

Table-2.7: Interest Coverage Ratio

Year	Interest (₹ in crore)	EBIT (₹ in crore)	No of SPSEs	No. of SPSEs having ICR equal to or more than one	No. of SPSEs having ICR less than one
Statutory Corporations					
2017-18	29.86	(-) 100.77	2	0	2
2018-19	33.66	(-) 124.07	2	0	2
2019-20	27.52	(-) 132.78	2	0	2
Government Companies					
2017-18	5.19	13.23	10	8	2 ³⁴
2018-19	7.04	4.96	10	8	2 ³⁵
2019-20	7.90	(-)9.96	10	7	3 ³⁶

Source: Compilation based on accounts finalised by SPSEs (Other than Power Sector) as of 31 December 2020.

³⁴ Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited and Himachal Pradesh State Forest Development Corporation Limited.

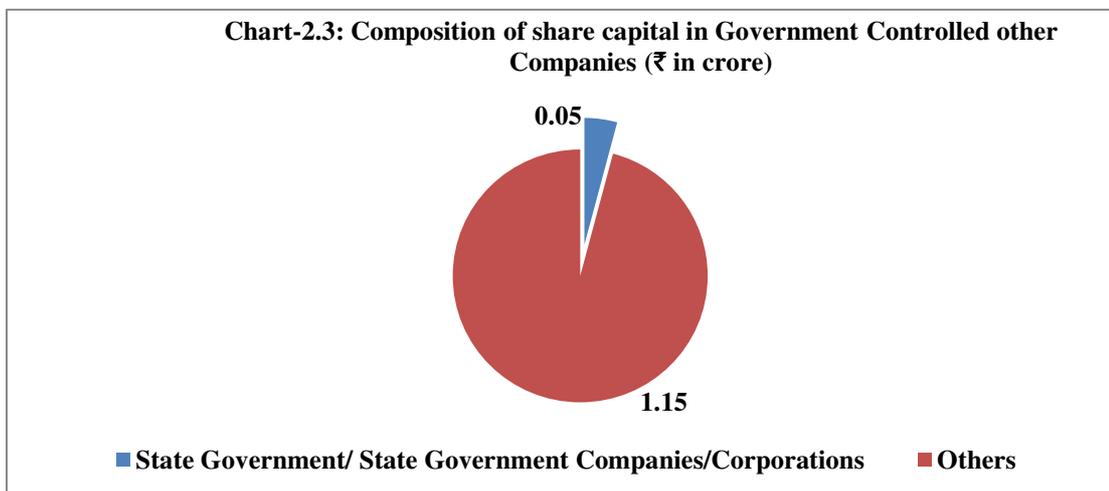
³⁵ Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited and Himachal Pradesh State Forest Development Corporation Limited.

³⁶ Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited, Himachal Pradesh State Forest Development Corporation Limited and Himachal Consultancy Organisation Limited.

EBIT of two SPSEs³⁴ remained less than their interest liabilities for all the three years under review.

2.2.2.4 Investment in Government Controlled other Companies

The capital invested by the State Governments and others in four³⁷ Government Controlled other Companies as on 31 March 2020 is depicted in **Chart-2.3**.



Source: Compiled based on information received from SPSEs (Other than Power Sector).

2.3 Return on investment in SPSEs

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 or net worth 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 shareholders if all assets were sold and all debts paid. A positive shareholders fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

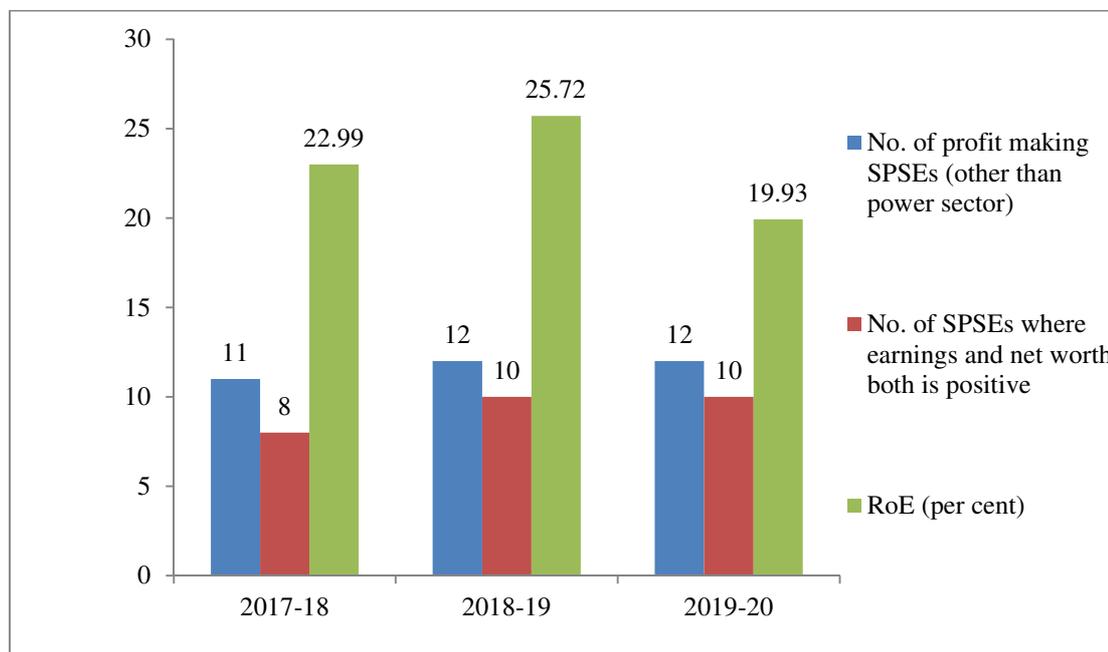
The number of SPSEs that earned profit (₹42.07 crore) was 12 out of 25 SPSEs and seven SPSEs incurred loss of ₹196.48 crore as per their latest finalised accounts as of 31 December 2020 as depicted in **Chart-2.4**. Six³⁸ SPSEs had either not prepared its

³⁷ Shimla Jal Prabandhan Nigam Limited, Dharamshala Smart City Limited, Himachal Consultancy Organisation Limited and Himachal Worsted Mills Limited.

³⁸ SPSEs which have not forwarded their first accounts : i) Shimla Smart City Limited, ii) Sri Naina Devi Ji and Sri Anandpur Sahib Ji Ropeway Company Limited and iii) Ropeway and Rapid Transport System Development Corporation HP Limited.
SPSEs whose excess expenditure is reimbursed by State : i) Dharmashala Smart City Limited, ii) Shimla Jal Prabandhan Nigam Limited and iii) Himachal Pradesh Road and Other Infrastructure Development Corporation Limited.

first accounts/profit and loss account or their excess of expenditure over income is reimbursed by the State Government.

Chart-2.4: Number of SPSEs earning profits and their RoE during last three years ending 31 March 2020



Source: Compiled based on accounts finalised by SPSEs (Other than Power Sector).

The two Government Companies which contributed maximum profit as per their latest finalised accounts as of 31 December 2020 are summarised in **Table-2.8**.

Table-2.8: Top two Government Companies which contributed maximum profit as per their latest finalised accounts as of 31 December 2020

Sr. No.	Name of profit earning SPSEs	Net profit earned (₹in crore)	Percentage of profit to total SPSEs' profit (₹42.07 crore) which earned profit (12 SPSEs) as per latest finalised accounts
1	Himachal Pradesh State Industrial Development Corporation Limited	13.90	33.04
2	Himachal Pradesh General Industries Corporation Limited	6.97	16.57
	Total	20.87	49.61

Source: Compiled based on Annual Financial Statement of the SPSEs till 31 December 2020.

Of the four Government Controlled other Companies, Himachal Consultancy Organisation Limited incurred loss as per their latest finalised accounts, Dharamshala Smart City Limited prepared its first financial statement for the year 2016-17 without profit and loss account, Himachal Worsted Mills Limited is inactive since 2000-01 and in respect of Shimla Jal Prabandhan Nigam Limited, excess of expenditure over income is reimbursable by the State Government.

2.3.1 Dividend Payout by SPSEs

The State Government had formulated (April 2011) policy that all profit making SPSEs (except those in welfare and utility sector) should pay a minimum return of

five per cent on the paid-up share capital contributed by the State government, subject to a ceiling of 50 per cent of the profit after tax. As per their latest finalised accounts as of 31 December 2020, 11 working SPSEs (Other than Power Sector) earned an aggregate profit of ₹32.58 crore (excluding inactive SPSE – Himachal Pradesh Beverages Limited) out of which only seven³⁹ SPSEs were eligible to declare dividend as per State Government policy, however, only three SPSEs declared/paid dividend of ₹2.25 crore and remaining four profit making SPSEs did not pay/provide dividend of ₹1.34 crore. The details of profit earned and dividend declared/paid and not paid by SPSEs is given in the **Table-2.9**.

Table-2.9 Profit earned and dividend declared by SPSEs as per their finalised accounts as of 31 December 2020

Category	No. of SPSEs	No. of SPSEs earned profit	No. of SPSEs which were eligible to declare dividend	Paid-up capital	Net profit after tax and interest	No. of SPSEs declared/paid dividend	Dividend declared/paid	No. of SPSEs declared/paid dividend	Dividend not declared/paid as per policy
				(₹ in crore)			(₹ in crore)		(₹ in crore)
SPSEs	25	11	7	85.61	28.28	3	2.25	4	1.34
Total	25	11	7	85.61	28.28	3	2.25	4	1.34

The Himachal Pradesh State Civil Supplies Corporation Limited declared/paid (₹0.35 crore) dividend to the State Government at the rate of 10 per cent on paid-up capital of ₹3.51 crore and Himachal Pradesh State Industrial Development Corporation Limited and Himachal Pradesh General Industries Corporation Limited paid dividend of ₹1.54 crore and ₹0.36 crore respectively at the rate of 5 per cent of paid-up capital. Four SPSEs⁴⁰ did not declare/pay dividend of ₹1.34 crore to the State Government as per their latest finalized accounts as of 31 December 2020.

It is recommended that the State Government may take up the matter regarding non-payment of dividend through its nominees on the Board of Directors.

2.3.2 Sector wise Return on Equity of SPSEs

Return on equity (RoE)⁴¹ is a measure of financial performance of SPSEs calculated by dividing net income by shareholders' equity. Sector wise RoE of SPSEs during three years ended 31 March 2020 is depicted in **Table-2.10**.

³⁹ Himachal Pradesh State Civil Supply Corporation Limited, Himachal Pradesh State Industrial Development Corporation Limited, Himachal Pradesh Agro Industries Corporation Limited, Himachal Pradesh Tourism Development Corporation, Himachal Pradesh State Electronic Development Corporation Limited, Himachal Pradesh Handicrafts and Handlooms Corporation Limited and Himachal Pradesh General Industries Corporation Limited.

⁴⁰ Himachal Pradesh Agro Industries Corporation Limited, Himachal Pradesh Tourism Development Corporation, Himachal Pradesh State Handicrafts and Handlooms Corporation Limited and Himachal Pradesh State Electronics Development Corporation Limited.

⁴¹ Return on Equity = (Net Profit after Tax and preference Dividend/Equity)*100 where Equity = Paid-up Capital+ Free Reserves– Accumulated Loss– Deferred Revenue Expenditure.

Table-2.10: Sector wise Return on Equity

Sl. No.	Sector	ROE during 2017-18	ROE during 2018-19	ROE during 2019-20
1	Agriculture	(-) 3.04	(-) 6.77	(-) 17.43
2	Finance	(-) 10.56	(-) 15.31	(-) 11.88
3	Infrastructure	17.52	18.66	13.07
4	Manufacturing	43.60	32.42	19.67
5	Services	(-) 21.64	(-) 20.87	(-) 24.87

Source: Compiled based on accounts finalised by SPSEs (Other than Power Sector).

2.4 SPSEs incurring losses

Details of SPSEs that incurred losses during last three years as per latest finalized accounts are given in **Table-2.11**.

Table-2.11: Number of SPSEs that incurred losses during last three years as of 30 September of 2018 and 2019 and as of 31 December 2020

Year	No. of SPSEs incurred loss	Net loss for the year	Accumulated Loss	Net Worth ⁴²
		(₹ in crore)		
Statutory Corporations (A)				
2017-18	2	100.77	1,280.47	(-) 510.41
2018-19	2	124.07	1,399.04	(-) 578.98
2019-20	2	160.30	1,553.84	(-) 674.78
Government Companies/Government Controlled other Companies (B)				
2017-18	5	5.66	217.25	(-) 148.12
2018-19	5	14.38	231.72	(-) 162.42
2019-20	5	36.18	267.85	(-) 198.55
Total (A+B)				
2017-18	7	106.43	1,497.72	(-) 658.53
2018-19	7	138.45	1,630.76	(-) 741.40
2019-20	7	196.48	1,821.69	(-) 873.33

Source: Compiled based on accounts finalised by SPSEs (Other than Power Sector).

Out of total loss of ₹196.48 crore incurred during 2019-20 by seven SPSEs, Himachal Road Transport Corporation reported loss of ₹154.80 crore. Besides this, loss of ₹34.43 crore is attributed to Himachal Pradesh State Forest Development Corporation Limited.

⁴² Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure Free Reserves means all reserves created out of Profits and share premium account.

2.4.1 Erosion of Net worth of SPSEs

Net Worth means the sum total of the paid-up capital and free reserves & surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The capital investment and accumulated losses of 25 SPSEs as per their latest finalized accounts were ₹1,090.67 crore and ₹1,726.85 crore respectively, resulting in negative net worth of ₹636.18 crore as detailed in **Appendix-I**. The following **Table-2.12** indicates total paid-up capital, total accumulated loss and net worth of SPSEs (Other than Power Sector) where the State Government has made direct investment for the period 2017-20.

Table-2.12: Net worth of SPSEs during 2017-20 as per their latest finalized accounts

(₹ in crore)				
Year	Paid up Capital at end of the year	Accumulated Loss (-) at end of the year	Deferred revenue Expenditure	Net Worth
2017-18	976.46	(-) 1,445.90	-	(-) 469.43
2018-19	1,038.41	(-) 1,553.07	-	(-) 514.66
2019-20	1,090.67	(-) 1,726.85	-	(-) 636.18

Source: Information as per latest accounts finalized by SPSEs.

During 2019-20, there were 10 SPSEs with accumulated losses of ₹1,876.11 crore as per their latest finalized accounts as of 31 December 2020. Of the 10 SPSEs, five SPSEs incurred losses as per their finalized accounts as of 31 December 2020 amounting to ₹195.99 crore and four SPSEs had not incurred loss, even though they had accumulated loss of ₹53.38 crore. Six out of 25 SPSEs were either newly incorporated (three) or their excess of expenditure over income is reimbursed by the State Government (three).

Net worth of eight out of 25 SPSEs had been completely eroded by accumulated losses. As per their latest finalized accounts, the net worth of these eight SPSEs was (-) ₹890.32 crore against equity investment of ₹969.73 crore and Government loans outstanding was ₹389.13 crore. Of these, two SPSEs⁴³ had earned profit of ₹1.48 crore. The net worth of two SPSEs⁴⁴ out of 25 SPSEs was less than half of their paid-up capital, indicating their potential financial sickness.

⁴³ Himachal Pradesh State Handicrafts and Handloom Corporation Limited and Himachal Pradesh Tourism Development Corporation.

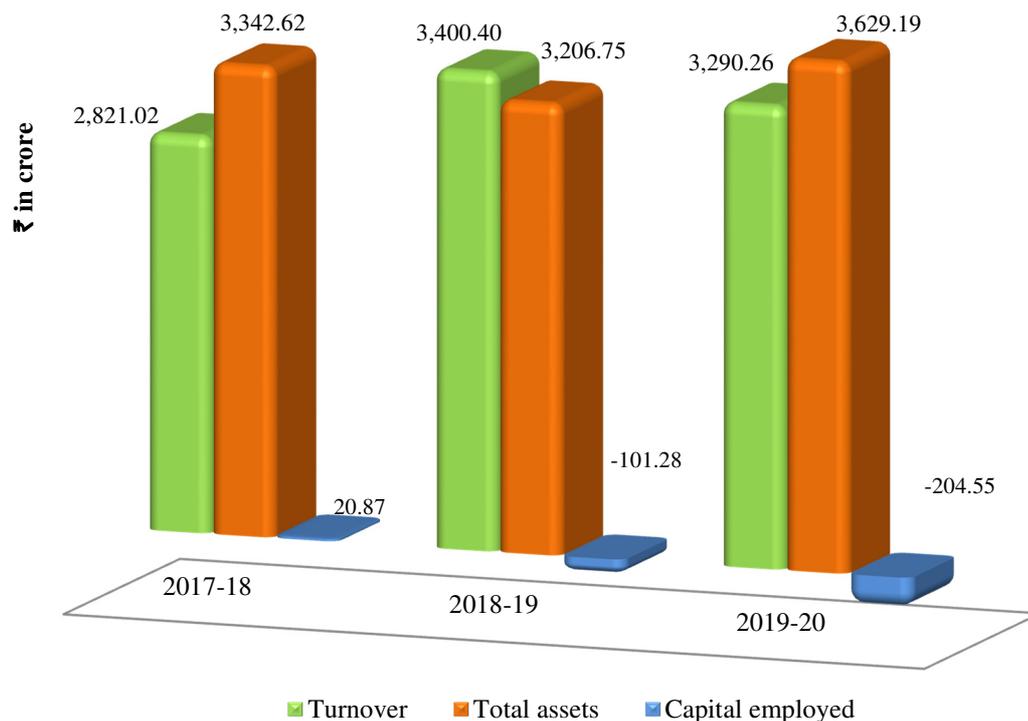
⁴⁴ Himachal Pradesh Minorities Finance and Development Corporation and Himachal Pradesh Agro Industries Corporation Limited.

2.5 Operating efficiency of SPSEs

2.5.1 Turnover, Assets and Capital Employed

The summary indicating turnover, total assets and capital employed of SPSEs over a period of three years⁴⁵ is depicted in the **Chart-2.5**.

Chart-2.5: Turnover, Total Assets and Capital Employed



Source: Information from SPSEs and accounts finalised by SPSEs (Other than Power Sector) as of 31 December 2020.

There was slight increase in turnover from 2017-18 to 2019-20. Total assets increased from ₹3,342.62 crore (2017-18) to ₹3,629.19 crore (2019-20) as detailed in **Appendix-I** and capital employed decreased year after year due to incurring the consolidated net losses by SPSEs during last three years.

2.5.2 Return on Capital Employed of SPSEs

Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed⁴⁶. The details of total ROCE of all the SPSEs (Other than Power Sector) during the period from 2017-18 to 2019-20 are given in **Table-2.13**.

⁴⁵ As per their latest finalised accounts as of 31 December 2020.

⁴⁶ 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 SPSEs (Other than Power Sector) are finalised.

Table-2.13: Return on Capital Employed of SPSEs (Other than Power Sector)

Year	Earnings before interest and tax	Capital Employed	Return on Capital Employed
	(₹ in crore)		(Per Cent)
2017-18	(-) 69.77	20.87	(-) 334.31
2018-19	(-) 84.69	(-) 101.28	NA
2019-20	(-) 103.11	(-) 204.55	NA

Source: Information as per latest finalised accounts.

The ROCE of all SPSEs (Other than Power Sector) was negative during 2019-20, primarily because of increase in accumulated losses of Himachal Road Transport Corporation and Himachal Pradesh State Forest Development Corporation Limited by ₹154.80 crore and ₹34.43 crore respectively.

2.5.3 Return on the basis of Present Value of Investment

In view of the significant investment made by the Government of Himachal Pradesh in 23 (except HIMCON and Himachal Worsted Mills Limited) SPSEs, Rate of Real Return (RORR) is essential from the perspective of the State Government. Traditional calculation of ROI 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 (PV) of money. Therefore, in addition, RORR is calculated considering the PV of investment.

To bring the historical cost of investments to its PV at the end of each year up to 31 March 2020, the past investments / year-wise funds infused by the GoHP in the all SPSEs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government, for the concerned year. Therefore, PV of the State Government investment in the shape of equity, interest free loans, grants / subsidies received for meeting out operational and administrative expenditure of these companies till 31 March 2020 was computed.

In order to bring the historical cost of investments to its PV at the end of each year up to 31 March 2020, the past investments/year wise funds infused by the State Government in the SPSEs were computed on the basis of following assumptions:

- Where interest free loans were given to the SPSEs and later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year.
- The average rate of interest on Government borrowings for the concerned financial year⁴⁷ was adopted as compounded rate for arriving at the PV since these represent the cost incurred by the Government towards

⁴⁷ *The average rate of interest on Government borrowings was adopted from the Reports of the Comptroller and Auditor General of India on State Finances (Government of Himachal Pradesh) 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.*

investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.

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

2.5.4 Rate of real Return (RORR) on the basis of Present Value of Investment

The Company wise position of State Government investment in the 23 SPSEs in the form of equity and loans since inception of these SPSEs till 31 March 2020 is indicated in **Appendix-2.1**. However, no interest free loans/interest free loans were converted into equity/grants/subsidies or disinvestments made by the State Government during this period.

The consolidated position of the PV of State Government investment in SPSEs (Other than Power Sector) from 1999-2000 to 2019-20 is indicated in **Table-2.14**.

