सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Public Sector Undertakings for the year ended 31 March 2018

भारतीय लेखापरीक्षा और लेखा विभाग
INDIAN AUDIT AND ACCOUNTS DEPARTMENT
सत्यमेव जयते
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

मध्य प्रदेश शासन
सत्यमेव जयते

Government of Madhya Pradesh

Report No. 2 of the year 2020

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Comptroller and Auditor General of India
on
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for the year ended 31 March 2018

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Preface

This Report deals with the results of audit of Government Companies and Statutory Corporations of Madhya Pradesh for the year ended 31 March 2018.

The accounts of Government Companies (including companies deemed to be Government companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 143(6) of the Companies Act, 2013. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act are subject to supplementary audit by officers of the CAG and the CAG gives his comments or supplements the reports of the Statutory Auditors. In addition, these companies are also subject to test audit by the CAG.

Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by the CAG for laying before State Legislature of Madhya Pradesh under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the year 2017-18 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; matters relating to the period subsequent to 2017-18 have also been included, wherever related and necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

Overview

This Report contains the following chapters:

Introduction: Functioning of State Public Sector Undertakings,

Chapter-1 : Functioning of Power Sector Undertakings,

Chapter-2 : Three Compliance Audit paragraphs relating to Public Sector Undertakings (Power Sector),

Chapter-3 : Functioning of State Public Sector Undertakings (other than Power Sector),

Chapter-4 : Performance Audit on implementation of road projects on Build Operate Transfer mode by the Madhya Pradesh Road Development Corporation Limited and

Chapter-5 : One Compliance Audit paragraph relating to Public Sector Undertakings (other than Power Sector).

The total financial impact of the Audit findings is ₹ 2,316.24 crore.

Functioning of State Public Sector Undertakings

As on 31 March 2018, Madhya Pradesh had 74 State Public Sector Undertakings (PSUs) consisting of three Statutory Corporations (including one non-functional Statutory Corporation) and 71 Government Companies (including 16 non-functional Government Companies) under the audit jurisdiction of the Comptroller & Auditor General of India. The PSUs covered in this report registered a turnover of ₹ 81,694.55 crore during 2017-18 as per their latest finalised accounts. This turnover was equal to 11.55 *per cent* of the Gross State Domestic Product (GSDP) of Madhya Pradesh. As on 31 March 2018, the investment (Capital and long term loans) in 74 PSUs was ₹ 76,547.14 crore. The power sector received ₹ 17,459.90 crore (89.31 *per cent)* of total investment ₹ 19,549.71 crore made during the period from 2015-16 to 2017-18. There are 29 PSUs (28 Government companies and one Statutory Corporation) having an investment of ₹ 1,381.80 crore which are not covered in this Report.

(Paragraphs 1, 2 and 8)

1. Functioning of Power Sector Undertakings

The Power Sector Undertakings registered a turnover of ₹ 66,043.29 crore during 2017-18 as per their latest finalised accounts. This turnover was equal to 9.34 *per cent* of the GSDP of Madhya Pradesh indicating an important role played by the Power Sector companies in the economy of the State.

(Paragraph 1.1)

Stake of Government of Madhya Pradesh

As on 31 March 2018, the total investment (equity and long term loans) in seven power sector undertakings covered in this report was ₹ 69,777.93 crore. The investment consisted of 36.45 *per cent* towards equity and 63.55 *per cent* in long-term loans. Further, an investment of ₹ 49.60 crore was made in four PSUs not covered in this Report.

The long term loans advanced by the State Government constituted 60.45 *per cent* (₹ 26,808.01 crore) of the total long term loans, whereas 39.55 *per cent* (₹ 17,537.06 crore) of the total long term loans were availed from other financial institutions. During 2016-17 and 2017-18, the State Government has taken over ₹ 12,189.99 crore (35.09 *per cent*) of the outstanding debts (₹ 34,739.00 crore) of the DISCOMs as on 30 September 2015 under Ujwal Discom Assurance Yojana (UDAY).