Table-2.14: Year wise details of investment made by the State Government and present value (Real Return) of Government investment for the period from 1999-2000 to 2019-20

(₹ in crore)

Year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Net Interest free loans given by the State Government during the year	Interest free loans converted into equity during the year	Grants/subsidies given by State Government for operational and administrative expenditure	Disinvestment by the State Government during the year at face value	Total investment during the year	Total investment at the end of the year	Weighted Average rate of interest on Government borrowings (in per cent)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year	Return on Investment
A	B	C	D	E	F	G	H	I	J	K	L	M	N
							H=C+D-E+F-G	I=B+H		K=I*(1+J/100)	L=I*J/100		N=M/K*100
Up-to 1999-2000	-	300.04	0.49	-	-	-	300.53	300.53	8.83	327.07	26.54	-	-
2000-01	327.07	32.48	1.51	-	-	-	33.99	361.06	10.15	397.71	36.65	-49.50	-
2001-02	397.71	13.01	-	-	-	-	13.01	410.72	11.06	456.15	45.43	-36.70	-
2002-03	456.15	12.43	-	-	-	-	12.43	468.58	10.37	517.17	48.59	-29.19	-
2003-04	517.17	28.60	-	-	-	-	28.60	545.77	10.98	605.70	59.93	-31.10	-
2004-05	605.70	16.06	-	-	-	-	16.06	621.76	10.60	687.66	65.91	-43.44	-
2005-06	687.66	13.59	0.15	-	-	-	13.74	701.40	9.20	765.93	64.53	-30.72	-
2006-07	765.93	14.30	-	-	-	-	14.30	780.23	9.40	853.57	73.34	-62.08	-
2007-08	853.57	38.31	2.25	-	-	-	40.56	894.13	9.09	975.41	81.28	-46.66	-
2008-09	975.41	53.97	-0.10	-	-	-	53.87	1,029.28	9.19	1,123.87	94.59	-33.88	-
2009-10	1,123.87	117.16	-	-	-	-	117.16	1,241.03	8.59	1,347.64	106.60	-55.92	-
2010-11	1,347.64	34.61	-	-	-	-	34.61	1,382.25	7.78	1,489.79	107.54	-38.15	-
2011-12	1,489.79	26.94	9.50	-	-	-	36.44	1,526.23	7.80	1,645.27	119.05	-72.06	-
2012-13	1,645.27	45.76	5.00	-	-	-	50.76	1,696.03	8.08	1,833.07	137.04	-88.46	-
2013-14	1,833.07	67.49	2.54	-	-	-	70.03	1,903.10	7.71	2,049.83	146.73	-112.41	-
2014-15	2,049.83	44.93	-	-	-	-	44.93	2,094.76	7.91	2,260.46	165.70	-98.97	-
2015-16	2,260.46	43.27	14.54	-	-	-	57.81	2,318.27	7.95	2,502.57	184.30	-175.83	-
2016-17	2,502.57	48.04	10.07	-	-	-	58.11	2,560.68	7.60	2,755.29	194.61	23.85	0.87
2017-18	2,755.29	50.80	8.00	-	-	-	58.80	2,814.09	7.71	3,031.06	216.97	-84.08	-
2018-19	3,031.06	62.85	10.00	-	-	-	72.85	3,103.91	8.32	3,362.15	258.24	-100.71	-
2019-20	3,362.15	81.25	-	-	114.89	-	196.14	3,558.29	7.97	3,841.89	283.60	-154.41	-
Total:	1,145.89	63.95	-	-	114.89	-	1,324.73	-	-	-	2,517.17	-	-

Source: Statistical information received from SPSEs and as per latest finalised accounts.

The present value of investment of the State Government in these SPSEs at the end of 2019-20 increased to ₹3,841.89 crore from ₹300.04 crore in 1999-2000 as the State Government made investments in shape of equity was ₹1,145.89 crore and grants/subsidy for meeting operational and administrative expenses amounting to ₹114.89 crore and interest free loans of ₹63.95 crore. Total earnings for the all the years remained negative or below the minimum expected return to recover cost of funds infused in these SPSEs. From 1999-2000 to 2019-20, the SPSEs earned profit (₹23.85 crore) only during 2016-17 and these SPSEs incurred losses in the rest of financial years.

2.5.5 Return on Investment on Historical Cost and Present Value of Investment

The State Government as on 31-03-2020 had invested ₹1,324.73 crore on historical cost⁴⁸ basis. There was only positive return during 2016-17. The Return on Investment at historical cost for 2016-17 was 2.39 *per cent* while on present value the same was 0.87 *per cent*.

2.6 Winding up of inactive SPSEs

Three of the 25 SPSEs were inactive companies having a total investment of ₹19.64 crore (₹17.72 crore in Agro Industrial Packaging India Limited, ₹0.92 crore in Himachal Worsteds Mills Limited and ₹one crore in Himachal Pradesh Beverages Limited) as on 31 March 2020. The number of inactive SPSEs at the end of each year, during last five years ended 31 March 2020, is given in **Table-2.15**.

Table-2.15: Inactive SPSEs

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Number of inactive SPSEs	2	2	2	3	3

Source: *Compiled from the information included in Audit Reports on PSUs (Economic Sector), GoHP of respective years.*

The Himachal Worsteds Mills Limited has been under liquidation since 2000-01 while the liquidation process in respect of Himachal Pradesh Agro Industrial Packaging India Limited and Himachal Pradesh Beverages Limited is yet to be initiated. The State Government may take appropriate decision regarding winding up of these inactive SPSEs.

⁴⁸ *Historical cost of investment for a year is the cumulative total of funds infused by State Government in form of equity and grants/subsidies for operational and administrative expenditure.*

CHAPTER - III
OVERSIGHT ROLE OF CAG

CHAPTER-III

Oversight Role of CAG

3.1 Audit of State Public Sector Enterprises

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

3.2 Appointment of Statutory Auditors of SPSEs by CAG

Section 139 (5) of the Companies Act, 2013 provides that the Statutory Auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. The Statutory Auditors of the above Companies for the year 2019-20 were appointed by the CAG between August 2019 and January 2020 as per detail given in **Appendix-3.1**.

3.3 Submission of accounts by SPSEs

3.3.1 Need for timely submission

According to Section 394 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of State.

Section 96 of the Companies Act, 2013 requires every Company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including Directors of the Company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013. Despite the above, annual accounts of various SPSEs were pending as on 31 December 2020, as detailed in the following paragraph.

3.3.2 Timeliness in preparation of accounts by Government Companies and Government Controlled Other Companies

As of 31 March 2020, there were 22 Government Companies, five⁴⁹ Government Controlled Other Companies under the purview of CAG's audit. Of these, accounts for the year 2019-20 were due from all Companies except Himachal Worsteds Mills Limited, which was under liquidation since 2000-01. A total of 10 Government Companies and three Government Controlled Other Companies submitted 14 annual accounts⁵⁰ for audit by CAG on or before 31 December 2020, however, no Government Companies/Government Controlled Other Companies submitted their accounts for audit for the financial year 2019-20 on or before 31 December 2020. Accounts of all Companies were in arrears for various reasons as of 31 December 2020. The HPGIC was listed on the Delhi Stock Exchange (DSE). However, on the request of the Company (1994) and recommendation of DSE the Security and Exchange Board of India (SEBI) accorded (September 2002) consent for delisting the Company. However, the process of delisting the Company is still in progress.

Details of arrears in submission of accounts of 27 (Government Companies: 22 and Government Controlled Other Companies: five) are given in **Table-3.1** below:

Table-3.1 Showing the detail of number of Companies, accounts finalised and accounts in arrear as of 31 December 2020

Particulars	Government Companies (22)	Government Controlled Other Companies (5)	Total (27)
Total number of Companies under the purview of CAG's audit as on 31.03.2020	22	5	27
Number of accounts in arrears as on 01.10.2019	41	6	47
Less: Company under liquidation since 2000-01	-	1	1
Number of accounts of Companies which became due on 31.12.2020 (2019-20)	22	4	26
Total number of accounts due for audit	63	10	73
Number of companies which presented the accounts for CAG's audit from 01 October 2019 to 31 December 2020	10	3	13
Number of accounts finalised	11	3	14
Number of accounts in arrears as on 31 December 2020	52	7	59
Less Under liquidation Company (Himachal Worsteds Mills Limited)	-	1 (2001-02)	-
Age-wise analysis of arrears of accounts as on 31 December 2020			
One year	10 (10)	2(2)	12 (12)
Two and three years	7 (16)	2(5)	9 (21)
More than three years	5* (26)	-	5 (26)
Total	22 (52)	4 (7)	26 (59)

**Himachal Backward Classes Finance and Development Corporation, Himachal Pradesh Mahila Vikas Nigam, Himachal Pradesh Minorities Finance and Development Corporation, Himachal Pradesh Tourism Development Corporation and Agro Industrial Packaging India Limited.*

The names of these companies whose accounts are in arrears indicated in **Appendix-3.2**.

⁴⁹ *Himachal Consultancy Organisation Limited, Himachal Pradesh Power Corporation Limited, Dharamshala Smart City Limited, Himachal Worsteds Mills Limited and Shimla Jal Prabandhan Nigam Limited.*

⁵⁰ *Two annual accounts received from Himachal Pradesh Kaushal Vikas Nigam (2017-18 and 2018-19).*

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

The matter of arrears of accounts has been taken up with the respective Administrative Department/Companies. However, there were still five Companies whose accounts were in arrears for more than three years.

It is therefore recommended that the annual accounts should be prepared and finalised within prescribed time.

3.3.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of Statutory Corporations is governed by their respective legislations. Out of the two Statutory Corporations⁵¹, CAG is the sole auditor for Himachal Road Transport Corporation. In respect of Himachal Pradesh Financial Corporation (HPFC), the audit is conducted by Chartered Accountants and supplementary audit is conducted by CAG. Accounts of one Statutory Corporation (HRTC) for the year 2018-19 were submitted for audit as on 31 December 2020. The accounts of HPFC for the year 2018-19 and 2019-20 and of HRTC for the year 2019-20 were awaited for audit as on 31 December 2020.

3.4 CAG's oversight - Audit of Accounts and Supplementary audit

3.4.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provisions relating to accounts in the Act governing such Corporations.

3.4.2 Audit of accounts of Government Companies by Statutory Auditors

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

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

- To issue directions to the Statutory Auditors under Section 143 (5) of the Companies Act, 2013; and

⁵¹ Himachal Road Transport Corporation and Himachal Pradesh Financial Corporation.

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

3.4.3 Supplementary Audit of accounts of Government Companies

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity. The Statutory Auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under Section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and sub directions given by the CAG. The Statutory Auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013. The certified accounts of selected Government Companies along with the report of the Statutory Auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the Annual General Meeting.

3.5 Result of CAG's oversight role

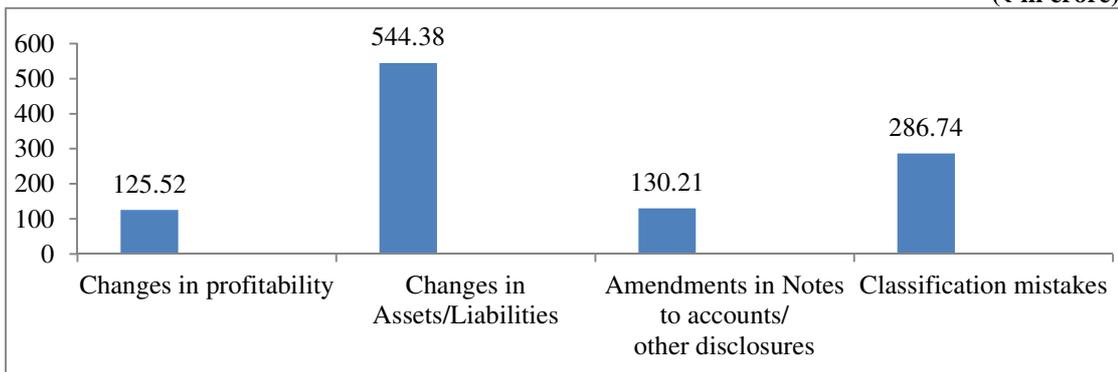
3.5.1 Audit of accounts of Government Companies/ Government Controlled Other Companies under Section 143 of the Companies Act, 2013

No financial statements for the year 2019-20 were received for audit from 22 Government Companies and four Government Controlled Other Companies by 31 December 2020. However, of these, accounts of ten Government Companies and three Government Controlled Other Companies which were in arrears were reviewed in audit by the CAG.

CAG reviewed 14 accounts (two accounts were reviewed in respect of one SPSE i.e., Himachal Pradesh Kaushal Vikas Nigam) of 13 Government Companies/Government Controlled Other Companies for the years 2015-16 (1), 2016-17 (1), 2017-18 (3) and 2018-19 (9). The results of the review are detailed below:

(i) Result of Supplementary Audit

As a result of Supplementary Audit conducted in 13 SPSEs as indicated in **Appendix-3.3**, a number of quantitative as well as qualitative changes were made by the SPSEs in their financial statements which led to improvement in the quality of their financial statements. The effect of qualification made during Supplementary Audit of financial statements of these SPSEs is depicted in **Chart-3.1**.

Chart-3.1: Showing the details of value addition made by CAG during Supplementary Audit of financial statements finalised from 1 October 2019 to 31 December 2020.(**₹ in crore**)

(ii) Significant comments of the CAG issued as supplement to the Statutory Auditors' reports on Government Companies/Government Controlled Other Companies

The CAG conducted supplementary audit of the financial statements of the Government Companies and Government Controlled Other Companies subsequent to the audit of the financial statements (received during the period from 01 October 2019 to 31 December 2020; for the years up to 2018-19) by Statutory Auditors. Comments were issued to the Management in respect of all SPSEs of whom the financial statements were audited by CAG. Some of the significant comments issued have been given in **Table-3.2**.

Table-3.2: Significant comments issued

Sr. No.	Name of the SPSEs	Comments
Comments on Profitability		
1	Himachal Pradesh State Forest Development Corporation Limited (2016-17)	<p>Payables to Forest Department and Loss were understated by ₹4.88 crore due to non-provisioning of interest on royalty and extension fees.</p> <p>The Loss and Payables to Forest Department were overstated by ₹9.24 crore mainly due to:</p> <ul style="list-style-type: none"> • Not writing back of ₹2.89 crore payable to Forest Department outstanding since last 20 years; and • Excess provisioning of ₹6.35 crore on account of timber and resin royalty in respect of FWD, Shimla. <p>Retirement benefits of ₹10.91 crore in respect of 283 employees of four units have not been provided on account of earned leave credited in their account up to 31 March 2017. This resulted in understatement of 'Short Term Provisions' and 'Loss' by ₹10.91 crore.</p>
2	Himachal Pradesh State Electricity Board Limited (2017-18)	<p>There was short accounting of profit by ₹11.09 crore due to less booking of GPF interest earned (₹71.16 crore instead of ₹82.25 crore). This also resulted in understatement of Other Equity.</p> <p>Indian Accounting Standard-8 states that an entity shall correct material prior period errors retrospectively by restating the comparative amounts for the prior period(s) in the most recent financial statements. The Company had recoverable amounts pertaining to 2008-2012. However, the Company has not modified its prior period figures resulting in overstatement of profit for the year 2017-18 by ₹12.78 crore.</p>

		<p>Overstatement of Profit and understatement of 'Trade payable – Purchase of Power' by:</p> <ul style="list-style-type: none"> • ₹12.15 crore due to non-accounting of cost of power and payable to Government of Himachal Pradesh. • ₹1.21 crore due to non-provisioning for Local Area Development Fund contribution payable to Government of Himachal Pradesh, being one <i>per cent</i> of total generation from its 19 hydel projects. <p>Sundry Debtor and Profit was overstated by ₹42.75 crore due to non-writing back of Financial Assets-Trade Receivables from Government of Himachal Pradesh on account of handling charges. The Company had the information before approval (19 July 2019) of financial statements regarding impairment in value of above recoverable due to non-existence of provisions in relevant regulation for levy of such charges and rejection of claims thereof also by State Government, as such this should have been written back.</p>
3	Himachal Pradesh Kaushal Vikas Nigam, (2018-19)	The Nigam, considered interest income of ₹1.01 crore and ₹2.51 crore earned on unutilised amount of Grant during 2017-18 and 2018-19 respectively, as its own income resulting in overstatement of 'Excess of Income Over Expenditure' by ₹2.51 crore and 'Reserves and Surplus – General Reserves' by ₹1.01 crore and understatement of 'Other Current Liabilities-Unspent Grant in Aid' by ₹3.52 crore.
4	Himachal Pradesh Power Transmission Corporation Limited (2018-19)	The Current Liabilities and Loss were understated by ₹2.78 crore on account of delayed payment of surcharge of ₹20.77 crore payable to Power Grid Corporation of India Limited during the year 2018-19.
5	Himachal Pradesh Power Corporation Limited (2017-18)	In terms of Ind AS 23, interest on borrowings during hindrance period of work (due to labour unrest, public hindrances etc.) shall be charged to Profit and Loss Account. During 2017-18, there was hindrance of 105 days due to workers strike in Shongtong Hydel Electric Project. Accordingly, interest for the period amounting to ₹10.41 crore was to be accounted as "Finance cost" under "Profit & Loss Account" but the same was not done. Thus, 'Loss' was understated and 'Capital Work-in-Progress' was overstated by ₹10.41 crore.
Comments on Financial Position		
1	Himachal Pradesh State Forest Development Corporation (2016-17)	The Current Assets -Inventories as well as Payables to Forest Department were understated by ₹64.36 lakh due to non-inclusion of royalty payable to Forest Department, which were designated lots for the year 2016-17. Although the possession of these lots had been taken over during 2015-17, but it was not accounted for in the books of accounts.
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (2018-19)	The 'Capital Work In Progress' and 'Sundry Creditors' were understated by ₹3.80 crore due to non-accounting of service bills received from various parties for service rendered/hosting charges/disaster recovery services for implementing 'HPMC Process Automation Project' for the period from January 2018 to March 2019.
3	Himachal Pradesh Agro Industries Corporation Limited (2018-19)	The Company had not created provisions for retirement benefits (leave encashment and gratuity) as per requirement specified under AS-15 ⁵² "Employee benefits". Non-provisioning of above liability resulted in understatement of 'Other Current Liabilities' and negative figures of 'Surplus' by ₹4.03 crore.

⁵² As per paragraph 53 of AS 15, an entity should account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any other obligation that arises from the enterprise's informal practice.

4	Himachal Pradesh State Electricity Board Limited (2018-19)	Amount recoverable from Lok Mitra Kendras (LMKs)/Sugam centre was understated by ₹22.04 crore due to non-accounting of sale of power (₹11.89 crore) and liquidated damages (₹10.15 crore). The error had occurred due to crediting the above head by ₹22.16 crore and debiting Inter-unit transaction by the same amount. An amount of ₹10.26 crore had been paid by the company to a contractor in an arbitration award. The liability materialised through arbitration award dated 18.10.2016 instructing Company to pay the above award amount to the party. However, provision for this liability was not created and is still being shown as deposit with Court. This resulted in overstatement of Deposit with Hon'ble High Court and Other Equity by ₹10.26 crore.
5	Himachal Pradesh Power Transmission Corporation Limited (2018-19)	Capital Work in Progress as well as Current Liabilities were understated by ₹1.78 crore due to non-inclusion of price variation payable for construction of 400/220/66 KV GIS (Gas Insulated Sub-Station), Wangtoo to L&T Construction Power Transmission and Distribution for the period from July 2018 to March 2019.
6	Himachal Pradesh Power Corporation Limited (2017-18)	The Other Financial Liabilities and Capital-Work-in-Progress was understated by ₹2.82 crore due to non-accounting of excavation bills (Revised) for civil works of Shongtong-Karcham Hydel Electric Project.
7	Shimla Jal Prabandhan Nigam Limited (19.06.2018 to 31.03.2019)	The Company was incorporated in June 2018. All the assets and liabilities relating to water supply and sewerage system were to be transferred to the Company. The Company has accounted the receivable (₹8.22 crore) from water bills issued by Shimla Municipal Corporation prior to June 2018 as payable to Government of Himachal Pradesh which should have been treated as income of the Nigam. This has resulted in overstatement of 'Current Liabilities' and understatement of 'Reserve and Surplus' by ₹8.22 crore. Tangible Assets was understated by ₹9.25 crore (after deducting of depreciation of ₹0.08 crore) during 2018-19. The Company incurred an expenditure of ₹10.35 crore on laying of gravity pipe from Craignano to Dhalli and completed the work (December 2018). Instead of treating the whole expenditure as of capital nature, only ₹1.02 crore was capitalized and the remaining expenditure of ₹9.33 crore was wrongly charged off as O&M expenses. This resulted in overstatement of 'Revenue from Operations' and 'Expenses-Operation & Maintenance' by ₹9.33 crore and consequently, also understatement of 'Fixed Assets- Tangible Assets' and 'Reserve and Surplus- Capital Reserves' by ₹9.25 crore.
8	Beas Valley Power Corporation Limited (2018-19)	As per Hydro Power Policy, 2006, 1.5 per cent of the total cost of project in respect of 5 MW projects or above shall be contributed towards Local Area Development Fund (LADF). Total expenditure of UHL, Stage-III, Hydro Electric Project (HEP) was ₹1,746.34 crore and accordingly proportional contribution towards LADF should have been ₹26.20 crore. However, the Company had expended ₹16.19 crore and kept a provision of ₹3.03 crore towards LADF. Thus, Current Liabilities and Capital Work in Progress were understated by ₹6.98 crore.
Comments on Disclosure		
1	Himachal Pradesh Mahila Vikas Nigam (2015-16)	The Nigam in its Accounting Policies has stated that Cash Flows were reported using indirect method, whereby net surplus is adjusted for the effects of transactions of non-cash nature. The cash flows from operating investing and financing activities of the Nigam were segregated on the basis of available information; however, no such Cash Flow Statement was prepared for the year 2015-16.

2	Himachal Pradesh State Electricity Board Limited (2017-18)	<p>The Company made incorrect disclosures on :</p> <ul style="list-style-type: none"> • Amount due under ADB loan (₹8.40 crore instead of ₹12.90 crore) as on 31 March 2018, • Provision for interest against ADB loan (mentioned 'no provision made' though provision for ₹1.15 crore was created). <p>The Company has not disclosed separately writing off losses (₹18.44 crore) against power house material damaged in fire incident at Bhaba Power House on 22.01.2015.</p>
3	Shimla Jal Prabandhan Nigam Limited (19.06.2018 to 31.03.2019)	<p>The following facts were not disclosed in the accounts:</p> <ul style="list-style-type: none"> • Completed works (nine nos.) valuing ₹14.77 crore being utilized by the Nigam without their formal transfer, and • Works in progress (16 nos.) of ₹143.63 crore are yet to be transferred. • Employees' expense of ₹11.02 crore deployed on secondment basis were not borne by the Nigam. <p>In contravention to the accounting policy, for the assets created between 2005-06 and 2008-09, The Company has not provided depreciation for the assets created between 2005-06 to 2008-09 (prior to date of its incorporation). The non-providing of depreciation on assets from the date of its completion resulted in overstatement of 'Capital Reserve' and 'Fixed Assets' by ₹136.34 crore.</p>
4	Beas Valley Power Corporation Limited (2018-19)	<p>Enhancement in expenditure (by ₹12.77 crore) on the project UHL-III, HEP due to overrun charges payable to the contractor was not disclosed in Notes to Accounts.</p>
Comments on Independent Auditor's Report		
1	Himachal Pradesh State Forest Development Corporation Limited (2016-17)	<p>The following discrepancies were noticed in the Statutory Auditor's Report:</p> <ul style="list-style-type: none"> • The shortfall in demand raised by LIC for employee Group gratuity scheme was mentioned as ₹75.22 crore instead of ₹76.72 crore, • It was mentioned that the demand was based on Gratuity limit of ₹10 lakh instead of revised limit of ₹20 lakh. However, the revised limits were applicable for employees retiring on or after 29 March 2018. • Non providing of royalty amount under lot 2013-14 was reported twice resulting in overstatement of impact reported by Statutory Auditor by ₹93.45 lakh. <p>In the report, incorrect estimation (₹57.42 lakh instead of ₹92.98 lakh) was reported on excess provisioning by Company on resin royalty.</p>
2	Himachal Pradesh State Electronics Development Corporation Limited (2018-19)	<p>The Statutory Auditor's statement that the title deeds of immovable properties are in favour of the Company was not correct. The accommodation in the newly constructed building at Mehli, was allotted (September 2013) by the State Government and possession was with the Company, but title deed of the same was still not in the name of the Company.</p>
3	Himachal Pradesh Kaushal Vikas Nigam, Shimla (2017-18)	<p>The Statutory Auditor had commented that there was no diversion of grant received during 2017-18. Audit noticed that capital grant of ₹4.00 crore was diverted for revenue expenditure during the year 2017-18.</p>

3.5.2 Impact of CAG's comments

Subsequent to the audit of the financial statements by statutory auditors, the CAG conducted supplementary audit of the financial statements of the State Government Companies and Government Controlled Other Companies. Significant comments issued on financial statements of State Government Companies, the net financial impact of which on the profitability was ₹125.52 crore⁵³ and on assets/liabilities ₹544.38 crore.

3.5.3 Statutory corporations where CAG is the sole auditor

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

Sr. No.	Name of the SPSEs	Comments
Comments on Profitability		
1	Himachal Road Transport Corporation (2018-19)	<p>Against an amount of ₹12.38 crore payable on account of Haryana State Road Tax (HSRT) the Corporation had made payment of ₹10.55 crore as on 31.03.2019 and no provision on account of balance amount of ₹1.83 crore was made. This resulted in understatement of Passenger and Goods Tax –Haryana Govt. Tax as well as Loss by ₹1.83 crore.</p> <p>Provisions were not created for Interim Relief of ₹1.39 crore released by State Government from time to time and payable to employees of the Corporation;</p> <p>'Misc. Liabilities-Pension Fund Trust' and 'Loss' was understated by ₹30.42 crore due to short provisioning (₹25.58 crore instead of ₹56.00 crore) of arrears of pension payable to retired employees of the Corporation.</p> <p>The 'Loss' was understated and Fixed Assets -Vehicles' were overstated by ₹1.50 crore due to short charging of depreciation on vehicles.</p> <p>The Passenger Income was overstated by ₹2.76 crore due to incorporation of passenger accident insurance received from passengers in addition to fare. The Board of Directors decided (January 2010) to create Passenger Accident Insurance Fund; hence each unit of the Corporation was to maintain a separate account. However, the Corporation has included the insurance charges collected from the passengers in its income. This also resulted in understatement of 'Passenger Accident Insurance Income' by same amount.</p>
Comments on Financial Position		
		<p>Amount Recoverable from BSMDA and Current Liabilities were understated by ₹45.41 lakh due to netting of expenditure incurred by the Corporation on behalf of Himachal Pradesh City Transport and Bus Stands Management and Development Authority (HPCTBSMDA), Shimla and adjusted the same against recoverable from Authority.</p> <p>The Amount Recoverable from Pension Fund (Trust) was overstated and 'Amount Recoverable from GPF Trust' was understated by ₹2.04 crore due to misclassification of account head.</p>
Notes to Accounts		
		<p>The Corporation had depicted ₹20.86 crore recoverable from-BSMDA under the head 'Current Assets', whereas the HPCTBSMDA had accepted only ₹18.06 crore as per their accounts approved by the Board of Directors for the same year. As such, there was difference of</p>

⁵³ Overstatement: {Profit (₹74.19 crore) and Loss (₹20.57 crore)} and understatement: {Loss (₹19.24 crore) and Profit (₹11.52 crore)}.

	<p>₹2.80 crore. This being a material fact, should have been disclosed suitably by way of Note to Accounts.</p> <p>The Corporation had stated in their notes that amount recoverable from Railway Department pertaining to 1981-2005 in respect of Solan: ₹0.81 lakh, Mandi: ₹0.68 lakh and Kullu: ₹3.67 lakh had been treated as bad debts owing to non-availability of record but the Equity stands with the Corporation. Hence, amount recoverable was disclosed here to reconcile the same as and when question of settlement of equity arises. The statement was incorrect, as no equity of Railway Department Stands with the Corporation, hence Notes to Accounts was deficient to that extent.</p>
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3.6 Non-compliance with provisions of Accounting Standards/Ind AS

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

The Statutory Auditors reported that eight companies did not comply with mandatory Accounting Standards/Ind AS as detailed in **Appendix-3.4**.

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

Accounting Standard/Ind AS	Name of the SPSEs	Deviation
Ind AS- 8: Accounting Policies, Change in the Accounting Estimates and Errors	Himachal State Electricity Board Limited (2017-18)	Non correction of one prior period material errors.
Ind AS -36: Impairment of Assets	-do-	Non-disclosure for each class of property, plant and equipment impairment losses recognised in the Profit & Loss.
AS- 3: Cash Flow Statements	Himachal Pradesh Mahila Vikas Nigam (2015-16)	Non-attachment of cash flow statement.
AS- 10: Property, Plant and Equipment	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Non-disclosure of assets retired from active use and held for disposal.
AS- 15: Employee benefits	Himachal Pradesh Agro Industries Corporation Limited	The Company has disclosed in notes to accounts that retirement benefits were considered at the time of retirement/ resignation/ death which was in contravention of AS 15.

3.7 Management Letters

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

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

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

During the year, Management Letters were issued to one SPSE (Himachal Pradesh General Industries Corporation Limited) and one Statutory Corporation (Himachal Road Transport Corporation).

CHAPTER - IV
CORPORATE GOVERNANCE

Chapter-IV

Corporate Governance

4.1 Corporate Governance

4.1.1 Provisions as contained in the Companies Act, 2013

The Companies Act, 2013 was enacted on 29 August 2013 replacing the Companies Act, 1956. In addition, the Ministry of Corporate Affairs has also notified (31 March 2014) Companies Rules, 2014 on Management and Administration, Appointment and Qualification of Directors, Meetings of Board and its powers and Accounts. The Companies Act, 2013 together with the Companies Rules provide a robust framework for Corporate Governance. The requirements *inter-alia* provide for:

- Qualifications for Independent Directors along with the duties and guidelines for professional conduct {Section 149(6) read with rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014}.
- Mandatory appointment of at least one Woman Director on the Board. Section 49 (1) of the Companies Act, 2013, read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules 2014, provides that every listed Company and every other Public Company having paid-up share capital of 100 crore or more; or turnover of ₹300 crore or more shall appoint at least one woman director in its Board.
- Mandatory establishment of Audit Committee {Section 177(1)}. Nomination and Remuneration Committee {178(1)} and Stakeholders Relation Committee {Section 178(5)}.
- Holding of a minimum of four meetings of Board of Directors every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board {Section 173(1)}.

4.1.2 SEBI guidelines on Corporate Governance

With the enactment of Companies Act, 2013, Securities and Exchange Board of India (SEBI) amended (April and September 2014), Clause 49 of the Listing Agreement to align it with the Corporate Governance provisions specified in the Companies Act, 2013.

SEBI, further issued (13 October 2015) a uniform listing agreement format for all types of securities which required the listed entity to comply with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. These regulations were amended from time to time.

4.1.3 Review of Compliance of the Corporate Governance provisions by selected State Public Sector Enterprises

As on 31 March 2020, there were 27 State Public Sector Enterprises (SPSEs) under the audit jurisdiction of the CAG of India out of which one SPSE⁵⁴ is under liquidation since 2000-01. List of all SPSEs including their administrative departments and month and year of incorporation is given in the **Appendix-4.1**. For the purpose of the review, an assessment framework was prepared based on the provisions contained in the Companies Act, 2013. Guidelines/regulations issued by SEBI (April and September 2014) were also reflected in the assessment framework.

The review covers one debt listed SPSE⁵⁵ and 25 unlisted SPSEs (including one SPSE⁵⁶ under the process of delisting and two inactive SPSEs⁵⁷) for the year ended 31 March 2020. One inactive SPSE (Himachal Worsted Mills Limited) which is under liquidation since 2000-01, has not been covered.

4.2 Composition of Board of Directors

The board is a governing body of either elected or appointed persons that meets at regular intervals to set policies for corporate management and oversee the activities of an organization. Section 2 (10) of the Companies Act, 2013 defined that “Board of Directors” or “Board”, in relation to a company, means the collective body of the directors of the company.

4.2.1 Independent Directors

The presence of independent representatives on the Board, capable of taking an independent view on the decisions of the management is widely considered as a means of protecting the interests of Shareholders and other Stakeholders. In terms of Section 149(4) of the Companies Act, 2013, every listed Public Company is mandatorily required to have at least one-third of the total number of Directors as Independent Directors and unlisted public companies⁵⁸ must appoint at least two independent directors in the following circumstances:

- (i) If the paid-up share capital exceeds ₹10 crore;
- (ii) if the turnover exceeds ₹100 crore; and
- (iii) if the aggregate of all the outstanding loans, debentures and deposits exceeds ₹50.00 crore.

⁵⁴ Himachal Worsted Mills Limited.

⁵⁵ Himachal Pradesh State Electricity Board Limited (only issues bonds through the market).

⁵⁶ Himachal Pradesh General Industries Corporation Limited.

⁵⁷ Agro Industrial Packaging India Limited and Himachal Pradesh Beverages Limited.

⁵⁸ As per Rule 4 of Companies (Appointment and Qualification of Directors) Rules, 2014.

It was assessed that out of 26 SPSEs, 8 SPSEs fall under the purview of Section 149 (4) of the Companies Act, 2013 and Regulation 17(1) (b). Out of eight, only three SPSEs had appointed independent directors as listed in the **Table-4.1**.

Table-4.1: List of SPSEs having/not having required number of Independent Directors

Sr. No.	Name of SPSEs	No. of Directors in BoDs	Minimum requirement of Independent Directors in BoDs	Actual number of Independent Directors in BoDs
1.	Himachal Pradesh State Industrial Development Corporation Limited (HPSIDC)	14-15	2	1 (2018-20)
2.	Beas Valley Power Corporation Limited (BVPCL)	7-10	2	0 (2015-18) 2 (2018-20)
3.	Himachal Pradesh State Electricity Board Limited (HPSEBL)	9-13	2	2 (2015-20)

As seen from above, only HPSEBL had appointed the minimum number of independent directors during 2015-20.

The remaining five SPSEs were required to appoint Independent Directors, however, no Independent Directors were appointed in BoDs as given in the **Table-4.2**.

Table-4.2: List of SPSEs not having any Independent Directors

Sr. No.	Name of SPSEs	Period during which no independent directors were appointed
1	Himachal Pradesh Agro Industries Corporation Limited	2015-20
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2015-20
3	Himachal Backward Classes Finance and Development Corporation	2015-20
4	Himachal Pradesh Mahila Vikas Nigam	2017-20
5	Himachal Pradesh State Civil Supplies Corporation Limited	2015-20

4.2.2 Woman Director in the Board

Section 149 (1) of the Companies Act, 2013, read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules 2014, provides that every listed Company and every other Public Company having paid-up share capital of ₹100 crore or more; or turnover of ₹300 crore or more shall appoint at least one woman director in its Board.

In terms of these provisions, Woman Directors were to be appointed in three SPSEs. In two SPSEs (Himachal Pradesh State Electricity Board Limited and Himachal Pradesh State Civil Supplies Corporation Limited), one woman director was appointed during 2015-20. In Beas Valley Power Corporation Limited one Woman Director was

appointed during 2018-20. Himachal General Industries Corporation Limited had also appointed one woman director during 2018-20, though, it was not mandatory.

4.3 Appointment and functioning of Independent Directors

4.3.1 Issuance of formal letter of appointment

As per clause 4 of schedule IV of the Companies Act, 2013, the appointment of Independent Directors shall be formalised through a letter of appointment which shall set out the terms and conditions of appointment. It was observed that all the Companies mentioned in **Table-4.1**, had issued appointment letter to Independent Directors.

4.3.2 Code of Conduct

Section 149 (8) of the Companies Act, 2013 contains the code guide to professional conduct of independent directors as prescribed in Schedule IV. It was observed that the SPSEs listed in **Table-4.1**, which appointed Independent Directors in their BoDs, did not incorporate code of conduct in the terms and conditions of appointment letter of Independent Directors.

4.3.3 Training of Independent Directors

As per Schedule IV (Para III (1) – Duties of Independent Directors) of Companies Act, 2013, Independent Directors should undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Company. The Company is also required to provide suitable training to Independent Directors to familiarize them with the Company, their roles, rights, responsibilities in the Company, nature of the activities in which Company operates, business model of the Company etc.

However, it was observed that in the SPSEs listed in **Table-4.1**, no such training was conducted for Independent Directors who were on the Board during the last five years ending 31 March 2020.

4.4 Meetings of Board of Directors and Board committees

4.4.1 Meetings of the Board of Directors

The Board of Directors is the agency for the implementation of governance policies. It is imperative that the Board devotes adequate attention to Corporate Governance and its members should meet regularly. Section 173(1) of Companies Act, 2013 stipulates that the Board shall meet at least four times in a year with a maximum time gap of 120 days between two consecutive meetings.

Audit observed that only two SPSEs⁵⁹ (out of 26) incorporated (June 2018 and April 2019) had conducted required minimum number of BoD meetings during

⁵⁹ Shimla Jal Prabandhan Nigam Limited and Sri Naina Devi Ji And SriAnandpur Sahib Ji Ropeway Company Limited.

2018-20. However, Companies which did not conduct required number of BoD meetings during the year are detailed in **Table-4.3**.

Table-4.3: Year-wise detail of SPSEs where less than four meetings or required number of meetings in case of newly incorporated SPSEs were held during 2015-20

Sr. No.	Name of Company	Number of BoDs meetings held during the year				
		2015-16	2016-17	2017-18	2018-19	2019-20
1	Himachal Pradesh Agro Industries Corporation Limited	-	-	3	-	-
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	3	-	-	-	3
3	Himachal Pradesh State Forest Development Corporation Limited	-	-	-	3	3
4	Himachal Backward Classes Finance and Development Corporation (HBCF&DC)	2	2	Nil	Nil	Nil
5	Himachal Pradesh Mahila Vikas Nigam	2	2	1	1	1
6	Himachal Pradesh Minorities Finance and Development Corporation	-	2	2	Nil	Nil
7	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	-	-	-	-	3
8	Himachal Pradesh State Industrial Development Corporation Limited	-	-	-	-	2
9	Dharamshala Smart City Limited (incorporated during August 2016)	NA	3	-	3	3
10	Shimla Smart City Limited (incorporated during January 2018)	NA	NA	-	3	-
11	Himachal Pradesh General Industries Corporation Limited	-	-	-	-	3
12	Himachal Pradesh State Civil Supplies Corporation Limited	-	-	-	-	3
13	Himachal Pradesh State Electronics Development Corporation Limited	2	2	2	3	3
14	Himachal Pradesh State Handicrafts and Handlooms Corporation Limited	-	-	-	3	2
15	Himachal Pradesh Tourism Development Corporation	-	-	3	2	1
16	Himachal Pradesh Kaushal Vikas Nigam	1	2	1	1	1
17	Himachal Consultancy Organisation Limited	-	-	-	2	3
18	Beas Valley Power Corporation Limited	-	-	3	-	3
19	Himachal Pradesh Power Corporation Limited	-	-	-	-	3
20	Himachal Pradesh Power Transmission Corporation Limited	-	3	3	-	-
21	Himachal Pradesh State Electricity Board Limited	-	-	3	-	-
22	Agro Industrial Packaging India Limited	1	2	2	2	2
23	Himachal Pradesh Beverages Limited (Incorporated during April 2016)	NA	-	3	-	-
24	Ropeways and Rapid Transport System Development Corporation HP Limited (July 2019)	NA	NA	NA	NA	1

Himachal Backward Classes Finance and Development Corporation in its reply stated (February 2021) that the Board meetings were conducted as per date, time and venue given by the Chairman of the corporation appointed by the State Government. The reply is not acceptable, as during 2015-17, the Corporation had conducted two meetings instead of four and no meeting was held during 2017-20. Five SPSEs (Himachal Pradesh Kaushal Vikas Nigam, Himachal Pradesh State Electronics Development Corporation Limited, Himachal Pradesh Beverages Limited, Himachal Pradesh State Forest Development Corporation Limited and Himachal Pradesh Power Corporation Limited) confirmed (between January 2021 and August 2021) the stated facts.

4.4.2 Independent Directors

Schedule IV (III) (3) of the Companies Act, 2013 states that Independent Directors should strive to attend all the General meetings of Board of Directors and of Board Committees of which he/she was a member. However, some of the Independent Directors did not attend Board/Committee meetings as indicated in **Table-4.4**.

Table-4.4: Independent Directors who did not attend some of the Board/Committee meetings

Sr. No.	Name of the SPSEs	No. of Independent Directors who did not attend Board meetings	No. of meetings not attended	No. of independent directors who did not attend some Board's committee meetings (Audit Committee)	No. of meetings not attended
1	Himachal Pradesh State Industrial Development Corporation Limited	2 (2015-16)	1	-	-
		1 (2015-16)	1		
		1 (2016-17)	3		
		1 (2017-18)	1		
		2 (2017-18)	1		
		1 (2018-19)	3		
		1 (2019-20)	1		
2	Himachal Pradesh State Electricity Board Limited	1 (2015-16)	1	1 (2015-16)	1
		1 (2016-17)	3	1 (2017-18)	1
		1 (2019-20)	1	-	-

In reply, the HPSEBL stated (February 2021) that the independent directors had attended the Board meetings during 2015-16 and 2016-17. The reply was not based on facts, as out of the two, one independent director did not attend Board meeting held on 29 March 2016 and three meetings were not attended by one independent director during 2016-17.

4.4.3 Conducting of Annual General Meetings

As per Section 96 of the Companies Act, 2013, every Company other than a One Person Company shall in each year hold in addition to any other meetings, a general meeting as its Annual General Meeting and shall specify the meeting as such in the notices calling it. Not more than fifteen months shall elapse between the date of one Annual General Meeting of a Company and that of the next provided that in case of the first Annual General Meeting, it shall be held within a period of nine months from the date of closing of the first financial year otherwise in other cases within the period of six months.

The details of AGMs held in all SPSEs given in **Table-4.5** during 2015-20 or from the date of its incorporation to 31 March 2020.

Table-4.5: Year-wise detail of SPSEs where AGM conducted or not conducted

Sr. No.	Name of Company	Year in which AGM was conducted (Yes / No)				
		2015-16	2016-17	2017-18	2018-19	2019-20
1	Himachal Pradesh Agro Industries Corporation Limited	Yes	Yes	Yes	Yes	Yes
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Yes	Yes	Yes	Yes	Yes
3	Himachal Pradesh State Forest Development Corporation Limited	Yes	Yes	No	No	No
4	Himachal Backward Classes Finance and Development Corporation	Yes	No	No	No	No
5	Himachal Pradesh Mahila Vikas Nigam	Yes	Yes	Yes	Yes	Yes
6	Himachal Pradesh Minorities Finance and Development Corporation	No	No	No	No	No
7	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	Yes	Yes	Yes	Yes	Yes
8	Himachal Pradesh State Industrial Development Corporation Limited	Yes	Yes	Yes	Yes	Yes
9	Dharamshala Smart City Limited (Incorporated during July 2016)	NA	No	No	Yes	No
10	Shimla Smart City Limited (Incorporated during January 2018)	NA	N A	NA	No	Yes
11	Himachal Pradesh General Industries Corporation Limited	Yes	Yes	Yes	Yes	Yes
12	Himachal Pradesh State Civil Supplies Corporation Limited	Yes	Yes	Yes	Yes	Yes
13	Himachal Pradesh State Electronics Development Corporation Limited	Yes	Yes	Yes	Yes	Yes
14	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	Yes	Yes	Yes	Yes	Yes
15	Himachal Pradesh Tourism Development Corporation	Yes	Yes	Yes	No	No
16	Himachal Pradesh Kaushal Vikas Nigam	NA	Yes	No	Yes	Yes
17	Himachal Consultancy Organisation Limited	Yes	Yes	Yes	Yes	Yes
18	Shimla Jal Prabandhan Nigam Limited (Incorporated during July 2018)	NA	NA	NA	No	Yes
19	Beas Valley Power Corporation Limited	Yes	Yes	Yes	Yes	Yes
20	Himachal Pradesh Power Corporation Limited	Yes	Yes	Yes	Yes	Yes
21	Himachal Pradesh Power Transmission Corporation Limited	Yes	Yes	Yes	Yes	Yes
22	Himachal Pradesh State Electricity Board Limited	Yes	Yes	Yes	Yes	Yes
23	Agro Industrial Packaging India Limited	No	No	Yes	No	No
24	Himachal Pradesh Beverages Limited	NA	NA	Yes	Yes	Yes
25	Sri Naina Devi Ji And Sri Anandpur Sahib Ji Ropeway Company Limited (Incorporated during April 2019)	NA	NA	NA	NA	NA
26	Ropeways and Rapid Transport System Development Corporation HP Limited (Incorporated during July 2019)	NA	NA	NA	NA	NA

Out of 26 SPSEs, two⁶⁰ SPSEs were newly incorporated during 2019-20 and one⁶¹ SPSE did not conduct any AGM during 2015-20. Fourteen SPSEs held the required number of AGMs during 2015-20 and remaining nine SPSEs also did not comply with the above criteria from time to time.

⁶⁰ Sri Naina Devi Ji And Sri Anandpur Sahib Ji Ropeway Company Limited and Ropeways and Rapid Transport System Development Corporation HP Limited

⁶¹ Himachal Pradesh Minorities Finance and Development Corporation.

The Himachal Backward Classes Finance and Development Corporation stated that the AGMs were conducted as per date, time and venue given by the Chairman of the corporation. The reply is incorrect as no AGM was conducted by the corporation during 2016-20 whereas five SPSEs (Himachal Pradesh Kaushal Vikas Nigam, Himachal Pradesh State Electronics Development Corporation Limited, Himachal Pradesh Mahila Vikas Nigam, Himachal Pradesh Minorities Finance and Development Corporation and Himachal Pradesh Beverages Limited) have confirmed (between January 2021 and August 2021) the facts.

4.4.4 Attending Annual General Meetings of Company

Schedule IV(III) (5) of the Companies Act, 2013 states that Independent Directors shall strive to attend the General Meetings of the Company. **Table-4.6** indicates the SPSEs where Independent Directors did not attend the annual general meetings of the Company.

Table-4.6: Independent Directors who did not attend Annual General Meetings

Sr. No.	Name of SPSE	No. of Independent Directors in BoDs	No. of Independent Directors who did not attend AGM	Period
1	Himachal Pradesh State Industrial Development Corporation Limited	2	1	2015-16
		2	2	2016-17
		2	2	2017-18
		1	1	2018-19
		1	1	2019-20

4.5 Audit Committee

Audit Committee is one of the important pillars of the Corporate Governance mechanism in the Company. It is charged with the oversight of financial reporting and disclosures. It boosts the confidence in the integrity of the Company's financial reporting, the internal control process and the risk management systems. It reviews and monitors the auditor's independence and performance and effectiveness of audit process. It examines the financial statement and the auditor's report thereon.