(Paragraph 1.4)

Performance of Power Sector Undertakings

According to latest finalised accounts of seven PSUs covered in this report, three PSUs earned profit of ₹ 618.10 crore, two PSUs incurred loss of ₹ 4,907.25 crore and two PSUs had no profit no loss. The profit making companies were Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (₹ 552.89 crore), Madhya Pradesh Power Generating Company Limited (₹ 32.73 crore) and Madhya Pradesh Power Transmission Company Limited (₹ 32.48 crore) while Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (₹ 2,716.79 crore) and Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (₹ 2,190.46 crore) incurred substantial loss.

(Paragraph 1.9)

Real Return on Investment on the basis of Present Value of investment

The Present Value of investments of the State Government in seven power sector PSUs upto 31 March 2018 worked out to ₹ 79,066.51 crore. The total earnings for the year relating to these companies remained negative in all the years during 2000-01 to 2017-18 which indicates that instead of generating returns on the invested funds, these companies did not even recover the cost of funds to the Government. Further during 2017-18, against the minimum expected return of ₹ 4,943.97 crore on the State Government investment, these seven Power sector PSUs incurred loss of ₹ 4,289.15 crore.

(Paragraph 1.11)

Erosion of Net worth

The accumulated losses of the power sector PSUs were ₹ 45,239.62 crore as on 31 March 2018. Net worth of three out of seven PSUs covered in this report had been completely eroded by accumulated losses and their net worth was either zero or negative. The net worth of these three PSUs was (-) ₹ 27,912.81 crore against equity investment of ₹ 16,119.70 crore in these PSUs as on 31 March 2018.

In all the three PSUs whose capital had been eroded, Government loans outstanding as on 31 March 2018 amounted to ₹ 26,559.67 crore.

(Paragraph 1.12)

Return on Equity

Return on Equity has been computed in respect of three profit making power sector PSUs as in respect of other loss making PSUs, their net worth is in negative. During the last three years period ended March 2018, the ROE of profit making PSUs ranged between 0.17 and 0.56 *per cent* only depicting the poor performance of these PSUs.

(Paragraph 1.14)

Return on Capital Employed

The ROCE of the power sector PSUs ranged between -17.20 *per cent* and 10.64 *per cent* during the period 2015-16 to 2017-18.

(Paragraph 1.15)

Financial Turnaround of DISCOMs under Ujwal DISCOM Assurance Yojana (UDAY)

As per provisions of the UDAY Scheme and the MoUs, 75 *per cent* of total outstanding debt (₹ 34,739 crore) pertaining to three State DISCOMs as on 30 September 2015 was to be taken over by the GoMP. The GoMP had taken over total debt of ₹ 12,189.99 crore during the period 2016-17 and 2017-18 against which the GoMP provided equity of ₹ 7,567.99 crore and grant of ₹ 4,622 crore during the same period. The remaining amount of ₹ 13,864.26 crore, was to be converted into grant over a period of three years i.e. 2018-19, 2019-20 and 2020-21.

(Paragraph 1.19.4)

As regards achievement of operational targets under UDAY the performance was not satisfactory. The State has performed poorly in meeting the targets for feeder metering and DTR metering in rural areas, smart metering, providing electricity to unconnected households and distribution of LEDs. Further, going by the current trend of progress, the State will find it difficult to achieve the most important target of reduction of AT&C loss to 15 *per cent* by 2019-20.

(Paragraph 1.19.3)

Quality of Accounts

The quality of accounts of power sector PSUs needs improvement. Out of 13 accounts finalised during 1 January 2018 to 31 December 2018, the Statutory Auditors gave qualified certificates on seven accounts. There were 12 instances of non-compliance with Accounting Standards by the Power Sector PSUs.

(Paragraph 1.20)

2. Compliance Audit Observations relating to Power Sector Undertakings

Gist of some of the important compliance audit paragraphs are given below:

All the three power distribution companies viz. **Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited, Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited** failed to deposit the compounding charges amounting to ₹ 52.40 crore collected from consumers in the State exchequer. This amount was adjusted by the State Government against subsidy payable after being pointed out by Audit.