4.5.1 Applicability of Audit Committee

Section 177 of the Act read with rule 6 of the Companies (Meetings of the Board and Powers) Rules, 2014 stipulates that the Board of Directors of every listed Company and the following classes of Companies is required to constitute an Audit Committee of the Board:

- All Public Companies with a paid-up capital of ₹10 crore or more;
- All Public Companies having turnover of ₹100 crore rupees or more;
- All Public Companies, having in aggregate, outstanding Loans or Borrowings or Debentures or Deposits exceeding ₹50 crore or more.

The paid-up Share Capital or turnover or outstanding loans, or Borrowings or Debentures or Deposits, as the case may be, as existing on the date of last audited Financial Statements shall be taken into account for the purposes of this rule.

Audit observed that out of 26 SPSEs, nine SPSEs were eligible to constitute an Audit Committee, however, only six SPSEs (including Himachal Pradesh General Industries Corporation Limited, Himachal Pradesh Power Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited which constituted audit committee voluntarily though it was not mandatory) given in **Table-4.7**, constituted Audit Committee.

Table-4.7: SPSEs where Audit Committee Constituted

Sr. No.	Name of Companies where Audit Committee Constituted
1	Himachal Pradesh State Industrial Development Corporation Limited (HPSIDCL)
2	Himachal Pradesh General Industries Corporation Limited (HPGIC)
3	Beas Valley Power Corporation Limited (BVPCL)
4	Himachal Pradesh Power Corporation Limited (HPPCL)
5	Himachal Pradesh Power Transmission Corporation Limited (HPPTCL)
6	Himachal Pradesh State Electricity Board Limited (HPSEBL)

In remaining six SPSEs given in the **Table-4.8**, no audit committee was constituted in compliance of above stated rules.

Table-4.8: SPSEs where Audit Committee was not Constituted

Sr. No.	Name of Companies where Audit Committee was not Constituted
1	Himachal Pradesh Agro Industries Corporation Limited (HPAICL)
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (HPMC)
3	Himachal Backward Classes Finance and Development Corporation (HBCF&DC)
4	Himachal Pradesh MahilaVikas Nigam (HPMVN)
5	Himachal Pradesh State Civil Supplies Corporation Limited (HPSCSCL)
6	Agro Industrial Packaging India Limited (AIPIL)

4.5.2 Composition of Audit Committee

Section 177 (1) and (2) of the Companies Act, 2013, stipulates that there shall be an Audit Committee with a minimum of three directors as members of which two-thirds shall be Independent Directors.

The criteria was not met by any of the six SPSEs mentioned in **Table-4.7**.

4.5.3 Meetings of the Committee

Out of six SPSEs where Audit Committee was constituted, all the SPSEs had conducted audit committee meeting during 2015-20 except Himachal Pradesh Power Transmission Corporation Limited which constituted audit committee in January 2009 but has not conducted any meeting so far. No audit committee meeting was held by Himachal Pradesh Power Corporation Limited during 2016-17 and 2019-20.

4.5.4 Evaluation of Internal Control Systems

Clause 5 of the Section 177 of the companies Act, 2013 stipulates that the Audit Committee may call for the comments of the auditors about internal control system and may also discuss any related issue with the internal and Statutory auditors and management of the Company. Audit observed that none of the Audit Committees

appointed by SPSEs mentioned in **Table-4.7** evaluated internal financial control systems and risk management systems.

4.5.5 Review of Performance of Statutory and Internal Auditors

Clause 5 of Section 177 of the Companies Act, 2013 stipulates that the Audit Committee should review with the management, the performance of Statutory Auditors and Internal Auditors.

Audit noticed that out of six SPSEs in case of three SPSEs given in **Table-4.9**, such performance evaluation of Statutory Auditors and Internal Auditors was not reviewed.

Table-4.9: SPSEs where Performance of Statutory Auditors and Internal Auditors reviewed / not reviewed by the Audit Committee

Sr. No.	Name of the SPSEs where performance of Statutory Auditors and Internal auditors was reviewed	Name of the SPSEs where performance of Statutory Auditors and Internal auditors was not reviewed
1	Himachal Pradesh State Electricity Board Limited	Himachal Pradesh State Industrial Development Corporation Limited
2	Himachal Pradesh Power Corporation Limited	Himachal Pradesh General Industries Corporation Limited
3	Beas Valley Power Corporation Limited.	Himachal Pradesh Power Transmission Corporation Limited

Audit Committee of HPSEBL recommended to timely finalise the financial statements (including BVPCL) and streamline the process of finalisation of accounts. It also recommended for adoption of accounts finalised by the CAG along with CAG's comments by AGMs or taking extension of time for conducting AGMs. In HPPCL, the Audit Committee advised Director (Finance) for ensuring timely finalisation of accounts of the Company in subsequent years, but no concrete action has been initiated by the Management in this regard. The financial statements for the year 2019-20 and onwards remained in arrears (May 2021).

4.5.6 Review of Information/Documents by Audit Committee

All the SPSEs were subject to the audit of CAG as per the statutory mandate. Section 143 (6) of the Companies Act, 2013, authorises CAG to carry out supplementary audit of accounts of Government Companies. Further Section 177 (4) (iii) of the Companies Act, 2013 provides that Audit Committee shall examine the financial statements and Auditors' Report thereon. Thus, in case of SPSEs, it was the responsibility of the Audit Committee to review the findings of CAG.

Audit observed that out of six SPSEs (including HPGIC, HPPCL and HPPTCL which constituted audit committee voluntarily though not mandatory) eligible to constitute Audit Committee, the Audit Committee of Himachal Pradesh State Industrial Development Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited had not reviewed the findings of CAG.

4.5.7 Other Committees

(i) Nomination and Remuneration Committee

Section 178 (1) of the Companies Act, 2013 and read with Rule 6 of the Companies (Meeting of Boards and its Powers) Rules, 2014 states that the following classes of Companies are required to constitute a Nomination and Remuneration Committee:

- All Public Companies with a paid-up capital of ₹10 crore rupees or more;
- all Public Companies having turnover of ₹100 crore rupees or more;
- all Public Companies, having in aggregate, outstanding Loans or Borrowings or Debentures or Deposits exceeding ₹50 crore or more.

Audit observed that out of 26 SPSEs, nine SPSEs were eligible to constitute a Nomination and Remuneration Committee, however, only two⁶² SPSEs constituted Nomination and Remuneration Committee. In remaining seven SPSEs, no Nomination and Remuneration committee was constituted given in the **Table-4.10**.

Table-4.10: SPSEs where Nomination and Remuneration Committee was not constituted

Sr. No.	Name of SPSEs
1	Himachal Pradesh Agro Industries Corporation Limited
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited
3	Himachal Backward Classes Finance and Development Corporation
4	Himachal Pradesh MahilaVikas Nigam
5	Himachal Pradesh State Civil Supplies Corporation Limited
6	Agro Industrial Packaging India Limited
7	Himachal Pradesh State Industrial Development Corporation Limited

4.6 Appointment of Company Secretary

State Public Sector Enterprises need a Company Secretary to strengthen its governance and compliance of Acts and rules made there under, as applicable to the Company. Section 203(1) of Companies Act, 2013 read with Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 provides that every Public Company having a Paid-Up Share Capital of ₹10 crore or more shall have a whole-time Company Secretary.

Audit observed that 14 SPSEs as per detail given in **appendix-4.2** were eligible to appoint a whole time Company Secretary, however, only four SPSEs⁶³ appointed a whole-time Company Secretary and in remaining 10 SPSEs the work was being done through a part-time Company Secretary as given in **Table-4.11**.

Table-4.11: SPSEs where Company Secretary was appointed on Part Time Basis

Sl. No.	Name of the company	Period of accounts	Paid-up capital (₹ in crore)	Whether Company Secretary required (paid-up share capital of ten crore rupees or more)	Company Secretary (Part Time/Whole Time)
1	Himachal Pradesh Agro Industries Corporation Limited	2017-18	18.85	Yes	Part time
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2017-18	38.77	Yes	Part time
3	Himachal Backward Classes Finance and Development Corporation	2013-14	13.00	Yes	Part time
4	Himachal Pradesh MahilaVikas Nigam	2014-15	12.51	Yes	Part time

⁶² Himachal Pradesh State Electricity Board Limited and Beas Valley Power Corporation Limited.

⁶³ Himachal Pradesh State Electricity Board Limited, Himachal Pradesh State Forest Development Corporation Limited, Beas Valley Power Corporation Limited and Himachal Pradesh Power Corporation Limited.

5	Himachal Pradesh Minorities Finance and Development Corporation	2013-14	13.02	Yes	Part time
6	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	2018-19	25.00	Yes	Part Time
7	Himachal Pradesh State Industrial Development Corporation Limited	2017-18	30.82	Yes	Part time
8	Himachal Pradesh Tourism Development Corporation	2015-16	12.30	Yes	Part time
9	Himachal Pradesh Power Transmission Corporation Limited	2017-18	286.45	Yes	Part time
10	Agro Industrial Packaging India Limited	2013-14	17.72	Yes	Part time

The Himachal Backward Classes Finance and Development Corporation stated (February 2021) that appointment of company secretary will be made after approval of the service committee of the State Government. The reply was not based on facts, as the corporation never took up the matter with the State Government. Himachal Pradesh Power Corporation Limited confirmed (February 2021) the stated facts.

4.7 Whistle Blower Policy

Section 177 (9) of the Companies Act, 2013 and Rule 7 of the Companies (Meeting of Boards and its Powers) Rules, 2014 stipulate that the Company shall establish a vigil mechanism for directors and employees to report concerns about unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. It was, however, observed that out of 26 SPSEs, only three SPSEs⁶⁴ established whistle blower mechanism.

4.8 Extraordinary delay in completing the delisting process

Himachal Pradesh General Industries Corporation Limited (HPGIC) was the only listed company in the State; however, its shares had not been traded since 1976. The Company had requested (December 1994) Delhi Stock Exchange (DSE) to de-list its shares. Security and Exchange Board of India (SEBI) on the request of DSE, accorded (September 2002) consent for delisting the Company subject to compliance of clause 40 A (ii) of the Listing Agreement and Regulation 21 (3) of SEBI Regulation 1997 relating to minimum number of shares to be acquired by the acquirer. No action to de-list was initiated until 2012. SEBI *vide* circular dated May 30, 2012 issued guidelines facilitating the exit of derecognised/Non-operational stock exchanges and exit to the shareholders of Exclusively Listed Companies (ELCs) by allowing them to get listed on nationwide Stock Exchanges after complying with the diluted listing norms of nationwide stock exchanges, failing which it will cease to be a listing company and would be moved to the Dissemination Board. Further *vide* circular dated May 22, 2014, it *inter-alia* provided that ELCs, on de-recognised/non-operational stock exchanges, can also opt for voluntary delisting by following the existing delisting

⁶⁴ Himachal Pradesh Power Corporation Limited, Himachal Pradesh Power Transmission Corporation Limited and Himachal Pradesh State Electricity Board Limited.

norms of SEBI. It was also specified that if the ELCs fail to comply with the same, they shall cease to be listed companies and be moved to Dissemination Board.

SEBI *vide* its circular dated October 10, 2016 described procedure of exit to investors. The promoter in consultation with the designated stock exchange shall appoint an 'independent valuer' from the panel of expert valuers of the designated Stock Exchange. In case the fair value determined is positive, the promoter of the Company shall acquire shares of such Companies from the Public Shareholders by paying them such value determined by the valuer. The Promoter shall open an escrow account in favour of Independent Valuer/designated Stock Exchange and deposit therein the total estimated amount of consideration on the basis of exit price and number of outstanding public shareholders.

Audit observed that the Company being a SPSE and its promoters are the State Government (Equity: ₹7.04 crore) and others (Equity: ₹0.12 crore), therefore, the Company has requested the State Government for in - principle approval for delisting of shares by adopting exit offer and for sanction of ₹1.47 crore for payment to shareholders on the basis of valuation of shares for completion of statutory requirement. State Government has sanctioned the above amount during June 2020 for compliance of SEBI guidelines. Thereafter, the Company requested (December 2020) the Director of Industries, Himachal Pradesh to transfer/deposit the same amount in the escrow account opened as per SEBI guidelines for delisting of private share of the Company and the same was deposited (March 2021) by the Company after receipt from Director of Industries in the escrow account. However, even after elapse of 26 years, the SPSEs failed to complete the delisting process up to August 2021.

4.9 Internal Audit Framework

Role of Internal Audit

4.9.1 Introduction as well as importance of internal audit

Internal Audit has been recognized as an aid to the higher management for monitoring the financial performance and effectiveness of various programs, schemes and activities. Internal Audit also provides reasonable assurance that the operations are carried out effectively and efficiently, reliable financial reports and operational data and the applicable laws and regulations are complied with so as to achieve organisational objectives.

4.9.2 Legal Framework

As per section 138 of Companies Act, 2013 read with Rule 13 of Companies (Accounts) Rules, 2014, certain class of Companies are required to appoint internal Auditors. Rule 13 of Companies (Accounts) Rules, 2014 prescribes that the following Companies are required to appoint an internal auditor or firm of internal auditors namely:

- (a) Every listed company.
- (b) Every unlisted public company having:

- (i) Paid up share capital of: ₹50.00 crore or more during the preceding financial year; or
- (ii) Turnover (income) of: ₹200.00 crore or more during the preceding financial year; or
- (iii) Outstanding loans or borrowings from banks or public financial institutions exceeding: ₹100.00 crore or more at any point of time during the preceding financial year; or
- (iv) Outstanding Deposits of: ₹25.00 crore or more at any point of time during the preceding financial year.

Audit observed that out of 26 SPSEs, five⁶⁵ SPSEs were required to appoint Internal Auditors or firm of Internal Auditors as per Section 138 of Companies Act, 2013. Internal Audit of one SPSE (Himachal Pradesh State Electricity Board Limited) is being conducted by its own staff. In respect of remaining four SPSEs as given in **Table-4.12**, Internal Audit is conducted through appointment of Internal Auditors (Chartered Accountants) after the approval of BoDs.

Table-4.12: SPSEs where Internal Audit is conducted through appointment of CAs

Sr. No.	Name of Companies where Internal Audit is conducted through appointment of Chartered Accountants
1	Himachal Pradesh State Civil Supplies Corporation Limited
2	Himachal Pradesh Power Corporation Limited
3	Himachal Pradesh Power Transmission Corporation Limited
4	Beas Valley Power Corporation Limited

4.9.3 Audit findings

Internal Audit

Out of 26 SPSEs, internal audit for the year 2019-20 was completed in 15 SPSEs. There were arrears of one year in two SPSEs; two years in one SPSE and three years in two SPSEs (**Appendix-4.3**). It was observed that in the remaining six SPSEs where internal audit was not carried out, four were newly incorporated and two SPSEs⁶⁶ neither conducted Internal Audit nor decided the frequency for it.

Conclusion

Out of 26 SPSEs reviewed, eight SPSEs were eligible to appoint Independent Directors, however, only three SPSEs appointed independent directors and out of which, only one SPSE (Himachal Pradesh State Electricity Board Limited) had appointed the required minimum number of independent directors during 2015-20.

As per provisions, three SPSEs were required to appoint Woman Directors, however, only Himachal Pradesh State Electricity Board Limited and Himachal Pradesh State Civil Supplies Corporation Limited had appointed one Woman Director during 2015-20 and Beas Valley Power Corporation Limited appointed one Woman Director during 2018-20.

⁶⁵ In addition to the five internal audit is also conducted in HPGIC though not mandatory.

⁶⁶ Himachal Pradesh Mahila Vikas Nigam and Agro Industrial Packaging India Limited (inactive).

In three SPSEs (Himachal Pradesh State Electricity Board Limited, Himachal Pradesh State Industrial Development Corporation Limited and Beas Valley Power Corporation Limited) which appointed Independent Directors in their BoDs, code of conduct was not incorporated and no training was conducted for Independent Directors. Some of the Independent Directors also did not attend some BoD's /Board Committee's meetings.

Out of 26 SPSEs, nine SPSEs were eligible to constitute an Audit Committee, however, only six SPSEs appointed such audit committee (including Himachal Pradesh General Industries Corporation Limited, Himachal Pradesh Power Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited which constituted an audit committee voluntarily though not mandatory).

Performance evaluation of Statutory Auditors and Internal Auditors was not reviewed in three out of six SPSEs. No whistle blower mechanism was established in 23 out of 26 SPSEs. Only four out of 14 eligible SPSEs appointed a whole time Company Secretary, in remaining 10 SPSEs, the work of Company Secretary was being done by part-time Company Secretary.

Recommendation

Government of Himachal Pradesh may impress upon the respective Administrative Departments to ensure compliance to Sections of Companies Act, 2013 so as to achieve the objectives of Corporate Governance in SPSEs.

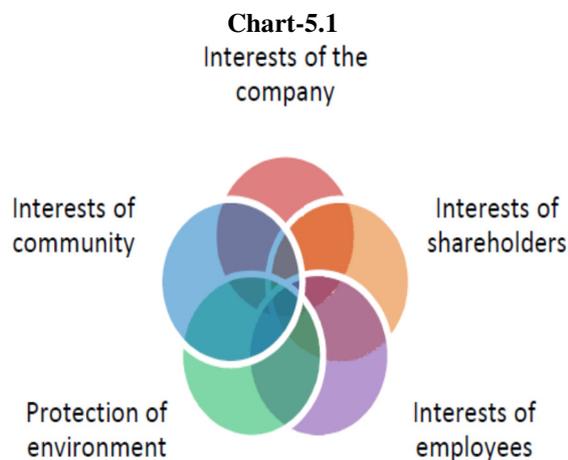
CHAPTER - V
CORPORATE SOCIAL
RESPONSIBILITY

Chapter-V

Corporate Social Responsibility

5.1 Introduction

Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the local community at large. It recognizes the interests of its stakeholders and the general community at large by covering sustainability, social impact and ethics. The concept of CSR rests on the ideology of give and take. Companies take resources in the form of raw materials, human resources etc., from the society. By performing CSR activities, the companies are giving something back to the society.



India is the first country in the world to make CSR mandatory, with the coming into force of Section 135 and schedule VII of the Companies Act, 2013 in April 2014. The Companies Act, 2013 and the Companies CSR Rules 2014 mandate and regulate the social spending by the Companies. The inclusion of the CSR mandate under the

Companies Act, 2013 is an attempt to supplement the Government's efforts of equitably delivering the benefits of growth and to engage the Corporate Sector with the State's development agenda.

Legal Framework: Section 135 of Companies Act, 2013 (hereafter referred to as the Act), deals with the subject of Corporate Social Responsibility (CSR) and lays down the qualifying criteria based on net worth, turnover and net profit during any financial year⁶⁷ for companies which are required to undertake CSR activities and *inter alia* specifies the broad modalities of selection, implementation and monitoring of the CSR activities by the Board of Directors of the Company. The activities which may be included by the Companies in their CSR policies are listed in Schedule VII of the Act. The provisions of Section 135 of the Act and Schedule VII of the Act are applicable to all Companies including State Public Sector Enterprises (SPSEs). The Act makes it mandatory for any Company to spend annually, at least two *per cent* of average net

⁶⁷ As per Amendment 37 of the Companies Act, 2017, to resolve the ambiguity on any financial year, the words 'any financial year' has been replaced with the words immediately preceding financial year. This notification is effective from 19 September 2018.

profit (calculated as per section 198 of the Act) of three immediate preceding financial years towards CSR activities. The compliance of the provisions of CSR under the Act i.e., constitution of CSR Committee, formulation of CSR Policy and spending of prescribed amount on CSR activities came into force from April 2014.

In February 2014, Ministry of Corporate Affairs of India (MCA) issued Companies (Corporate Social Responsibility Policy) Rules, 2014. The CSR Rules were made applicable to all Companies w.e.f. 1 April 2014.

5.2 Audit Objectives

The objective of compliance audit of CSR activities of the SPSEs was to ascertain whether the provisions of the Act, Companies (Corporate Social Responsibility Policy) Rules 2014, were complied with. In order to assess the efforts of the SPSEs, Audit looked into the following issues:

- Whether the provisions relating to constitution of the CSR Committee, formulation and compliance of policy, planning stages of execution have been complied with;
- Whether the provisions relating to prescribed amount to be spent on specified activities have been complied with; and
- Whether the provisions relating to implementation and reporting have been complied with.

5.3 Audit Scope and Coverage

Audit reviewed the CSR activities of five SPSEs (out of 27 SPSEs excluding two statutory corporations⁶⁸) which were eligible to conduct CSR activities as per criteria under section 135(1) of the Act during 2014-20. Out of five SPSEs, three⁶⁹ were profit making SPSEs (Other than Power Sector) and two⁷⁰ Power Sector SPSEs. Of the two, one had turnover of more than ₹1,000 crore (Himachal Pradesh State Electricity Board Limited) while other (Himachal Pradesh Power Corporation Limited) had Net Worth greater than ₹500 crore.

5.4 Audit Criteria

Audit analysis was carried out against following criteria:

- Provisions contained in Section 135 and Schedule VII of the Act; and
- Provisions of Companies (Corporate Social Responsibility Policy) Rules, 2014.

⁶⁸ Himachal Road Transport Corporation and Himachal Pradesh Financial Corporation.

⁶⁹ Himachal Pradesh State Civil Supplies Corporation Limited (HPSCSC), Himachal Pradesh State Industrial Development Corporation Limited (HPSIDC) and Himachal Pradesh General Industries Corporation Limited (HPGIC).

⁷⁰ Himachal Pradesh State Electricity Board Limited (HPSEBL) and Himachal Pradesh Power Corporation Limited (HPPCL).

5.5 Audit Findings

Audit findings on the extent of compliance with the provisions of the Act with regard to constitution of CSR Committee, formulation and compliance of policy, planning and execution of CSR activities and monitoring & reporting thereof by the SPSEs are given in the following paragraphs.

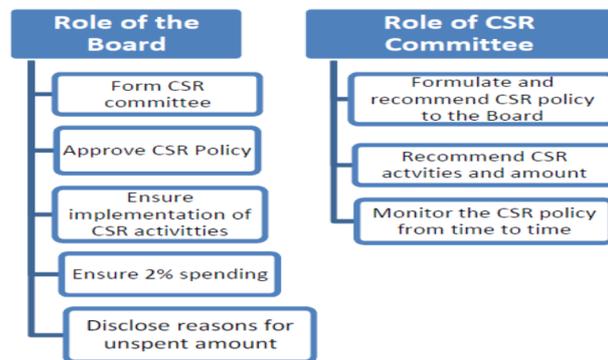
5.5.1 Planning

5.5.1.1 Constitution of CSR Committee

As per section 135 (1) of the Act, every Company qualifying for undertaking CSR activities shall constitute a CSR committee of the Board consisting of three or more Directors. Role of the Board and CSR Committee as per section 135 (1) and (3) of the Act is depicted in the **Chart-5.2**.

Audit noticed that CSR committee was constituted by all five⁷¹ SPSEs eligible to constitute CSR committee. The committee constituted (June 2014) by Himachal Pradesh State Civil Supplies Corporation Limited ceased to exist in September 2018, however, it was re-constituted (January 2021) by the Company.

Chart-5.2



5.5.1.2 Independent Directors in CSR Committee

As per Section 135 (1) of the Act, CSR committee shall have at least one Independent Director. Audit observed that out of five SPSEs where CSR Committee was formed, two SPSEs (Himachal Pradesh State Civil Supplies Corporation Limited and Himachal Pradesh State Industrial Development Corporation Limited) had complied with rule of having at least one Independent Director in the Committee. In respect of remaining three SPSEs (Himachal Pradesh General Industries Corporation Limited, Himachal Pradesh State Electricity Board Limited and Himachal Pradesh Power Corporation Limited), no Independent Director was nominated.

5.5.1.3 Framing of CSR policy

Section 135 (3) of the Act requires that the CSR Committee shall formulate and recommend to the Board a CSR Policy. Four SPSEs⁷² had framed the CSR Policy based on the recommendation of the CSR Committee and approval of Board. One Power Sector SPSE (Himachal Pradesh State Electricity Board Limited) did not frame any CSR Policy so far.

⁷¹ Three SPSEs (Other than Power Sector) viz.; Himachal Pradesh State Civil Supplies Corporation Limited (June 2014), Himachal Pradesh State Industrial Development Corporation Limited (June 2016), Himachal Pradesh General Industries Corporation Limited (July 2018) and two Power Sector SPSEs viz., Himachal Pradesh Power Corporation Limited (June 2014) and Himachal Pradesh State Electricity Board Limited (July 2014) respectively.

⁷² Himachal Pradesh Power Corporation Limited (March 2015), Himachal Pradesh State Civil Supplies Corporation Limited (July 2015), Himachal Pradesh State Industrial Development Corporation Limited (June 2016) and Himachal Pradesh General Industries Corporation Limited (September 2018).

The Himachal Pradesh Power Corporation Limited and Himachal Pradesh State Civil Supplies Corporation Limited formulated CSR Policy during March 2015 and July 2015 and Himachal Pradesh State Industrial Development Corporation Limited and Himachal Pradesh General Industries Corporation Limited in June 2016 and September 2018 respectively. It was seen that Himachal Pradesh State Industrial Development Corporation Limited framed CSR policy during June 2016, but it was required to be prepared from 2014-15 onwards.

- Audit observed that Himachal Pradesh State Industrial Development Corporation Limited had spent ₹1.50 lakh during 2016-18 without approval of CSR Committee. Himachal Pradesh State Civil Supplies Corporation Limited did not undertake CSR activity prior to 2015-16 even though it was qualified to do so as per provisions of the Act.

The requirement of CSR Rule No. 6⁷³ with regard to policy and compliance thereof by four SPSEs during the year 2014-15 to 2019-20 is given below:

Table-5.1: Compliances of CSR Rule No. 6 with regard to policies by SPSEs

Requirement of CSR Rule No. 6	Compliance by SPSEs	
	Yes	No
Policy <i>inter alia</i> to include		
Focus area of Implementation	4*	0
Mode of Implementation	3	1 (HPPCL)
Declaration that surplus from CSR project/activity shall not form part of business profit	0	4
Monitoring framework	3	1 (HPPCL)

*HPSEBL has no Policy in place.

5.5.1.4 Annual CSR Plan and Budget

Role of the CSR Committee is to recommend to the Board the CSR activities and the amount to be spent in the financial year. The Board has to ensure implementation of the CSR activities. This entails planning and approval of CSR activity and budget. As a best practice, the proposed CSR projects and the budget for the ensuing financial year should be presented to the Board for approval through CSR committee latest by 31 March every year. All the three profit making SPSEs (Himachal Pradesh State Civil Supplies Corporation Limited, Himachal Pradesh State Industrial Development Corporation Limited and Himachal Pradesh General Industries Corporation Limited) which were required to spend annually two *per cent* of its average net profit of three immediate preceding financial years towards CSR activity, neither prepared the budget for CSR nor had any Annual CSR plan in place.

In reply the Himachal Pradesh State Industrial Development Corporation Limited stated (June 2021) that the Company had approved (June 2016) the CSR policy and earmarked

⁷³ Rule 6 of CSR specify the requirement of CSR policy which shall *inter-alia* include list of projects which a company plans to undertake along-with mechanism of implementation, surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a Company and its monitoring process.

two *per cent* of its average net profit of three immediate preceding financial years towards CSR activity. The reply is not based on facts. The Company was required to incur expenditure of ₹127.55 lakh, however, only ₹77.24 lakh was incurred during 2014-20 and contribution (₹3.48 crore) prior to COVID-19 made by the Company towards Chief Minister Relief Fund was not an admissible CSR expenditure.

5.5.2 Financial Component

5.5.2.1 Allocation and Utilisation of Fund

As per Section 135(5) of the Act, it is mandatory for any company to spend annually at least two *per cent* of average net profit of three immediate preceding financial years (calculated under Section 198 of the Act) and Board shall ensure that the Company spends two *per cent* of average net profit of preceding three years. Two *per cent* of average net profit so calculated, allocation to be made and actual expenditure in respect of three profit making SPSEs for the period from 2014-15 to 2019-20 is given in the following table.

Table-5.2: Showing the detail of amount to be spent as per CSR's policy and actually spent by the SPSEs)

(₹ in lakh)

Year	Average net profit (as per section 198 of Act) for the preceding three years	Two <i>per cent</i> allocation to be made	Amount actually spent
2014-15	1,491.87	29.84	-
2015-16	1,588.71	31.77	14.00
2016-17	1,829.90	36.60	21.22
2017-18	2,490.56	49.82	35.01
2018-19	2,863.67	57.28	0.15
2019-20	2,842.98	56.87	150.74*
Total:		262.19	221.12

* Includes expenditure of ₹75 lakh made to Chief Minister Relief Fund (CMRF) for COVID 19.

Audit observed that no SPSEs has allocated funds separately for CSR activities during the period 2014-20. However, against the prescribed norm of two *per cent*, an amount of ₹262.19 lakh was required to be spent; however, the SPSEs incurred expenditure of ₹221.12 lakh (₹146.12 lakh excluding the contribution in CMRF for COVID 19 during 2019-20). The SPSEs wise detail of expenditure for the years 2014-20 is given in **Appendix-5.1**. Audit observed various deficiencies in implementation of CSR policy by each SPSEs as detailed below:

- Himachal Pradesh General Industries Corporation Limited did not spend ₹69.37 lakh as required by CSR policy during 2014-19.
- Against the requirement of ₹94.71 lakh, Himachal Pradesh State Industrial Development Corporation Limited spent only ₹1.50 lakh during 2014-19.
- During 2014-15 and 2018-20, Himachal Pradesh State Civil Supplies Corporation Limited incurred expenditure of only ₹0.15 lakh towards CSR against the required amount of ₹21.62 lakh.

Himachal Pradesh State Industrial Development Corporation Limited stated (June 2021) that the Company has incurred ₹3.48 crore during 2014-19 against requirement of ₹94.71 lakh. The reply is not acceptable as the amount was contributed to Chief Minister Relief Fund which was not part of admissible CSR expenditure. Further contribution of ₹75 lakh towards Chief Minister Relief Fund for COVID 19 during 2019-20 was not admissible.

5.5.2.2 Power Sector SPSEs with negative net profit

The average net profit (calculated under section 198 of the Act) of two Power Sector SPSEs (Himachal Pradesh State Electricity Board Limited: (-) ₹17.00 crore to (-) ₹196.60 crore and Himachal Pradesh Power Corporation Limited: (-) ₹6.10 crore to (-) ₹43.10 crore) remained negative during 2014-18 as per their latest finalized accounts as of 31 December 2020. Hence, both Power Sector SPSEs were not required to incur any expenditure towards CSR.

5.5.2.3 Accounting of unspent amount

As per the Guidance Note (GN) on Accounting for CSR issued by the Institute of Chartered Accountants of India, the unspent amount is to be disclosed only in the Board's Report and no provision is to be made in the accounts for the unspent amount. However, if a company has already undertaken certain CSR activity for which a contractual liability has been incurred then in accordance with the generally accepted accounting principles, a provision for the amount to the extent for which the CSR activity was to be completed during the year, needs to be recognized in the books.

It was observed that Himachal Pradesh State Industrial Development Corporation Limited and Himachal Pradesh General Industries Corporation Limited have made a provision for the carry forward/ unspent amount to the extent of ₹84.04 lakh during 2015-19 and ₹11.00 lakh (during 2017-18) respectively. This is in contravention to the GN on Accounting for CSR.

In the reply (June 2021), Himachal Pradesh State Industrial Development Corporation Limited had partially accepted the observation and stated that after discussion, if required the necessary corrective action to be taken in subsequent financial statements. Himachal Pradesh General Industries Corporation Limited in its reply (June 2021) had accepted the observation and assured compliance in future.

5.5.3 Project Implementation

5.5.3.1 Selection of CSR projects/activities

Conduct of Base line survey and assessment: None of the three SPSEs (Other than Power Sector) conducted any separate baseline survey.

The Himachal Pradesh State Industrial Development Corporation Limited and Himachal Pradesh General Industries Corporation Limited stated (June 2021) that the audit observation shall be duly considered for subsequent year with consultation and approval of CSR committee/BoD.

5.5.3.2 Manner of implementation of CSR activities

Rule 4 of Companies (CSR) Rules, 2014 deals with the manner in which the CSR activity is to be undertaken under section 135(1). Manner of implementation of CSR activities by the SPSEs were as follows:

- Direct/In-house: Two projects of ₹7.52 lakh were implemented directly/ In-house by SPSEs (₹7.18 lakh and ₹0.34 lakh by Himachal Pradesh State Civil Supplies Corporation Limited and Himachal Pradesh State Industrial Development Corporation Limited respectively).
- Through external Agencies: Eight Projects of ₹60.95 lakh (₹60.70 lakh and ₹0.25 lakh by Himachal Pradesh State Civil Supplies Corporation Limited and Himachal Pradesh State Industrial Development Corporation Limited respectively) were being executed through Government/ External Agencies.

5.5.3.3 Focus areas

Out of total expenditure of ₹221.12 lakh towards CSR during 2015-16 to 2019-20, the maximum focus was received by Rural Development (₹45.89 lakh), Sports (₹14.15 lakh), Eradicating Hunger (₹7.18 lakh), Educational and Skill Development (₹1.50 lakh), contribution towards Chief Minister's Relief Fund for COVID 19 (₹1.50 crore) and donations/assistance (₹2.40 lakh). No amount was spent under other heads by the eligible SPSEs during this period.

Himachal Pradesh State Industrial Development Corporation Limited in its reply (June 2021) stated that the amount contributed towards Chief Minister relief fund were utilised by the State Government towards various focus areas as enumerated under CSR Policy. The reply of the Himachal Pradesh State Industrial Development Corporation Limited is not acceptable as contribution towards CM relief fund was not admissible under CSR policy, whereas Himachal Pradesh General Industries Corporation Limited in its reply (June 2021) stated that efforts will be made to spent CSR funds as per schedule VII of the Companies Act, 2013.

5.5.3.4 Local areas

Section 135 (5) of the Act provides that the Company shall give preference to the local area and areas where it operates for spending the amount earmarked for CSR activities. All the four SPSEs did not define local area in the policy. As per the prescribed format for reporting on CSR, the amount spent in local and other areas need to be shown separately. These SPSEs did not specify the local area in the Annual Report on CSR.

Himachal Pradesh General Industries Corporation Limited in its reply (June 2021) assured to comply with requirement of provisions in subsequent years whereas the Himachal Pradesh State Industrial Development Corporation Limited in reply (June 2021) stated that the State of Himachal Pradesh is a small State with small geographical area and low population density, hence, it may not be appropriate to

concentrate only on a specified local area for the contribution towards CSR. The reply is not tenable and in contravention of *ibid* section of the Companies Act, 2013, as such the Company should have identified the local areas where it operates business for spending the amount CSR funds earmarked.

5.5.4 Findings on CSR activities undertaken by SPSEs

5.5.4.1 Inadequate expenditure incurred towards CSR

The three SPSEs (Other than Power Sector) which were eligible to spend expenditure towards CSR have not incurred expenditure as per CSR policy. The SPSEs-wise detail of expenditure to be incurred and actual incurred for the period from 2014-15 to 2019-20 is given in **Table-5.3** below:

Table-5.3: Showing the detail of expenditure incurred and to be incurred towards CSR activities by SPSEs during the period 2014-15 to 2019-20.

(₹ in lakh)			
Name of SPSEs	Expenditure to be incurred	Expenditure actually incurred	Excess (+)/Under (-) expenditure towards CSR
HPSCSC	45.63	68.88	(+)23.25
HPSIDC	127.55	77.24	(-) 50.31
HPGIC	89.01	75.00	(-) 14.01
Total	262.19	221.12	(-) 41.07

It would be seen from above that two SPSEs incurred lesser expenditure (by ₹64.32 lakh) against the expenditure to be incurred and one SPSE had incurred more expenditure by ₹23.25 lakh towards CSR activities as required as per CSR policy during 2014-20.

In reply, the Himachal Pradesh State Industrial Development Corporation Limited has stated (June 2021) that the Company had contributed excess amount under CSR activities. The reply is not acceptable as contribution made by the Company towards Chief Minister Relief Fund was not admissible as CSR expenditure.

5.5.4.2 Inadmissible expenditure under CSR activity

As per provisions of Section 135, schedule VII of Companies Act, 2013 and CSR Rules, 2014 the financial assistance/ grant cannot be given under CSR except to be spent on the specific activities as mentioned under the said schedule.

Audit observed that the Himachal Pradesh State Civil Supplies Corporation Limited donated an amount of ₹1.00 lakh (June 2016) to Asha Kiran Viklang Shiksha Samiti, Bilaspur and Himachal Pradesh State Industrial Development Corporation Limited donated ₹1.00 lakh (July 2017) to Red Cross Society and ₹0.40 lakh (January 2020) to Go-Sadan, Majhwar, district Mandi which were also not eligible under CSR activities. Thus, the expenditure incurred by two SPSEs was ₹2.40 lakh during 2016-20, which was inadmissible.

5.5.4.3 Non receipt of utilisation certificate

Himachal Pradesh State Civil Supplies Corporation Limited and Himachal Pradesh State Industrial Development Corporation Limited have provided an advance of ₹43.99 lakh to external agencies for execution of nine projects (Himachal Pradesh State Civil Supplies Corporation Limited -eight and Himachal Pradesh State Industrial Development Corporation Limited -one), but utilisation certificates for the works executed were not received/obtained from the concerned agencies. In absence of utilisation certificate, it could not be ensured that the advance provided was utilized for the intended purpose.

5.5.4.4 Expenditure without approval of CSR Committee/CSR Policy

- (i) Himachal Pradesh State Civil Supplies Corporation Limited had provided (June 2018) an advance of ₹0.15 lakh to General Secretary, Sports and Cultural Club, Mandi and Himachal Pradesh State Industrial Development Corporation Limited had incurred an expenditure of ₹1.50 lakh (2016-18) without the approval/constitution/ existence of CSR Committee/BoDs.
- (ii) Himachal Pradesh State Civil Supplies Corporation Limited incurred an expenditure of ₹29.59 lakh on five projects without approval of the CSR Committee.

5.5.5 Monitoring Framework

As per Rule 5(2) of CSR Rules, 2014, the CSR Committee shall institute a transparent monitoring mechanism for implementation of CSR projects/ programs/activities undertaken by the Company.

Audit observed that out of four SPSEs (Himachal Pradesh State Electricity Board Limited did not formulate policy), one SPSE (Himachal Pradesh Power Corporation Limited) did not specify the monitoring mechanism in the policy. In respect of other three SPSEs⁷⁴ (Other than Power Sector) as per policy, minimum two CSR meetings were required to be held every year, but no CSR meeting was held by these SPSEs during 2018-19 and one meeting was held by Himachal Pradesh State Industrial Development Corporation Limited and Himachal Pradesh General Industries Corporation Limited during the year 2019-20.

5.5.6 Reporting and Disclosure

As per Section 135 (2) and (4) read with section 134 (3) (o) of the Act, a Company is required to include an annual report on CSR in their Board Report and place it on the official website, if any, in such manner as may be prescribed. The companies have to disclose the following in the prescribed format:

⁷⁴ Himachal Pradesh State Industrial Development Corporation Limited, Himachal Pradesh General Industries Corporation Limited and Himachal Pradesh State Civil Supplies Corporation Limited.

1. Disclose contents of CSR policy, web link of CSR policy, average net profit, composition of CSR Committee, administration overheads, prescribed amount, unspent amount, reasons for unspent amount.
2. Include a responsibility statement signed by the CSR Committee that the implementation and monitoring of CSR Policy was in compliance with the CSR objective and Policy of the Company.

Audit observed that Himachal Pradesh State Civil Supplies Corporation Limited and Himachal Pradesh General Industries Corporation Limited did not disclose annual report on CSR in their Board Report and no SPSEs placed it on the official website.

Conclusion

None of the SPSEs strictly complied with the provisions of the Act and CSR Rules. Himachal Pradesh State Industrial Development Corporation Limited and Himachal Pradesh General Industries Corporation Limited constituted CSR Committee in June 2016 and July 2018 and formulated CSR policy in June 2016 and September 2018 respectively. CSR Committee was not in existence in Himachal Pradesh State Civil Supplies Corporation Limited from September 2018 to December 2020, however, it was reconstituted (January 2021). Himachal Pradesh State Electricity Board Limited did not frame its CSR policy so far. The three profit making SPSEs (Himachal Pradesh State Civil Supplies Corporation Limited, Himachal Pradesh State Industrial Development Corporation Limited and Himachal Pradesh General Industries Corporation Limited) did not prepare any annual CSR plan. Against the required expenditure of ₹262.19 lakh towards CSR activities by three SPSEs, only ₹221.12 lakh was incurred, during 2014-20.

One SPSE (Himachal Pradesh Power Corporation Limited) did not specify the monitoring mechanism in the Policy. As per policy, all three SPSEs (Himachal Pradesh State Industrial Development Corporation Limited, Himachal Pradesh General Industries Corporation Limited and Himachal Pradesh State Civil Supplies Corporation Limited) were required to hold minimum two CSR meetings in each year, however, no CSR meeting was held by these SPSEs during 2018-19 and one meeting was held by Himachal Pradesh State Industrial Development Corporation Limited and Himachal Pradesh General Industries Corporation Limited during 2019-20. The independent director also did not attend three meetings, out of total six numbers of meetings held by Himachal Pradesh State Civil Supplies Corporation Limited during 2014-18.

Recommendations

- *Profit making SPSEs may prepare annual budget and CSR plan, so funds allotted towards CSR could be utilized accordingly during the financial year.*
- *All SPSEs should make efforts to spend two per cent of average net profits of preceding three years towards admissible activities.*

CHAPTER-VI

**IMPACT OF IMPLEMENTATION OF
INDIAN ACCOUNTING STANDARDS
(Under Phase-I and II) IN STATE PUBLIC
SECTOR ENTERPRISES**

Chapter-VI

Impact of Implementation of Indian Accounting Standards (Under Phase I and II) in State Public Sector Enterprises

6.1 Introduction

The Ministry of Corporate Affairs (MCA), Government of India notified Indian Accounting Standards (Ind AS), under Section 133 of the Companies Act, 2013 vide Companies (Indian Accounting Standards) Rules, 2015 keeping the Indian economic & legal environment in view and by referring to International Financial Reporting Standards (IFRS). The Ind AS were modelled on IFRS which were different from the Indian Generally Accepted Accounting Principles (IGAAP) framework mainly in three key aspects i.e. fair valuation, substance over legal form and emphasis on the Balance Sheet. These Ind AS are mandatorily to be adopted by prescribed class of companies w.e.f. 1 April 2016. As on 31 March 2020, 39 Ind AS are applicable. The MCA from time to time makes amendments in the Ind AS to keep them converged with IFRS through amendments in the Companies (Indian Accounting Standards) Rules, 2015. The list of 39 Ind AS is given in **Appendix-6.1**.

The objective of audit was to study the implementation of Ind AS in Phase I & II to assess whether various provisions of Ind AS were complied with by the State Public Sector Enterprises (SPSEs) at the time of adoption of Ind AS and their impact on the financial statements of SPSEs.

6.2 Implementation of Ind AS

The different phases for implementation of Ind AS are given below:

(i) Phase I

Ind AS shall be mandatorily applicable to the following companies for periods beginning on or after 1 April 2016, with comparative figures for the period ending 31 March 2016 or thereafter:

- Companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of ₹500 crore or more.
- Companies having net worth of ₹500 crore or more other than those covered above.
- Holding, subsidiary, joint venture or associate companies of companies covered above.

(ii) Phase II

Ind AS shall be mandatorily applicable to the following companies for periods beginning on or after 1 April 2017, with comparative figures for the period ending 31 March 2017 or thereafter:

- Companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of less than ₹500 crore.
- Unlisted companies other than those covered in Phase I whose net worth are ₹250 crore or more but less than ₹500 crore.
- Holding, subsidiary, joint venture or associate companies of companies covered above.

(iii) Voluntary adoption of Ind AS

Any Company may comply with Ind AS for financial statements for accounting periods beginning on or after 1 April, 2015 with the comparatives for the periods ending on 31 March 2015 or thereafter. However, once a company starts reporting as per the Ind AS either voluntarily or mandatorily, it cannot revert to IGAAP.

6.3 Scope of Audit and Methodology

As on 31 March 2020, there were 27 SPSEs (excluding two statutory corporations⁷⁵). The study covered the implementation of Ind AS by four Power Sector SPSEs which were required to adopt Ind AS (Phase I : three SPSEs⁷⁶ and Phase II one SPSE⁷⁷). The details are given in **Table-6.1** below:

Table-6.1: Showing the SPSEs who adopted Ind AS and reviewed

Sr. No.	Name of SPSEs	Remarks
1	Himachal Pradesh State Electricity Board Limited (HPSEBL)	The Company adopted Ind AS from 2017-18, however, it was required to adopt Ind AS from 2016-17.
2	Beas Valley Power Corporation Limited (BVPCL)	Being a Subsidiary of HPSEBL, adopted Ind AS from 2016-17.
3.	Himachal Pradesh Power Corporation Limited (HPPCL)	Adopted Ind AS from 2016-17.
4	Himachal Pradesh Power Transmission Corporation Limited (HPPTCL)	The Company was required to adopt Ind AS from Phase II and accordingly adopted Ind AS from 2017-18.