(Paragraph 2.1)

Negligence of **Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited** in correctly crediting mobilisation advance in appropriate Bank Guarantee bank account and non-levy of interest on mobilisation advance resulted in non-recovery of dues of ₹ 4.80 crore.

(Paragraph 2.2)

Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited, in contravention of provisions of Electricity Supply Code, extended permanent power connections for construction activities of Power plants, instead of temporary power connection, resulting in revenue loss of ₹ 24.77 crore.

(Paragraph 2.3)

3. Functioning of State Public Sector Undertakings (other than Power Sector)

As on 31 March 2018, Madhya Pradesh had 63 State Public Sector Undertakings (other than Power Sector) consisting of 45 working Companies, two working Statutory Corporations, 15 non-functional companies and one non- functional Corporation. Out of this, 38 State Public Sector Undertakings (other than Power Sector) are covered in this report. These 38 PSUs registered a turnover of ₹ 15,651.26 crore as per their latest finalised accounts during 2017-18. This turnover was equal to 2.21 *per cent* of the State Gross Domestic Product.

(Paragraphs 3.1 and 3.2)

Performance of State PSUs (other than Power Sector)

The profit of ₹ 280.85 crore earned by 38 working PSUs covered in this report in 2015-16 increased to ₹ 330.40 crore in 2017-18. According to latest finalised accounts of these 38 working State PSUs covered in this report, 18 PSUs earned profit of ₹ 380.01 crore and eight PSUs incurred losses of ₹ 49.61 crore. Out of 18 PSUs, 16 PSUs earned 98.33 *per cent* profit (₹ 373.67 crore) which were either having monopolistic advantage or were having assured income from budgetary support, centage, commission, interest on bank deposits etc. Thus, in audit view, sustainability of these PSUs is State dependent.

(Paragraphs 3.13 and 3.13.1)

Real Return on Investment on the basis of Present Value of investment

The Present Value of funds infused by the State Government upto 31 March 2018 amounted to ₹ 3,766.79 crore. During 2000-01 to 2003-04, these PSUs earned some profits, though, total earnings remained below the minimum expected return to recover cost of funds infused in these PSUs. From 2004-05 onwards, these companies started earning sufficient profits to recover cost of funds infused.

(Paragraph 3.15)

Return on Equity

The Return on Equity (ROE) of competitive environment PSUs reduced from 10.34 *per cent* in 2015-16 to (-) 1.12 *per cent* in 2017-18. Further ROE of competitive environment are significantly lower than monopolistic/ assured income sector PSUs during all the three years.

This reflects that the PSUs operating in competitive environment are not self-sustainable.

(Paragraph 3.16)

Return on Capital Employed

ROCE of 38 PSUs *(PSUs covered in this Report)* during the period from 2015-16 to 2017-18 ranged between 9.95 and 7.99 *per cent.*

(Paragraph 3.17)

Erosion of Net Worth

Net worth of three out of 38 PSUs had been completely eroded by accumulated losses and their net worth was either zero or negative. The net worth of these three PSUs was (-) ₹ 91.21 crore against equity investment of ₹ 62.49 crore in these PSUs as on 31 March 2018.

(Paragraph 3.19)

Dividend Payout

During the period 2015-16 to 2017-18, the number of PSUs with GoMP investment which earned profits ranged between 12 and 14 PSUs. However, number of PSUs which declared/ paid dividend to GoMP ranged between two and six PSUs only. The Dividend Payout Ratio during 2015-16 to 2017-18 ranged between 3.41 *per cent* and 12.85 *per cent* only.

(Paragraph 3.20)

Quality of Accounts

The quality of accounts of PSUs needs improvement. Out of 41 accounts finalised during 1 January 2018 to 31 December 2018, the Statutory Auditors gave qualified certificates on 17 accounts. There were 23 instances of non-compliance with Accounting Standards by 11 PSUs.