Out of the above, one Power Sector SPSE (Himachal Pradesh State Electricity Board Limited) is listed on Bombay Stock Exchange for its debt securities and had one subsidiary Company viz., Beas Valley Power Corporation Limited (BVPCL). One SPSE⁷⁸ under the administrative control of Urban Development and Town & Country Planning incorporated (20 July 2016) had prepared its first financial statements for year ending 31 March 2017 as per Ind AS on voluntary basis. It was not considered for desk review as there was no transition from IGAAP to Ind AS involved in the accounts.

⁷⁵ Himachal Road Transport Corporation and Himachal Pradesh Financial Corporation.

⁷⁶ Himachal Pradesh State Electricity Board Limited, Beas Valley Power Corporation Limited and Himachal Pradesh Power Corporation Limited.

⁷⁷ Himachal Pradesh Power Transmission Corporation Limited.

⁷⁸ Dharamshala Smart City Limited.

First time adoption of Ind AS required that an entity should explain how the transition from IGAAP to Ind AS affected its Balance Sheet, financial performance and cash flows. Two SPSEs viz., Himachal Pradesh Power Corporation Limited and Himachal Pradesh State Electricity Board Limited have disclosed the effect of adoption of Ind AS through Notes to their financial statements. Audit carried out desk review of these disclosures and the findings in this report are based on this desk review.

6.4 Review of first time adoption of Ind AS

Ind AS 101 – First time adoption of Ind AS prescribes the procedures that a company is required to follow while adopting Ind AS for the first time. While adopting Ind AS for the first time, the financial results shall include a reconciliation of its equity and net profit/loss as per Ind AS to equity and net profit/loss as per IGAAP, to enable the stakeholders to understand the material adjustments to the Balance Sheet and Statement of Profit and Loss Account arising from transition from the previous IGAAP to Ind AS.

The underlying principle of Ind AS 101 is that a first time adopter should prepare financial statements as if it had always applied Ind AS. However, it permitted two types of exceptions to the principle of full retrospective application of Ind AS namely mandatory exceptions and voluntary exceptions. The voluntary exceptions (applicable from transition date⁷⁹) include the following:

(i) Ind AS 16 - Property, Plant and Equipments

A first-time adopter may elect to measure an item of its Property, Plant and Equipments (PPEs) at the date of transition to Ind AS at its fair value⁸⁰ and use that fair value as its deemed cost⁸¹ at that date or may elect to measure at their IGAAP carrying values.

Audit observed that all four SPSEs opted to value its PPEs on carrying cost basis. Himachal Pradesh State Electricity Board Limited also opted for intangible assets carrying value as its deemed costs on transaction date. The Himachal Pradesh State Electricity Board Limited accepted (June 2021) that the Company has opted to continue with carrying cost of all its PPEs and carrying value as its deemed cost for intangible assets on transaction date.

(ii) Ind AS 27 - Separate Financial Statements

When a Company prepares separate financial statements, Ind AS 27 requires it to account for its investments in subsidiaries, jointly controlled entities and associates either at cost or in accordance with Ind AS 109 (Financial Instruments). If a first-time adopter measures such an investment at cost in accordance with Ind AS 27 then it shall measure that investment either at cost determined in accordance with Ind AS 27 or

⁷⁹ Date of transition to Ind AS is the beginning of the earliest period for which a company presents full comparative information under Ind AS in first Ind AS financial statements. Date of transition for companies under analysis is 01 April 2015.

⁸⁰ Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

⁸¹ An amount used as a surrogate for cost or depreciated cost at a given date. Subsequent depreciation or amortisation assumes that the entity had initially recognised the asset or liability at the given date and that its cost was equal to the deemed cost.

deemed cost in its separate opening Ind AS Balance Sheet. The deemed cost of such an investment shall be its fair value on the date of transition or as per IGAAP carrying amount at that date.

Audit review indicated that two SPSEs (Himachal Pradesh State Electricity Board Limited and Himachal Pradesh Power Corporation Limited) opted to measure investments in subsidiary at carrying value. Other two SPSEs (Beas Valley Power Corporation Limited being a subsidiary of Himachal Pradesh State Electricity Board Limited) and Himachal Pradesh Power Transmission Corporation Limited did not have any subsidiaries or jointly controlled entities and associates.

(iii) Ind AS 17 - Leases (Now as Ind AS 116)

A Company may evaluate whether an arrangement existing at the transition date contains a lease on the basis of facts and circumstances existing at transition date, except where the effect is expected to be immaterial.

Audit observed that one SPSE (Himachal Pradesh Power Corporation Limited) adopted lease classification as per Ind AS 17 in their financial statements from the transition date whereas remaining three SPSEs⁸² did not comply with Ind AS 17.

6.5 Impact of implementation of Ind AS on selected key areas

The implementation of Ind AS can impact the valuation of Profit after Tax (PAT), Revenues, Total Assets and Net Worth. The values may increase or decrease depending on the options availed by the SPSEs at the time of adoption of Ind AS. The results of review of the impact of implementation on the above accounts, areas in respect of four SPSEs selected for review is given below:

6.5.1 Impact on Profit after Tax (PAT)

Review of implementation of Ind AS in audit indicated that there was increase in profits of Himachal Pradesh Power Corporation Limited consequent to adoption of Ind AS, while the loss of Himachal Pradesh State Electricity Board Limited⁸³ increased for the year 2016-17 as given in **Table-6.2** below:

Table-6.2: Impact of adoption of Ind AS on Profit after Tax

(₹ in crore)				
Sr. No.	Name of the SPSEs	Decrease in PAT/Loss	Increase in PAT/Loss	Net Impact Profit (-) Loss
1	HPSEBL	(-) 76.82	(-) 144.05	(-) 67.23
2	BVPCL	-	-	-
3	HPPCL	(-) 0.16	0.70	0.54
4	HPPTCL	-	-	-

The Hydro Electric Project of Beas Valley Power Corporation Limited is yet to start commercial operations, hence it has not prepared its first profit and loss account (up to

⁸² Himachal Pradesh State Electricity Board Limited, Beas Valley Power Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited.

⁸³ Himachal Pradesh State Electricity Board Limited had registered a loss of (-) ₹44.21 crore during 2016-17 under IGAAP. However, it increased to (-) ₹111.44 crore after adjustment under Ind AS.

2019-20) so far. In case of Himachal Pradesh Power Transmission Corporation Limited, there was no impact on profit and loss account due to implementation of Ind AS.

The management of Himachal Pradesh State Electricity Board Limited and Himachal Pradesh Power Transmission Corporation Limited have accepted (June 2021) the observations.

6.5.1.1 Factors contributing to increase/decrease in PAT

The changes in valuation of different items of revenue, expenditure, assets and liabilities consequent to adoption of Ind AS can materially affect the PAT of SPSEs.

Audit analysis indicated that the increase of PAT of Himachal Pradesh Power Corporation Limited was due to increase in profit by ₹0.54 crore on account of adjustment of income (₹0.70 crore) and expenses (₹0.16 crore) from Capital Work in Progress, which was reversed and taken to Profit and Loss Account.

Besides, loss of Himachal Pradesh State Electricity Board Limited increased by ₹67.23 crore due to decrease in Other income by ₹133.18 crore (due to difference of ₹330.39 crore prior to transition to Ind AS and ₹197.21 crore after transition from IGAAP to Ind AS) as well as Other expenses by ₹76.82 crore (due to preparation of profit and loss account as per IGAAP: ₹247.04 crore and as per Ind AS: ₹170.22 crore) and reversal of extraordinary items of ₹10.87 crore.

The management of Himachal Pradesh Power Corporation Limited and Himachal Pradesh State Electricity Board Limited has accepted (June 2021) the audit observation.

6.5.2 Impact of adoption of Ind AS on booking of Revenue

The definition of ‘Revenue’ under Ind AS 18 covers all economic benefits that arise in the ordinary course of activities of an entity which result in increase in net worth, other than increases relating to contributions from net worth participants. Revenue, as per IGAAP (AS 9 – Revenue Recognition), however is defined as gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods, from the rendering of services and from the use of enterprise resources by others yielding interest, royalties and dividends.

Audit observed that out of four SPSEs reviewed in audit, two SPSEs carried out adjustment on revenues consequent to adoption of Ind AS as given in **Table-6.3** below:

Table-6.3: State Public Sector Enterprises-wise impact of transition to Ind AS on Revenues

(₹ in crore)

Sr. No.	Name of the SPSEs	Decrease in Revenue	Increase in Revenue	Net Impact
1	HPSEBL	(-)149.98	(+)16.80	(-)133.18
2	BVPCL	-	-	-
3	HPPCL	-	(+)0.70	(+) 0.70
4	HPPTCL	-	-	-

Reasons for increase/ decrease in revenues of SPSEs indicated as follows:

(i) Increase in revenue of Himachal Pradesh State Electricity Board Limited by ₹16.80 crore was due to inclusion of exceptional and extraordinary items (extraordinary credit including subsidies against loss on account of flood, cyclone, fire, etc.,) under Revenue head.

(ii) Increase in revenue of Himachal Pradesh Power Corporation Limited was due to adjustment of Income from Capital Work in Progress which was taken to revenue.

(iii) Decrease in revenue (₹149.98 crore) in respect of Himachal Pradesh State Electricity Board Limited was due to reversal of Other Income (Prior Period Income and interest & finance charges i.e., excess provision of depreciation: ₹0.03 crore; excess provision of interest & finance charges: ₹18.25 crore; other excess provision in prior period: ₹130.96 crore and other income relating to prior period: ₹0.74 crore).

The management of Himachal Pradesh State Electricity Board Limited has accepted (June 2021) the audit observation.

6.5.3 Impact of adoption of Ind AS on total value of assets

Total value of assets is impacted by implementation of Ind AS due to difference in methods of accounting prescribed, compared to IGAAP under Ind AS 16 - Property, Plant and Equipments (PPEs), Ind AS 38 - Intangible Assets, Ind AS 32 - Financial Instruments: Presentation, Ind AS 109 - Financial Instruments and Ind AS 40 - Investment Property. Ind AS 101 pertaining to first time adoption of Ind AS permitted the first-time adopter to elect to continue with the carrying value for all of its PPEs as recognised in the Financial Statements measured under IGAAP as at the date of transition to Ind AS and the carrying value as its deemed cost on the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption could also be used for valuation of intangible assets under Ind AS 38 - Intangible assets and Ind AS 40 – Investment Property.

On transition from IGAAP to Ind AS, all SPSEs carried out adjustments on value of total assets. Out of these, one reported an increase, two reported decrease and one reported no change in the value of total assets due to consequent adoption of Ind AS SPSEs wise impact on total assets of SPSEs is given in **Table-6.4** below:

Table-6.4: State Public Sector Enterprises-wise impact of adoption of Ind AS on value of total assets

(₹ in crore)				
Sr. No.	Name of the SPSEs	Decrease in Value of Total Assets	Increase in Value of Total Assets	Net Impact
1	HPSEBL	(-) 746.10	(+)720.90	(-) 25.20
2	BVPCL	(-) 0.72	-	(-) 0.72
3	HPPCL	(-) 172.18	(+)172.72	(+) 0.54
4	HPPTCL	(-) 0.0058	(+)0.0058	-

There was a net decrease in value of total assets for Himachal Pradesh State Electricity Board Limited (₹25.20 crore) and Beas Valley Power Corporation Limited

(₹0.72 crore). An increase in the net value of total assets was noticed for Himachal Pradesh Power Corporation Limited (₹0.54 crore).

Some significant reasons for increase/decrease in value of assets as detailed below:

6.5.3.1 Impact on assets due to reclassification/presentation as required under Ind AS-I

(i) Increase in Long Term Loans and Advances (Non-Current Assets) by ₹280.00 crore in Himachal Pradesh State Electricity Board Limited was due to inclusion of Loans and Advances to its Subsidiary (Beas Valley Power Corporation Limited) under head Long Term Loans and Advances which was previously shown under Short Term Loans and Advances.

(ii) Increase in Other Current Financial Assets of Himachal Pradesh State Electricity Board Limited amounting to ₹167.63 crore was due to excluding unbilled revenue from Trade receivables IGAAP.

(iii) Increase in Property, Plant and Equipment of ₹131.20 crore (Himachal Pradesh Power Corporation Limited) was due to including of Deposits with Courts and Land Acquisition Officer previously taken under Other Non-Current Assets.

(iv) Increase in Financial Assets of Himachal Pradesh Power Corporation Limited amounting to ₹36.54 crore was due to reclassification of Short-Term Loans and Advances and Other Current Assets as Financial Assets.

(v) Decrease in Short Term Loans and Advances under Current Assets amounting to ₹265.45 crore in respect of Himachal Pradesh State Electricity Board Limited was due to inclusion of Advances to Contractors and Suppliers ₹58.33 crore, Amount Recoverable from Himachal Pradesh Power Transmission Corporation Limited ₹69.72 crore, Amount Recoverable (others) ₹46.57 crore and Deposit with Courts etc., ₹90.83 crore under Financial Assets (others).

(vi) Decrease in Total Assets of Beas Valley Power Corporation Limited amounting to ₹0.72 crore was due to taking pre-operative expenses (under Misc. expenditure) to General Reserve.

(vii) Decrease in Current Assets (Short Term Loan & Advances) of Himachal Pradesh State Electricity Board Limited amounting to ₹25.20 crore was due to exclusion of Interest Accrued and due on GPF of staff adjusted under Other Financial Liabilities (GPF of Staff).

The management of Beas Valley Power Corporation Limited accepted (April 2021) and both managements of Himachal Pradesh State Electricity Board Limited and Himachal Pradesh Power Transmission Corporation Limited have accepted (June 2021) the audit observation.

6.5.4 Impact of adoption of Ind AS on net worth

Net worth (equity)⁸⁴ is a measure of what an entity is worth to the owners. Adoption of Ind AS mandates preparation and presentation of an opening Ind AS Balance Sheet at the date of transition to Ind AS. The accounting policies that an entity uses in its opening Ind AS Balance Sheet may differ from those that it used for the same date using IGAAP.

⁸⁴ *Net Worth= Paid up Share Capital+Free Reserve+Securities Premium Account–Accumulated Losses-Deferred Revenue Expenditure and Misc. Expenditure not written off.*

As per provisions of Ind AS 101 – First time adoption of Ind AS, any differences between carrying amounts of assets and liabilities as of 01 April 2015 compared with those presented in the IGAAP Balance Sheet as of 31 March 2015, are to be recognized in net worth under retained earnings within the Ind AS Balance Sheet.

Assessment in audit of the impact of implementation of Ind AS on the net worth of SPSEs showed that two SPSEs reported increase/decrease in net worth as given in **Table-6.5**.

Table-6.5: State Public Sector Enterprises-wise impact of adoption of Ind AS on net worth

(₹ in crore)			
Sr. No.	Name of the SPSEs	Decrease in Net Worth	Increase in Net Worth
1	HPSEBL	-	-
2	BVPCL	(-) 0.72	-
3	HPPCL	-	(+) 0.54
4	HPPTCL	-	-

Review in audit revealed the following reasons for change in net worth of above mentioned SPSEs:

- (i) Increase in net worth of Himachal Pradesh Power Corporation Limited (₹0.54 crore) was due to decrease in accumulated losses under Ind AS.
- (ii) Decrease in net worth of Beas Valley Power Corporation Limited (₹0.72 crore) was due to adjustment of Miscellaneous expenditure (pre-operative expenses) not written off.

6.6 Non-compliance of Ind AS

Non-compliance of Ind AS of all four SPSEs as reported by Statutory Auditors is given in the **Table-6.6** below:

Table 6.6: Non-compliance of Ind AS as reported by the Statutory Auditors

Sr. No.	Name of the SPSEs	IND AS number
1	HPSEBL	7, 16, 17, 18, 19, 36 & 37 (Seven) during 2017-18
2	BVPCL	(i) 23 (One) during 2016-17 (ii) 23 (One) during 2017-18 (iii) 23 (One) during 2018-19
3	HPPCL	10, 12, 19, 20, 23, 37, 107, 109 & 113 (Nine) during 2017-18
4	HPPTCL	i) 8, 19, 33 (Three) during 2017-18 ii) 8, 19, 33 (Three) during 2018-19

In reply (June 2021), the Himachal Pradesh State Electricity Board Limited stated that financial statements for the year 2017-18 have been prepared as per requirement of Ind AS. However, the reply is not tenable as all the provisions of Ind AS were not complied, which was also qualified by the Statutory Auditor in its Independent Auditors' Report. Himachal Pradesh Power Transmission Corporation Limited stated (June 2021) that non-compliance of Ind AS 8 is noted for future compliance, however, efforts are being made to comply the Ind AS 19 and partially accepted the Ind AS 33. The management of Beas Valley Power Corporation Limited stated (April 2021) that borrowing cost is

directly attributable to assets and has charged the total amount of borrowing cost under work in progress, however, accepted the audit observation.

Conclusion

Adoption of Ind AS resulted in changes in the financial reporting framework, increased use of fair valuation as against historical cost valuation and greater focus to substance than the legal form of underlying transactions. Audit analysis indicated that values of Profit after Tax, Revenue, Property, Plant & Equipment and Net Worth of the four SPSEs were impacted by adoption of Ind AS in Phase I and II. The changes disclosed in the financial statements of SPSEs should be given due consideration while assessing the performance and financial position of the concerned SPSEs.

Shimla
The 26 November 2021


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

Countersigned

New Delhi
The 10 December 2021


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

APPENDICES

Appendix-I

(Referred to in paragraphs 1 of introduction, 1.4.2, 2.4.1 & 2.5.1)

Summarised financial results of SPSEs (other than Power Sector and Power Sector) for the latest year for which accounts were finalised

(₹ in crore)

Sr. No.	Name of the SPSEs (Power and Other than Power Sector)	Year of Account	Year in which finalised	Paid-up Capital	Long-term loans outstanding	Total Assets	Turnover	Accumulated Profit (+)/ Loss (-)	Net Profit (+)/ Loss (-) after interest & Tax	Profit (+)/ Loss (-) before interest & Tax	Interest	Capital Employed	Net worth
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11	12	13	14
A Working Government Companies													
Agriculture and Allied													
1	Himachal Pradesh Agro Industries Corporation Limited	2018-19	2019-20	18.85	13.04	44.42	76.56	(-) 11.29	2.97	3.03	0.06	20.60	7.56
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2018-19	2019-20	38.77	68.76	139.39	62.97	(-) 87.77	(-)1.22	1.61	2.83	19.76	(-)49.00
3	Himachal Pradesh State Forest Development Corporation Limited	2016-17	2019-20	11.71	23.73	204.29	175.38	(-) 97.45	(-)34.43	(-) 30.82	3.61	(-)62.01	(-)85.74
Total				69.33	105.53	388.10	314.91	(-) 196.51	(-) 32.68	(-) 26.18	6.50	(-) 21.65	(-)127.18
Financing													
4	Himachal Backward Classes Finance & Development Corporation	2013-14	2017-18	11.00	15.00	34.58	2.73	7.36	1.07	1.42	0.35	33.36	18.36
5	Himachal Pradesh Mahila Vikas Nigam	2015-16	2017-18	9.19	0	11.83	0.74	2.00	0.50	0.50	0	11.19	11.19
6	Himachal Pradesh Minorities Finance & Development Corporation	2013-14	2016-17	9.39	11.19	24.31	0.68	(-) 4.77	0.03	0.42	0.39	15.81	4.62
Total				29.58	26.19	70.72	4.15	4.59	1.60	2.34	0.74	60.36	34.17
Infrastructure													
7	Himachal Pradesh Road & Other Infrastructure Development Corporation Limited	2018-19	2019-20	25.00	0.00	322.46	0.00	0.00	0.00	0	0.00	25	25
8	Himachal Pradesh State Industrial Development Corporation Limited	2017-18	2018-19	30.82	0.00	293.54	44.93	50.55	13.90	19.84	0.00	81.37	81.37
9	Dharamshala Smart City Limited	2016-17	2018-19	0.00034	0.00	212.34	0.00	0.00	0.00	0.00	0.00	0.00034	0.00034
10	Shimla Smart City Limited	1st Account not received		0.007	0.00	0	0.00	0.00	0.00	0.00	0.00	0.007	0.007
Total				55.83	0.00	828.34	44.93	50.55	13.90	19.84	0.00	106.38	106.38
Manufacture													
11	Himachal Pradesh General Industries Corporation Limited	2018-19	2019-20	7.16	2.97	56.02	56.96	32.75	6.97	10.06	0.21	42.88	39.91
Total				7.16	2.97	56.02	56.96	32.75	6.97	10.06	0.21	42.88	39.91
Services													
12	Himachal Pradesh State Civil Supplies Corporation Limited	2017-18	2018-19	3.51	0.00	411.18	1245.96	33.95	1.28	2.18	0.12	37.46	37.46
13	Himachal Pradesh State Electronics Development Corporation Limited	2018-19	2019-20	3.72	0.30	61.83	42.31	7.93	1.68	2.37	0.00	11.95	11.65

General Purpose Financial Report on SPSEs for the year ended 31 March 2020

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11	12	13	14
14	Himachal Pradesh State Handicrafts & Handloom Corporation Limited	2017-18	2018-19	9.25	0.00	23.77	30.84	(-)15.24	0.08	0.57	0.02	(-)5.99	(-)5.99
15	Himachal Pradesh Tourism Development Corporation	2015-16	2016-17	12.30	0.00	73.99	90.89	(-)22.08	1.40	2.05	0.31	(-)9.78	(-)9.78
16	Himachal Pradesh Kaushal Vikas Nigam	2018-19	2019-20	0.007	0.00	93.92	0.00	4.19	2.70	2.70	0.00	4.197	4.197
17	Himachal Consultancy Organisation Limited	2018-19	2019-20	0.18	0.00	3.46	3.04	1.04	(-) 0.48	(-) 0.4779	0.0021	1.22	1.22
18	Shimla Jal Prabandhan Nigam Limited	2018-19	2019-20	0.10	0.00	318.56	117.18	0.00	0.00	0.00	0.00	0.10	0.10
19	Ropeway and Rapid Transport System Development Corporation HP Limited	1 st Account not received											
20	Sri Naina Devi Ji & Sri Anandpur Sahib Ji Ropeway Company Limited	1 st Account not received		1.00								1.00	1.00
Sector total				30.07	0.30	986.71	1530.22	9.79	6.66	9.39	0.45	40.16	39.86
Grand Total A				191.97	134.99	2,329.89	1,951.17	(-) 98.83	(-)3.55	15.45	7.90	228.13	93.14
B	Statutory Corporations												
Financing													
1	Himachal Pradesh Financial Corporation	2017-18	2018-19	99.57	102.16	319.94	2.55	(-)166.56	(-)5.50	2.12	7.62	35.17	(-)66.99
Sector total				99.57	102.16	319.94	2.55	(-)166.56	(-)5.50	2.12	7.62	35.17	(-)66.99
Services													
2	Himachal Road Transport Corporation	2018-19	2019-20	779.49	134.33	853.68	792.57	(-)1387.28	(-)154.80	(-)134.90	19.90	(-)473.46	(-)607.79
Sector total				779.49	134.33	853.68	792.57	(-)1387.28	(-)154.80	(-)134.90	19.90	(-)473.46	(-)607.79
Total B				879.06	236.49	1,173.62	795.12	(-)1553.84	(-)160.30	(-)132.78	27.52	(-)438.29	(-)674.78
Grand Total A and B				1,071.03	371.48	3,503.51	2,746.29	(-)1,652.67	(-)163.85	(-)117.33	35.42	(-)210.16	(-)581.64
C	Inactive Government Companies												
Agriculture and Allied													
1	Agro Industrial Packaging India Limited	2013-14	2014-15	17.72	60.15	1.33	0.00	(-)78.23	(-)0.04	(-)0.04	0.00	(-)0.36	(-)60.51
Total				17.72	60.15	1.33	0.00	(-)78.23	(-)0.04	(-)0.04	0.00	(-)0.36	(-)60.51
Manufacture													
2	Himachal Worsted Mills Limited	2000-01	2001-02	0.92	0	0	0.00	(-)5.44	(-)0.01	(-)0.01	0.00	(-)4.52	(-)4.52
Total				0.92	0	0	0.00	(-)5.44	(-)0.01	(-)0.01	0.00	(-)4.52	(-)4.52
Services													
3	Himachal Pradesh Beverage Limited	2016-17	2018-19	1.00	0	124.35	543.97	9.49	9.49	14.27	0.00	10.49	10.49
Sector total				1.00	0	124.35	543.97	9.49	9.49	14.27	0.00	10.49	10.49
Total C				19.64	60.15	125.68	543.97	(-)74.18	9.44	14.22	0.00	5.61	(-)54.54
Grand Total A, B and C				1,090.67	431.63	3,629.19	3,290.26	(-)1,726.85	(-)154.41	(-)103.11	35.42	(-)204.55	(-)636.18
D	Power Sector												
1	Himachal Pradesh State Electricity Board Limited	2017-18	2019-20	670.57	4719.12	9209.36	6520.76	(-)1535.06	3.66	460.72	457.06	3854.63	(-)864.49
2	Himachal Pradesh Power Transmission Corporation Limited	2018-19	2019-20	326.44	1145.80	1966.24	18.33	(-)53.06	(-)40.92	(-)31.79	9.13	1419.18	273.38
3	Himachal Pradesh Power Corporation Limited	2017-18	2019-20	1845.56	1181.72	6414.55	83.36	(-)116.00	(-)79.12	17.11	96.23	2911.28	1729.56
4	Beas Valley Power Corporation Limited	2018-19	2019-20	300.00	1397.91	1746.34	0.00	0.00	0.00	0.00	0.00	1697.91	300.00
Sector Total				3,142.57	8,444.55	19,336.49	6,622.45	(-)1,704.12	(-)116.38	446.04	562.42	9,883.00	1,438.45
Grand total of All SPSEs				4,233.24	8,876.18	22,965.68	9,912.71	(-)3,430.97	(-)270.79	342.93	597.84	9,678.45	802.27

Appendix-II

(Referred to in paragraphs 5 of Introduction & 2.1)

Statement showing the name of all SPSEs (Other than Power Sector and Power Sector), month and year of incorporation (including their brief description) as on 31 March 2020

Sr. No.	Sector & Name of the SPSE	Name of Administrative department	Month and year of incorporation	Brief Description of SPSE
1	2	3	4	5
STATE PUBLIC SECTOR ENTERPRISES (OTHER THAN POWER SECTOR)				
Agriculture and Allied				
1	Himachal Pradesh Agro Industries Corporation Limited	Horticulture	September 1970	Company is engaged in manufacturing / trading of agricultural goods and other inputs, trading of cement, iron and steel, bitumen, tyres and tubes etc. for supplying to different Government Departments
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Horticulture	June 1974	To provide post-harvest facilities to the fruit growers of the State and to help them to get best returns for their produce from the market. It provides supplies of horticultural inputs, tools and implements besides apple grading/packaging and storage facilities to the growers. The Company is engaged in procurement, processing, storage and marketing of all types of surplus fruits.
3	Himachal Pradesh State Forest Development Corporation Limited	Forest	March 1974	The Company is engaged in exploitation and marketing of timber within the State; exploitation and processing of resin into rosin, turpentine oil and subsidiary products and marketing thereof etc.
Finance				
4	Himachal Backward Classes Finance and Development Corporation	Social Justice & Empowerment	January 1994	The Company is engaged in providing financial assistance to socially and educationally backward classes and economically weaker sections in the State for setting up small industrial units and also for educational purposes.
5	Himachal Pradesh Mahila Vikas Nigam	Social Justice & Empowerment	April 1989	The company is engaged in providing financial assistance to women entrepreneur and women co-operative societies in the State.
6	Himachal Pradesh Minorities Finance and Development Corporation	Social Justice & Empowerment	September 1996	To undertake the task of social, economic and educational upliftment of the socially and educationally backward minorities and other economically weaker sections among the minorities in the State; arrange training programmes for the promotion and improvement of literacy, education and professional skill of the aforesaid classes and sections so as to promote their social and economic development, to collect, compile and publish the related data for the aforesaid classes and sections, and Provide and arrange financial assistance and professional know-how to the aforesaid classes and sections.
Infrastructure				
7	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	Public Works	June 1999	To develop Roads, Bridges & other infrastructure in the State of Himachal Pradesh.
8	Dharamshala Smart City Limited	Urban Development	July 2016	To implement smart city projects in Dharamshala

1	2	3	4	5
9	Shimla Smart City Limited	Urban Development	January 2018	To implement smart city projects in Shimla.
10	Himachal Pradesh State Industrial Development Corporation Limited	Industries	November, 1966	The Company is engaged in promoting establishing and administering industrial projects or enterprises for manufacture and production of plant and machinery, tools, equipment, chemical and substances which are likely to promote or advance the industrial development in Himachal Pradesh. It also aids, assists and finances any industrial Enterprise, project or enterprises, providing plots for Industrial Development on lease hold basis. Also, the Company undertakes civil works on behalf of various Government Departments, Autonomous Bodies and Corporation etc., on Deposit Works basis.
Manufacturing				
11	Himachal Pradesh General Industries Corporation Limited	Industries	November 1972	Company is engaged in the manufacturing of Country Liquor, furniture & fixtures and silk products. The maximum share of turnover of the Company is from the sale of country liquor.
Services				
12	Himachal Pradesh State Civil Supplies Corporation Limited	Food & Civil Supplies	November 1966	The Company is the nodal agency for supplying controlled commodities (wheat, rice, sugar, pulses, edible oil, salt and kerosene oil) through its wholesale go-downs to Fair Price Shops/ Retail Shops (Own/Other) for further distribution to ration card holders (BPL, APL and Antodaya) under the Targeted Public Distribution System (TPDS) of Central/ State subsidized schemes. It is also the implementing agency of various Central as well as State schemes like National Food Security Act, 2013 (NFSA) and Atal Vardi Yojana.
13	Himachal Pradesh State Electronics Development Corporation Limited	Information Technology	October, 1984	The main function of the Company includes promotion of Computerisation in the State (particularly in the State Government departments and its Enterprises); development of software and procurement and supply of computer hardware, software and related electronic products; and office automation.
14	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	Industries	March 1974	To assist and promote the interests of the poor weavers and artisans of the State. The Corporation ensures the overall welfare of artisans and weavers by imparting training, design inputs, raw material, reviving the languishing crafts and providing them marketing facilities through its chain of emporia located within and outside the State.
15	Himachal Pradesh Tourism Development Corporation	Tourism & Civil Aviation	September 1972	To provide tourism services including accommodation, catering, transport facilities and sports activities with its mission to expand quality tourism infrastructure in the State and outside the State, in order to provide world class facilities to the tourists. Apart from this, the Engineering wing of the Company also undertakes deposit works for Government Departments, Semi Government Departments, Autonomous bodies and Corporation etc.

1	2	3	4	5
16	Himachal Consultancy Organisation Limited		February 1977	HIMCON is a technical consultancy organisation and is a Government Controlled other Company under Companies Act and is audited by CAG. HIMCON is approved Training Partner with National Skill Development Corporation. HIMCON is empanelled with Ministry of Social Justice and Empowerment as its training partner on PAN India basis.
17	Himachal Pradesh Kaushal Vikas Nigam	Technical Education	September 2015	The main functions of the Company are to increase the capacity and capability of the system to deliver quality skill training and professional knowledge to the youth to enhance their ability and bridge the skill deficit with a view to meet ongoing market demand of skilled manpower. The main sources of income of the Company were Grant in Aid received from Central /State Government, share of administrative expenses for implementation of various skill training programme and interest earned on fixed deposits receipts / saving account.
18	Shimla Jal Prabandhan Nigam Limited	Urban Development	June 2018	To plan and implement the water supply and sewerage schemes in Shimla planning area. Its objectives are universal coverage of water and sewerage to every household, 24 x 7 continuous pressurized water supply, Promoting public health and environment, Accountability and responsiveness to citizens and decentralized service delivery through autonomous and professional institutions.
19	Sri Naina Devi Ji and Sri Anandpur Sahib Ji Ropeway Company Limited	Tourism & Civil Aviation	April 2019	To undertake development and operation/maintenance of the “Development of Ropeway Service between Sri Anandpur Sahib Ji (Rampur Village) to Sri Naina Devi Ji” (the “Project”) through Public Private Partnership (the “PPP”) on Design, Finance, Build, Operate and Transfer (the “DFBOT”) basis.
20	Ropeway and Rapid Transport System Development Corporation HP Limited	Transport	July 2019	To provide connectivity to remote/tribal areas of the State through ropeways, increase the tourism potential of various destinations in the State through innovative transport solutions, decongest urban hubs in the State through alternative transport solutions and to develop quality infrastructure projects that contribute to the State’s growth story.
Statutory Corporations				
21	Himachal Pradesh Financial Corporation	Industries	April 1967	To promote industrial growth in the State by providing term loans to small and medium scale industries. The Corporation has stopped its lending activities completely from the year 2010 in furtherance to the decision of the State Cabinet taken on 18 August 2008.
22	Himachal Road Transport Corporation	Transport	September, 1974	Major activity of the Corporation includes operation of buses in the State of Himachal Pradesh and in other States. Other activities of the Corporation include purchase of buses, spare parts, etc, collection of passenger taxes and deposition of special road taxes/passenger taxes of the state of Himachal Pradesh, Punjab, Uttarakhand and Haryana.

1	2	3	4	5
In-active SPSEs				
23	Agro Industrial Packaging India Limited	Horticulture	February 1987	It was involved in Manufacture of paper and paper product
24	Himachal Worsted Mills Limited	Industries	October, 1974	It was involved in Spinning, weaving and finishing of textiles and under process of liquidation since 2000-01.
25	Himachal Pradesh Beverages Limited	Excise and Taxation	April 2016	The Company was set up as a limited Company of the Government of Himachal Pradesh in terms of the provisions of the Excise Announcement for the purpose of channelizing sale of liquor in the State.
STATE PUBLIC SECTOR ENTERPRISES (POWER SECTOR)				
26	Himachal Pradesh State Electricity Board Limited	MPP and Power	December 2009	The Himachal Pradesh State Electricity Board has been re-organized as Himachal Pradesh State Electricity Board Limited w.e.f. 14.06.2010 under Companies Act, 1956. HPSEBL is responsible for the supply of Uninterrupted & Quality Power to all consumers in the State of Himachal Pradesh. Power is being supplied through a network of Transmission, Sub-Transmission & Distribution lines laid in the State.
27	Himachal Pradesh Power Corporation Limited	MPP and Power	December 2006	The Company has the objective to plan, promote and organize the development of power generation on behalf of Government of Himachal Pradesh.
28	Beas Valley Power Corporation Limited	MPP and Power	March 2003	Beas Valley Power Corporation Limited is a power generating utility with all the technical and organizational capabilities and is subsidiary of Himachal Pradesh State Electricity Board Limited. The Power Finance Corporation Limited has been providing financial assistance in the form of loan to Uhl Stage-III Hydroelectric Project (100 MW). The entire equity share capital has been contributed by the HPSEBL.
29	Himachal Pradesh Power Transmission Corporation Limited	MPP and Power	August 2008	The Company came into existence on 27 August 2008 as a part of unbundling of erstwhile HPSEB and was conferred the status of State Transmission Utility in the year 2010. It has been entrusted the work of formulation/Updating and Execution of Transmission Master Plan of the State for strengthening of Transmission Network and Evacuation of Power from upcoming Hydro Electric Projects.

Appendix-III

(Referred to in paragraphs 5 of Introduction and 1.3.2.1, 2.2)

Statement showing the investment of equity and long-term loans made by the State government/Others in SPSEs (Other than Power Sector and Power Sector) as on 31 March 2020

(₹ in crore)

Sr. No.	Name of the SNPSEs and SPSEs	Detail of investment of equity and loan				Investment of GoHP (Equity + Loans)	Investment others (Equity + Loans)	Total equity plus loans	Total equity	Total loans
		Equity		Long term loan						
		GOHP	Others	GOHP	Others					
1.		2.	3.	4.	5.	6.	7.	8.	9.	10.
STATE PUBLIC SECTOR ENTERPRISES (Other than Power Sector)										
Agriculture and Allied										
1	Himachal Pradesh Agro Industries Corporation Limited	16.89	1.96	11.56	1.54	28.45	3.50	31.95	18.85	13.10
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	31.20	7.57	63.57	0.00	94.77	7.57	102.34	38.77	63.57
3	Himachal Pradesh State Forest Development Corporation Limited	11.71	0.00	0.00	0.00	11.71	0.00	11.71	11.71	0.00
4	Agro Industrial Packaging India Limited	16.75	0.97	60.15	0.00	76.90	0.97	77.87	17.72	60.15
Total		76.55	10.50	135.28	1.54	211.83	12.04	223.87	87.05	136.82
Financing										
1	Himachal Backward Classes Finance & Development Corporation	14.22	0.00	0.00	22.84	14.22	22.84	37.06	14.22	22.84
2	Himachal Pradesh Mahila Vikas Nigam	13.76	0.10	0.00	0.00	13.76	0.10	13.86	13.86	0.00
3	Himachal Pradesh Minorities Finance & Development Corporation	13.09	0.00	0.00	40.73	13.09	40.73	53.82	13.09	40.73
4	Himachal Pradesh Financial Corporation	92.98	6.59	81.78	64.96	174.76	71.55	246.31	99.57	146.74
Total		134.05	6.69	81.78	128.53	215.83	135.22	351.05	140.74	210.31
Infrastructure										
1	Himachal Pradesh Road & Other Infrastructure Development Corporation Limited	25.00	0.00	0.00	0.00	25.00	0.00	25.00	25.00	0.00
2	Himachal Pradesh State Industrial Development Corporation Limited	30.82	0.00	0.00	0.00	30.82	0.00	30.82	30.82	0.00
3	Dharamshala Smart City Limited	0.00001	0.00033	0.00	0.00	0.00001	0.00	0.00034	0.00034	0.00
4	Shimla Smart City Limited	0.007	0.00	0	0.00	0.007	0.00	0.007	0.007	0.00
Total		55.82701	0.00033	0.00	0.00	55.82701	0.00	55.82734	55.82734	0.00

General Purpose Financial Report on SPSEs for the year ended 31 March 2020

1.		2.	3.	4.	5.	6.	7.	8.	9.	10.
Manufacture										
1	Himachal Pradesh General Industries Corporation Limited	7.04	0.12	2.97	0.00	10.01	0.12	10.13	7.16	2.97
2	Himachal Worsted Mills Limited	0.00	0.92	0.00	0.00	0.00	0.92	0.92	0.92	0.00
Total		7.04	1.04	2.97	0.00	10.01	1.04	11.05	8.08	2.97
Services										
1	Himachal Pradesh State Civil Supplies Corporation Limited	3.52	0.00	0.00	0.00	3.52	0.00	3.52	3.52	0.00
2	Himachal Pradesh State Handicrafts & Handloom Corporation Limited	9.22	0.03	0.00	0.00	9.22	0.03	9.25	9.25	0.00
3	Himachal Pradesh Tourism Development Corporation	12.30	0.00	0.00	0.00	12.30	0.00	12.30	12.30	0.00
4	Himachal Pradesh Kaushal Vikas Nigam	0.007	0.00	0.00	0.00	0.007	0.00	0.007	0.007	0.00
5	Shimla Jal Prabandhan Nigam Limited	0.05	0.05	0.00	0.00	0.05	0.05	0.10	0.10	0.00
6	Himachal Consultancy Organisation Limited	0.00	0.18	0.00	0.00	0.00	0.18	0.18	0.18	0.00
7	Sri Naina Devi Ji& Sri Anandpur Sahib Ji Ropeway Company Limited	0.50	0.50	0.00	0.00	0.50	0.50	1.00	1.00	0.00
8	Ropeway and Rapid Transport System Development Corporation HP Limited	0.005	0.000	0.00	0.00	0.005	0.00	0.005	0.005	0.00
9	Himachal Pradesh State Electronics Development Corporation Limited	3.72		0.30	0.00	4.02	0.00	4.02	3.72	0.30
10	Himachal Road Transport Corporation	842.10	15.44	0.00	86.17	842.10	101.61	943.71	857.54	86.17
11	Himachal Pradesh Beverage Limited	1.00		0.00	0.00	1.00	0.00	1.00	1.00	0.00
Sector total		872.42	16.20	0.30	86.17	872.722	102.37	975.092	888.622	86.47
Total (Government Companies - Other than Power Sector)		1,145.89	34.43	220.33	216.24	1,366.22	250.67	1616.89	1180.32	436.57
STATE PUBLIC SECTOR ENTERPRISES (Power Sector)										
1	Himachal Pradesh State Electricity Board Limited	756.46	0.00	2,934.03	2,581.96	3,690.49	2,581.96	6272.45	756.46	5515.99
2	Beas Valley Power Corporation Limited	0.00	300.00	0.00	933.40	0.00	1233.40	1233.40	300.00	933.40
3	Himachal Pradesh Power Corporation Limited	862.63	1317.92	2,534.91	20.14	3397.54	1338.06	4735.60	2180.55	2555.05
4	Himachal Pradesh Power Transmission Corporation Limited	271.50	108.70	1,492.24	98.41	1763.74	207.11	1970.85	380.20	1590.65
Sector Total		1890.59	1726.62	6,961.18	3,633.91	8,851.77	5,360.53	14212.31	3617.21	10595.09
Grand total of All SPSEs		3,036.48	1,761.05	7,181.51	3,850.15	10,217.99	5,611.20	15,829.19	4,797.53	11,031.66

Appendix 1.1

(Referred to in paragraph 1.6.1)

Statement showing funds infused in the Power Sector SPSEs by the State Government from 2007-08 to 2019-20

(₹ in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Total
STATE PUBLIC SECTOR ENTERPRISES (POWER SECTOR)																				
Himachal Pradesh Power Corporation Limited																				
Equity	-	-	-	-	-	-	80.11	241.32	242.41	75.76	48.05	202.18	180	193.31	91.25	133.27	137.12	160.00	165.00	1949.78
Disinvestment	-	-	-	-	-	-	-	-	-	-	-537.15	-	-	-550.00	-	-	-	-	-	-1087.15
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IFL converted into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Himachal Pradesh Power Transmission Corporation Limited																				
Equity	-	-	-	-	-	-	-	11.00	45.70	60.00	50.00	5.78	8.00	25.96	32.79	19.51	27.71	40.00	53.75	380.20
Disinvestment	-	-	-	-	-	-	-	-	-	-	-108.70	-	-	-	-	-	-	-	-	-108.70
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IFL converted into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Himachal Pradesh State Electricity Board Limited																				
Equity	0	0	0	0	0	0	0	0	0	396.52	0	50.00	31.75	75.00	50.00	50.00	17.28	50.00	35.91	756.46
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IFL converted into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	80.11	252.32	288.11	532.28	- 547.80	257.96	219.75	- 255.73	174.04	202.78	182.11	250.00	254.66	1890.59

* This shows net investment/ equity net of accumulated losses invested by GoHP.