(Paragraph 3.23)

Arrears in Accounts and winding up of PSUs

Out of 63 PSUs, 28 PSUs submitted their accounts for the year 2017-18 for audit by CAG on or before 31 December 2018 whereas accounts of 35 PSUs were in arrears. The GoMP had provided ₹ 1,431.94 crore (Equity: ₹ 10.03 crore, Loan: ₹ 53.08 crore, Grant: ₹ 375.81 crore and Subsidy: ₹ 993.02 crore) in 11 of the 27 working State PSUs accounts of which had not been finalised by 31 December 2018.

As regards 12 non-functional PSUs (excluding four PSUs under liquidation) from last six to 28 years, the Government may take appropriate decision regarding winding up of these PSUs.

(Paragraphs 3.8.1 and 3.9)

4. Performance Audit relating to State Public Sector Undertakings (other than Power Sector)

4.1 Performance Audit on implementation of road projects on Build Operate Transfer mode by Madhya Pradesh Road Development Corporation Limited

Madhya Pradesh Road Development Corporation Limited (Company) implements all the State Highways (SHs), entrusted National Highways (NHs) and Major District Roads (MDRs) in the State of Madhya Pradesh on behalf of Madhya Pradesh Public Works Department (MPPWD). GoMP provides budgetary funding for implementation of road projects.

During 2013-18, the Company implemented six NHs, 26 SHs and 28 MDRs projects at a cost of ₹ 10,741.26 crore. Out of this, four NHs, 12 SHs and 12 MDRs projects costing ₹ 6,726.77 crore were selected for detailed Audit on the basis of stratified random sampling method. Out of these, two SHs and one MDR projects were completed with delay of one year eight months to four years four months except one NH, five SHs and seven MDRs projects, which were completed before schedule completion period. Further, three NHs, five SHs and four MDRs projects were terminated.

(Paragraphs 4.1.1, 4.1.5 and 4.1.15)

Deficiencies noticed in Audit of the above selected road projects are discussed in succeeding paragraphs:

Selection of road projects

Records which formed the basis for selection/ planning of road projects for taking up under BOT mode were not made available to Audit. MPPWD directed (August 2010) the Company to carry out Feasibility Study of 12 Major District Roads (MDRs) on a specific Annuity mode in advance, for which no basis was furnished. Therefore, justification for deciding on the selection of road projects and their implementation mode could not be assessed. Thus, Audit could not assure that the planning for these roads were made after following due diligence.

(Paragraph 4.1.8)

Non-transparent planning process

The Company appointed three consultants for conducting feasibility studies, but none of the consultants submitted Feasibility Reports within stipulated time of 150 days and the delay ranged from four months to 23 months. The Company, concealing the fact of non-preparation of final Feasibility Report and adoption of provisional data for project formulation, proposed 14 road projects for approval of State Level Empowered Committee (SLEC)/ State Cabinet. In case of 10 BOT road projects (20 roads), the Company had executed Concession Agreements, 13 to 188 days before final Feasibility Report, whereas in case of balance four projects Concession Agreement was executed after receipt of final Feasibility Report. This indicates opaque planning process, which raises doubts on transparency and fair play, which led to termination of six road projects.

(Paragraph 4.1.9)

Adoption of Feasibility Reports without verification

Consultants ignored forest area and projected abnormally high traffic projections in its Feasibility Report, which was adopted by the Company without verification through its divisional offices. Relying on the recommendations of the Consultant without its verification, the Company designed projects on Toll mode on which tendering was not successful and implementation mode was subsequently changed to Toll+Annuity, which delayed the projects by 22 months to three years.

(Paragraph 4.1.10)

Erroneous selection of Concessionaires

In case of five out of 12 terminated projects, M/s Concast Infratech Limited, who was a member of the consortium applicant was not technically and financially qualified. However, the Company considered (October 2011 to May 2012) these consortiums as qualified and awarded the projects to them. Further, the EPC contractor, appointed by the Concessionaires for execution of work, also had no experience of executing projects as per requirement of RFQ. Selection of ineligible Concessionaires and EPC contractors contributed to the slow progress of works. As a result, the Company had to terminate all the six projects.

MPRDC engaged a private CA firm for evaluation of technical bids (RFQ) received in respect of BOT road projects. In case of Jabalpur-NH-12 and Indore-SH1 projects, outsourced CA firm selected ineligible Concessionaires, which was accepted by the Company at face value without any independent evaluation. This led to termination of one project and undue delay of one project.

(Paragraph 4.1.12)

Award of work at higher Annuity

Audit observed that in four out of 12 completed Annuity road projects, Tender Committee of the Company, had approved the projects (based on Annuity offer received in tendering) beyond (19.50 *per cent* to 20.40 *per cent* of Project Costs) the prescribed annuity ceiling of 18 *per cent*.

(Paragraph 4.1.13)

Delay in achieving project milestones by the Concessionaire

There were delays in achievement of project milestones in nine terminated and three completed BOT road projects, ranging from two months to 52 months. Delays were mainly due to stoppage/ slow progress of work by the Concessionaire in case of seven projects, besides delay of one year to four years six months in providing Right of Way and obtaining forest clearance by the Company in case of five projects. Damages amounting to ₹ 53.84 crore were recoverable from the Concessionaires of the seven projects for their default.

(Paragraph 4.1.15)

Payment of bonus on account of early completion

The Company entered into Concession Agreements for development of roads under BOT mode with scheduled completion of 730 days from Appointed Date in all the projects instead of the stipulated 550 days as per Model Concession Agreement (MCA), for reasons not on record.

The Company paid early completion bonus of ₹ 137.98 crore to the Concessionaires of 11 projects (17 roads), for completion of projects before scheduled completion period of 730 days. Incidentally, if Company had adopted scheduled completion period of 550 days as per MCA, early completion bonus payable for above 11 projects comes to only ₹ 47.18 crore.

(Paragraph 4.1.17)

Issue of provisional completion certificates

In case of eight projects, Provisional Completion Certificates were issued by Independent Engineer (IE) without ensuring completion of total length of carriageway, construction of major/ minor bridges, widening of minor bridges, works of bituminous concrete, side shoulders, protection work of bridges which were accepted by the Company.

Further, in case of five projects, early completion bonus of ₹ 75.18 crore was also paid by the Company without ensuring construction of essential components of roads, completion of road as a whole which led to undue benefit to the Concessionaires.

(Paragraphs 4.1.17 and 4.1.22)

Irregular payment to Concessionaire towards Change of Scope

In case of 11 projects, the Company made inadmissible payment of ₹ 24.73 crore to the Concessionaires towards change of scope for increase in items of works of roads (₹ 4.60 crore) and structures (₹ 20.13 crore).

(Paragraph 4.1.18)

Excess drawal from Escrow Accounts

The Concessionaire was required to open an Escrow Account with Escrow Bank for routing financial inflows and outflows of the project. The Company did not furnish Escrow Account statements of the selected projects to Audit. However, Audit obtained the same in respect of 15 road projects from the respective Escrow Banks.

It was noticed that there was absence of control mechanism in the operation of Escrow Accounts as there were instances of withdrawal of funds more than the physical progress of work by ₹ 332.19 crore in respect of six projects, transferring the funds to current account immediately and bypassing the control mechanism of the Escrow Account in Gwalior-VIII project. There were instances of reporting higher progress by Lender's Independent Engineers than that of actual, which contributed to disbursement of higher loan amount to the Concessionaires.

(Paragraph 4.1.26)

Lack of Institutional Mechanism for Monitoring of Project

The Company did not establish two-tier mechanism of Public Private Partnership (PPP) Projects Monitoring Unit at field as well as at the Company level and PPP Performance Review Unit at State Government level for BOT projects which was envisaged by the Planning Commission, GoI. Monitoring by the Company was being done by obtaining monthly progress reports of projects from Independent Engineers. Deficiencies noticed during execution and its rectification were also being watched through Independent Engineer reports without verifying the same. As a result, issues of non-compliance of provisions of Concession Agreement i.e. non-imposition of damages for delay in achieving milestone, Financial Closure, submission of Performance Security and deficient operation of Escrow Accounts etc. were noticed.