Appendix-2.1

(Referred to in paragraph 2.5.4)

Statement showing the funds infused in SPSEs (Other than Power Sector) by the State Government as on 01 April 1999 and from 1999-2000 to 2019-20

(₹ in crore)

	Upto 1999-2000	2000-2001	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
STATE PUBLIC SECTOR ENTERPRISES (Other than Power Sector)																						
AGRICULTURE AND ALLIED																						
1	Himachal Pradesh Agro Industries Corporation Limited																					
Equity	9.84	-	-	-	-	-	-	-	-	-	-	-	-	-	7.05	-	-	-	-	-	-	16.89
IFL	-	-	-	-	-	-	-	-	-	-	-	-	2.50	-	2.54	-	-	6.52	-	-	-	11.56
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited																					
Equity	10.23	-	-	-	-	-	-	-	-	-	20.97	-	-	-	-	-	-	-	-	-	-	31.20
IFL	-	-	-	-	-	-	-	-	2.25	-	-	-	7.00	5.00	-	14.54	3.55	-	8.00	10.00	-	50.34
3	Himachal Pradesh State Forest Development Corporation Limited																					
Equity	11.71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11.71
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total Agriculture and Allied																						59.80
61.90																						
FINANCING																						
4	Himachal Backward Classes Finance and Development Corporation																					
Equity	1.57	0.40	0.65	0.80	1.20	1.00	0.50	1.20	0.90	1.10	0.86	-	-	0.28	0.54	0.80	0.67	0.54	0.75	1.00	-	14.22
IFL	0.01	0.01	-	-	-	-	0.15	-	0.01	-0.10	-	-	-	-	-	-	-	-	-	-	-	0.07
5	Himachal Pradesh Mahila Vikas Nigam																					
Equity	1.25	-	0.10	0.2214	0.30	0.30	0.30	0.40	0.85	0.85	1.08	0.30	1.14	-	0.60	0.65	0.75	0.75	0.80	1.77	1.35	13.76
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Himachal Pradesh Minorities Finance and Development Corporation																					
Equity	0.75	0.17	0.25	0.40	0.40	0.40	0.49	0.40	0.46	1.02	1.08	1.16	0.50	0.64	1.30	0.53	0.64	0.75	-	1.68	-	13.09
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total Financing																						41.07
0.07																						
INFRASTRUCTURE																						
7	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited																					
Equity	5.00	20.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25.00
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Himachal Pradesh State Industrial Development Corporation Limited																					
Equity	29.59	-	-	-	-	-	-	-	-	-	-	1.23	-	-	-	-	-	-	-	-	-	30.82
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Dharamshala Smart City Limited																					
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00001	-	-	-	0.00001
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Shimla Smart City Limited																					
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.007	-	-	0.007
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total Infrastructure																						55.82
MANUFACTURE																						
11	Himachal Pradesh General Industries Corporation Limited																					
Equity	4.98	-	-	-	-	2.06	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.04
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total Manufacture																						7.04

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
SERVICES																						
12	Himachal Pradesh State Civil Supplies Corporation Limited																					
Equity	3.52	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.52
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Himachal Pradesh State Electronics Development Corporation Limited																					
Equity	3.72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.72
IFL	0.48	1.50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.98
14	Himachal Pradesh State Handicrafts and Handloom Corporation Limited																					
Equity	4.09	0.01	0.01	-	-	-	-	-	4.61	-	-	-	-	0.50	-	-	-	-	-	-	-	9.22
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Himachal Pradesh Tourism Development Corporation																					
Equity	12.30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12.30
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Himachal Pradesh Kaushal Vikas Nigam																					
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.007	-	-	-	-	-	0.007
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Shimla Jal Prabandhan Nigam Limited																					
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.05	-	0.05
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
O&AE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	114.89	114.89
18	Ropeway and Rapid Transport System Development Corporation HP Limited																					
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.005	0.005
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Sri Naina Devi Ji and Sri Anandpur Sahib Ji Ropeway Development Corporation Limited																					
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.50	0.50
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total Services																						29.322
																						1.98
																						114.89
STATUTORY CORPORATION FINANCING																						
20	Himachal Pradesh Financial Corporation																					
Equity	21.58	-	-	-	-	-	-	-	-	20.00	51.00	-	-	-	-	-	-	-	-	0.40	-	92.98
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total Financing																						92.98
STATUTORY CORPORATION SERVICE																						
21	Himachal Road Transport Corporation																					
Equity	163.16	11.90	12.00	11.01	26.70	12.30	12.30	12.30	31.49	31.00	42.18	31.92	25.30	44.34	58.00	42.95	41.20	45.00	50.00	59.00	79.39	842.10
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total Financing and Services																						935.08
INACTIVE AGRICULTURE AND ALLIED & SERVICE																						
22	Agro Industrial Packaging India Limited																					
Equity	16.75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16.75
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Himachal Pradesh Beverages Limited																					
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.00	-	-	-	1.00
IFL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total Agriculture and Allied																						17.75
Total Equity	300.04	32.48	13.01	12.43	28.60	16.06	13.59	14.30	38.31	53.97	117.16	34.61	26.94	45.76	67.49	44.93	43.27	48.04	50.80	62.85	81.25	1,145.89
Total IFL	0.490	1.51	0.00	0.0000	0.00	0.00	0.15	0.00	2.25	-0.10	0.00	0.00	9.50	5.00	2.54	14.54	3.550	6.52	8.00	10.00	-	63.95
O & AE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	114.89	114.89
Grand Total	300.534	33.99	13.01	12.4314	28.60	16.06	13.74	14.30	40.56	53.87	117.16	34.61	36.44	50.76	70.03	59.47	46.817	54.56	58.80	72.85	196.14	1,324.73

Appendix-3.1

(Referred to in paragraph 3.2)

Detail showing the period of appointment of Statutory Auditors by CAG for certification of Financial Statements in respect of all working/ non-working SPSEs for the year 2019-20

Sr. No.	Name of State SPSEs whose accounts are in arrears	Statutory Auditors appointed by CAG during
1	Himachal Pradesh Agro Industries Corporation Limited	August 2019
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	August 2019
3	Himachal Pradesh State Forest Development Corporation Limited	Statutory Auditors appointed up to 2018-19 and Accounts finalised up to 2016-17.
4	Himachal Backward Classes Finance and Development Corporation	Statutory Auditors appointed up to 2018-19 and Accounts finalised up to 2013-14.
5	Himachal Pradesh Mahila Vikas Nigam	Statutory Auditors appointed up to 2018-19 and Accounts finalised up to 2015-16.
6	Himachal Pradesh Minorities Finance and Development Corporation	August 2019
7	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	August 2019
8	Himachal Pradesh State Industrial Development Corporation Limited	September 2019
9	Dharamshala Smart City Limited	August 2019
10	Shimla Smart City Limited	August 2019
11	Himachal Pradesh General Industries Corporation Limited	September 2019
12	Beas Valley Power Corporation Limited	September 2019
13	Himachal Pradesh Power Corporation Limited	August 2019
14	Himachal Pradesh Power Transmission Corporation Limited	August 2019
15	Himachal Pradesh State Electricity Board Limited	September 2019
16	Himachal Pradesh State Civil Supplies Corporation Limited	August 2019
17	Himachal Pradesh State Electronics Development Corporation Limited	September 2019
18	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	September 2019
19	Himachal Pradesh Tourism Development Corporation	September 2019
20	Himachal Pradesh Kaushal Vikas Nigam	August 2019
21	Shimla Jal Prabandhan Nigam Limited	September 2019
22	Himachal Consultancy Organisation Limited	September 2019
23	Sri Naina Devi Ji & Sri Anandpur Sahib Ji Ropeway Company Limited	October 2019
24	Ropeway and Rapid Transport System Development Corporation HP Limited	January 2020
25	Himachal Pradesh Beverage Limited	September 2019
26	Agro Industrial Packaging India Limited	October 2019

Appendix-3.2

(Referred to in paragraph 3.3.2)

List of SPSEs whose accounts are in arrears as of 31 December 2020

Sr. No.	Name of SPSEs whose accounts are in arrear (excluding Statutory Corporations)
1	Himachal Pradesh Agro Industries Corporation Limited
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited
3	Himachal Pradesh State Forest Development Corporation Limited
4	Himachal Backward Classes Finance and Development Corporation
5	Himachal Pradesh Mahila Vikas Nigam
6	Himachal Pradesh Minorities Finance and Development Corporation
7	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited
8	Himachal Pradesh State Industrial Development Corporation Limited
9	Dharamshala Smart City Limited
10	Shimla Smart City Limited
11	Himachal Pradesh General Industries Corporation Limited
12	Himachal Pradesh State Civil Supplies Corporation Limited
13	Himachal Pradesh State Electronics Development Corporation Limited
14	Himachal Pradesh State Handicrafts and Handloom Corporation Limited
15	Himachal Pradesh Tourism Development Corporation
16	Himachal Pradesh Kaushal Vikas Nigam
17	Shimla Jal Prabandhan Nigam Limited
18	Himachal Consultancy Organisation Limited
19	Sri Naina Devi & Sri Anandpur Sahib Ropeway Company Limited
20	Ropeway and Rapid Transport System Development Corporation HP Limited
21	Himachal Pradesh Beverage Limited
22	Agro Industrial Packaging India Limited
23	Beas Valley Power Corporation Limited
24	Himachal Pradesh Power Corporation Limited
25	Himachal Pradesh Power Transmission Corporation Limited
26	Himachal Pradesh State Electricity Board Limited

Himachal Worsteds Mills Limited is under liquidation

Appendix-3.3

(Referred to in paragraph 3.5.1 (i))

List of SPSEs where Supplementary Audit was conducted from 1st October 2019 to 31st December 2020

Sr. No.	Name of SPSES
1	Beas Valley Power Corporation Limited (2018-19)
2	Himachal Pradesh Power Transmission Corporation Limited (2018-19)
3	Himachal Pradesh Power Corporation Limited (2017-18)
4	Himachal Pradesh State Electricity Board Limited (2017-18)
5	Himachal Pradesh General Industries Corporation Limited (2018-19)
6	Himachal Pradesh State Electronics Development Corporation Limited (2018-19)
7	Shimla Jal Prabandhan Nigam Limited (2018-19)
8	Himachal Pradesh Agro Industries Corporation Limited (2018-19)
9	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited, Shimla (2018-19)
10	Himachal Pradesh State Forest Development Corporation Limited (2016-17)
11	Himachal Pradesh Kaushal Vikas Nigam (2017-18 & 2018-19)
12	Himachal Consultancy Organisation Limited (2018-19)
13	Himachal Pradesh Mahila Vikas Nigam (2015-16)

Appendix-3.4

(Referred to in paragraph 3.6)

List of SPSEs where statutory auditors reported that companies did not comply with mandatory Accounting Standards/Ind AS

Sr. No.	Name of the Company	Category (Listed/Unlisted)	Government Company (GC) or Government Controlled Other Company (GCOC)	Number of Accounting Standard (AS)/ Ind AS
1	Himachal Pradesh General Industries Corporation Limited(2018-19)	Unlisted	GC	AS 28 (1)
2	Himachal Pradesh Agro Industries Corporation Limited(2018-19)	Unlisted	GC	AS - 2, 12, 15, 17, 22, 26, 28 and 29 (8)
3	Himachal Pradesh Power Corporation Limited (2017-18)	Unlisted	GCOC	Ind AS – 20, 19, 23, 37,10,113, 109, 113, 12 and 107 (10)
4	Himachal Pradesh Power Transmission Corporation Limited (2018-19)	Unlisted	GC	Ind AS – 8, 19, 33 (3)
5	Himachal Pradesh State Electricity Board Limited (2017-18)	Unlisted	GC	Ind AS 101, 18, 19, 16, 17, 36, 37 and 7 (8)
6	Beas Valley Power Corporation Limited (2018-19)	Unlisted	GC	Ind AS 23 (1)
7	Himachal Pradesh Horticulture Produce Marketing and Processing Corporation Limited (2018-19)	Unlisted	GC	AS 1, 2, 4, 9, 10, 15, 17, 22, 24, 28 and 29 (11)
8	Himachal Pradesh State Forest Development Corporation Limited (2016-17)	Unlisted	GC	AS 2, 4, 5, 9, 15, 17,20, 22, 28 and 29 (10)

Appendix-4.1

(Referred to in paragraph 4.1.3)

Statement showing the name of all SPSEs, their administrative department and month/ year of incorporation as on 31 March 2020

Sr. No.	Sector & Name of the SPSE	Name of the Administrative Department	Month and year of incorporation of SPSE
1	2	3	4
Agriculture and Allied			
1	Himachal Pradesh Agro Industries Corporation Limited	Horticulture	September 1970
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Horticulture	June 1974
3	Himachal Pradesh State Forest Development Corporation Limited	Forest	March 1974
Finance			
4	Himachal Backward Classes Finance and Development Corporation	Social Justice & Empowerment	January 1994
5	Himachal Pradesh Mahila Vikas Nigam	Social Justice & Empowerment	April 1989
6	Himachal Pradesh Minorities Finance and Development Corporation	Social Justice & Empowerment	September 1996
Infrastructure			
7	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	Public Works	June 1999
8	Himachal Pradesh State Industrial Development Corporation Limited	Industries	November 1966
9	Dharamshala Smart City Limited	Urban Development	August 2016
10	Shimla Smart City Limited	Urban Development	January 2018
Manufacturing			
11	Himachal Pradesh General Industries Corporation Limited	Industries	November 1972

1	2	3	4
Service Sector			
12	Himachal Pradesh State Civil Supplies Corporation Limited	Food & Civil Supplies	November 1966
13	Himachal Pradesh State Electronics Development Corporation Limited	Information Technology	October 1984
14	Himachal Pradesh State Handicrafts and Handlooms Corporation Limited	Industries	March 1974
15	Himachal Pradesh Tourism Development Corporation	Tourism & Civil Aviation	September 1972
16	Himachal Pradesh Kaushal Vikas Nigam	Technical Education	September 2015
17	Himachal Consultancy Organisation Limited		February 1977
18	Shimla Jal Prabandhan Nigam Limited	Urban Development	June 2018
19	Sri Naina Devi Ji and Sri Anandpur Sahib Ji Ropeway Company Limited	Tourism & Civil Aviation	April 2019
20	Ropeway and Rapid Transport System Development Corporation HP Limited	Transport	July 2019
Power Sector			
21	Himachal Pradesh State Electricity Board Limited	MPP and Power	December 2009
22	Himachal Pradesh Power Corporation Limited	MPP and Power	December 2006
23	Beas Valley Power Corporation Limited	MPP and Power	March 2003
24	Himachal Pradesh Power Transmission Corporation Limited	MPP and Power	August 2008
Inactive SPSEs			
25	Agro Industrial Packaging India Limited	Horticulture	February 1987
26	Himachal Pradesh Beverages Limited	Excise and Taxation	April 2016
27	Himachal Worsteds Mills Limited (Under Liquidation since 2000-01)	Industries	October 1974

Appendix-4.2

(Referred to in paragraph 4.6)

Statement showing the name of SPSEs where Company Secretary was appointed on Whole time/Part Time Basis

Sr. No.	Name of the company	Period of accounts	Paid-up capital (₹ in crore)	whether Company Secretary required (paid-up share capital of ten crore rupees or more)	Company Secretary (Part Time/Whole Time)
1	Himachal Pradesh Agro Industries Corporation Limited	2017-18	18.85	Yes	Part time
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2017-18	38.77	Yes	Part time
3	Himachal Pradesh State Forest Development Corporation Limited	2015-16	11.71	Yes	Whole Time
4	Himachal Backward Classes Finance and Development Corporation	2013-14	13.00	Yes	Part time
5	Himachal Pradesh Mahila Vikas Nigam	2014-15	12.51	Yes	Part time
6	Himachal Pradesh Minorities Finance and Development Corporation	2013-14	13.02	Yes	Part time
7	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	2018-19	25.00	Yes	Part Time
8	Himachal Pradesh State Industrial Development Corporation Limited	2017-18	30.82	Yes	Part time
9	Himachal Pradesh Tourism Development Corporation	2015-16	12.3	Yes	Part time
10	Beas Valley Power Corporation Limited	2018-19	300	Yes	Whole Time
11	Himachal Pradesh Power Corporation Limited	2016-17	1670.9	Yes	Whole Time
12	Himachal Pradesh Power Transmission Corporation Limited	2017-18	286.45	Yes	Part time
13	Himachal Pradesh State Electricity Board Limited	2016-17	653.28	Yes	Whole Time
14	Agro Industrial Packaging India Limited	2013-14	17.72	Yes	Part time

Appendix-4.3

(Referred to in paragraph 4.9.3)

Statement showing the details of SPSEs having conducted internal audit and its frequency

Sr. No.	Sector/ Name of the company	System of internal audit in operation during the period 2015-16 to 2019-20	Frequency of conduction and submission of internal audit reports
1	Himachal Pradesh Agro Industries Corporation Limited	Yes (2019-20)	Yearly
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Yes (2019-20)	Yearly
3	Himachal Pradesh State Forest Development Corporation Limited	Yes (2019-20)	Yearly
4	Himachal Backward Classes Finance and Development Corporation	Yes (2019-20)	Yearly
5	Himachal Pradesh Mahila Vikas Nigam	No	NA
6	Himachal Pradesh Minorities Finance and Development Corporation	Yes (2016-17)	Yearly
7	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	Yes (2019-20)	Half yearly
8	Himachal Pradesh State Industrial Development Corporation Limited	Yes (2018-19)	Quarterly
9	Dharamshala Smart City Limited	No	NA
10	Shimla Smart City Limited	No	NA
11	Himachal Pradesh General Industries Corporation Limited	Yes (2019-20)	Half yearly
12	Himachal Pradesh State Civil Supplies Corporation Limited	Yes (2019-20)	Half yearly
13	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	Yes (2018-19)	Yearly
14	Himachal Pradesh Kaushal Vikas Nigam	Yes (2019-20)	Yearly
15	Himachal Consultancy Organisation Limited	Yes (2016-17)	Quarterly
16	Shimla Jal Prabhandhan Nigam Limited	Yes (2019-20)	Yearly
17	Himachal Pradesh Power Corporation Limited	Yes (2019-20)	Half yearly
18	Himachal Pradesh Power Transmission Corporation Limited	Yes (2019-20)	Yearly
19	Himachal Pradesh State Electricity Board Limited	Yes (2019-20)	Yearly
20	Agro Industrial Packaging India Limited	No	NA
21	Himachal Pradesh Beverages Limited	Yes (2016-18)	Quarterly
22	Himachal Pradesh State Electronics Development Corporation Limited	Yes (2019-20)	Yearly
23	Himachal Pradesh Tourism Corporation	Yes (2019-20)	Yearly
24	Beas Valley Power Corporation Limited	Yes (2019-20)	Yearly
25	Sri Naina Devi Ji And Sri Anandpur Sahib ji Ropeway Company Limited	No	NA
26	Ropeways and Rapid Transport System Development Corporation HP Limited	No	NA

Appendix-5.1

(Referred to in paragraph 5.5.2.1)

Year-wise status of average Net Profit for the period from 2014-15 to 2019-20 in respect of three SPSEs eligible for contribution towards CSR

(₹ in lakh)

Year	Name of the PSE	Average Net Profit (as per section 198 of Act) for the preceding three years)	Two per cent allocation to be made for the year	Actual spent	Excess (+) / Shortfall (-)
2014-15	HPSCSC	598.63	11.97	-	-11.97
	HPSIDC	532.95	10.66	-	-10.66
	HPGIC	360.29	7.21	-	-7.21
Total		1491.87	29.84	-	
2015-16	HPSCSC	499.05	9.98	14	4.02
	HPSIDC	500.86	10.02	-	-10.02
	HPGIC	588.80	11.78	-	-11.78
Total		1588.71	31.78	14	
2016-17	HPSCSC	402.85	8.06	20.97	12.91
	HPSIDC	706.05	14.12	0.25	-13.87
	HPGIC	721.00	14.42	-	-14.42
Total		1829.90	36.60	21.22	
2017-18	HPSCSC	298.27	5.97	33.76	27.79
	HPSIDC	1327.47	26.55	1.25	-25.30
	HPGIC	864.82	17.30	-	17.30
Total		2490.56	49.82	35.01	
2018-19	HPSCSC	262.95	5.26	0.15	-5.11
	HPSIDC	1667.98	33.36	-	-33.36
	HPGIC	932.74	18.66	-	-18.66
Total		2863.67	57.28	0.15	
2019-20	HPSCSC	219.47	4.39	-	-4.39
	HPSIDC	1641.78	32.84	75.74	42.90
	HPGIC	981.73	19.64	75.00	55.36
Total		2842.98	56.87	150.74	
Grand Total		13107.69	262.19		

Appendix-6.1

(Referred to in paragraph 6.1)

List of Ind AS Applicable as of 31 March 2020

Sr. No.	Ind AS	Title
1	101	First-Time Adoption of Indian Accounting Standards
2	102	Share-Based Payment
3	103	Business Combinations
4	104	Insurance Contracts
5	105	Non-Current Assets Held for Sale and Discontinued Operations
6	106	Exploration for and Evaluation of Mineral Resources
7	107	Financial Instruments: Disclosures
8	108	Operating Segments
9	109	Financial Instruments
10	110	Consolidated Financial Statements
11	111	Joint Arrangements
12	112	Disclosure of Interests in Other Entities
13	113	Fair Value Measurement
14	114	Regulatory Deferral Accounts
15	115	Revenue from Contracts with Customers
16	116	Leases
17	1	Presentation of Financial Statements
18	2	Inventories
19	7	Statement of Cash Flows
20	8	Accounting Policies, Changes in Accounting Estimates and Errors
21	10	Events after the Reporting Period
22	12	Income Taxes
23	16	Property, Plant and Equipment
24	19	Employee Benefits
25	20	Accounting for Government Grants and Disclosure of Government Assistance
26	21	The Effects of Changes in Foreign Exchange Rates
27	23	Borrowing Costs
28	24	Related Party Disclosures
29	27	Separate Financial Statements
30	28	Investments in Associates and Joint Ventures
31	29	Financial Reporting in Hyperinflationary Economies
32	32	Financial Instruments: Presentation
33	33	Earnings per Share
34	34	Interim Financial Reporting
35	36	Impairment of Assets
36	37	Provisions, Contingent Liabilities and Contingent Assets
37	38	Intangible Assets
38	40	Investment Property
39	41	Agriculture

GLOSSARY OF ABBREVIATIONS

Glossary of Abbreviations	
ACS	Average Cost of Supply
ADB	Asian Development Bank
AGM	Annual General Meeting
ARR	Average Realisable Revenue
BHEL	Bharat Heavy Electricals Limited
BoDs	Board of Directors
BSMDA	Bus Stands Management and Development Authority
BVPCL	Beas Valley Power Corporation Limited
CAG	Comptroller & Auditor General of India
CSR	Corporate Social Responsibility
DSE	Delhi Stock Exchange
DTs	Distribution Transformers
EBIT	Earnings Before Interest and Taxes
ELCs	Exclusively Listed Companies
GIS	Gas Insulated Sub-Station
GPF	General Provident Fund
GSDP	Gross State Domestic Product
HEP	Hydro Electric Project
HIMCON	Himachal Consultancy Organisation Limited
HPAIC	Himachal Pradesh Agro Industries Corporation Limited
HPGIC	Himachal Pradesh General Industries Corporation Limited
HPMC	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited
HPPCL	Himachal Pradesh Power Corporation Limited
HPPTCL	Himachal Pradesh Power Transmission Corporation Limited
HPSCSC	Himachal Pradesh State Civil Supplies Corporation Limited
HPSEBL	Himachal Pradesh State Electricity Board Limited
HPSFDC	Himachal Pradesh State Forest Development Corporation Limited
HPSIDC	Himachal Pradesh State Industrial Development Corporation Limited
HPSRT	Himachal Pradesh Special Road Tax
ICAI	Institute of Chartered Accountants of India
ICR	Interest Coverage Ratio
IFRS	International Financial Reporting Standards
IGAAP	Indian Generally Accepted Accounting Principles
Ind AS	Indian Accounting Standards
LADF	Local Area Development Fund
LMKs	Lok Mitra Kendras
MCA	Ministry of Corporate Affairs of India
MoU	Memorandum of Understanding
NSKFDC	National Safai Karamchari Financial Development Corporation
PAT	Profit After Tax
PPE	Property, Plants and Equipment
PV	Present Value
RGVY	Rajiv Gandhi Grameen Vidyutikaran Yojana
ROCE	Return on Capital Employed
ROE	Return on Equity
RORR	Rate of Real Return
SCs	Statutory Corporations
SEBI	Securities and Exchange Board of India
SPSEs	State Public Sector Enterprises
UMPP	Ultra Mega Power Project
VAT	Value Added Tax
WDV	Written Down Value

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