(Paragraph 4.1.30)

Unrealistic targets for supervision of roads

At nine divisions, the Company fixed unrealistic targets for supervision of roads by the technical officers. Length of roads to be monitored by each technical officer, ranged from 447 km (Chhindwara Division) to 2,997 km (Bhopal Division) per week for each AGM and 893 km (Chhindwara Division) to 5,993 km (Bhopal Division) per week for each Manager.

(Paragraph 4.1.31)

Recommendations

The Company should:

- **Select road projects and decide implementation mode of BOT projects on the basis of categorisation of roads and Feasibility Reports,**
- **Verify data of Feasibility Reports submitted by consultant from company's Divisional Offices,**
- **Comply with qualification criteria for selection of Concessionaires and EPC contractors,**
- **Ensure strict compliance of clauses of Concession Agreements,**
- **Include relevant clauses in Concession Agreements for proper monitoring of Escrow Account operations,**
- **Ensure proper monitoring mechanism to monitor the project progress, and**
- **Internally examine all the other projects being executed, to detect similar errors/ omissions.**

5. Compliance Audit Observation relating to State Public Sector Undertakings (other than Power Sector)

Gist of compliance audit paragraph is given below:

The Provident Investment Company Limited filed the Income Tax Returns (ITRs) for the Assessment Years 2008-09 to 2018-19 with a delay ranging from 328 to 548 days, which resulted in avoidable payment of ₹ 1.14 crore towards interest for non-deposit of advance tax within prescribed time and delayed filing of ITRs.

(Paragraph 5.1)

Introduction

Functioning of State Public Sector Undertakings

General

1. State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2018, there were 74 PSUs in Madhya Pradesh, including three[1] Statutory Corporations (including one non-functional Statutory Corporation[2]) and 71 Government Companies (including 16 non- functional Government Companies) under the audit jurisdiction of the Comptroller & Auditor General of India. None of these Government Companies were listed on the stock exchange. During the year two[3] PSUs were amalgamated with their holding Company.[4]

2. The financial performance of the PSUs on the basis of latest finalised accounts as on 31 December 2018 is covered in this report. The nature of PSUs and the position of accounts are indicated in table below:

Table 1: Nature of PSUs covered in the Report

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period				Number of PSUs of which accounts are in arrear (total accounts in arrear) three or more years
		Accounts upto 2017-18[5]	Accounts upto 2016-17	Accounts upto 2015-16	Total	
Government Companies/ Statutory Corporations covered in this Report						
Working Government Companies[6]	43	21	17	05	43	00
Statutory Corporations	02	02	00	00	02	00
Total (Covered in this Report)	**45**	**23**	**17**	**05**	**45**	00
Government Companies/ Statutory Corporations not covered in this Report						
Working Government Companies[7]	12	04	02	01	07	05 (28)
Non-functional Government Companies[8]	16	08	01	00	09	07(116)
Non-functional Statutory Corporations[9]	01	00	00	00	00	01 (10)
Total (Not covered in this Report)	**29**	**12**	**03**	**01**	**16**	**13(154)**
Total	**74**	**35**	**20**	**06**	**61**	**13(154)**

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1 Madhya Pradesh State Road Transport Corporation, Madhya Pradesh State Warehousing and Logistics Corporation and Madhya Pradesh Financial Corporation.
2 Non-functional PSUs are those which have ceased to carry out their operations.
3 SEZ Limited and Crystal IT Park Limited.
4 MPAKVN (Indore) Ltd.
5 From January 2018 to December 2018.
6 Government PSUs include Government controlled other Companies referred to in Section 139(5) and 139(7) of the Companies Act 2013.
7 Companies at Sr. No. 1 to 9 of ***Annexure 3.2*** and E9 to E11 of ***Annexure 1.1.***
8 Companies at Sr. No. 10 to 20, and 22 to 25 of ***Annexure 3.2*** and E8 of ***Annexure 1.1.***
9 Corporation at Sr. No. 21 of ***Annexure 3.2.***

This Report does not include 29 PSUs whose accounts are in arrears for three years or more or were defunct/ under liquidation or first accounts were not received or were not due or have not commenced operations till 2017-18 as detailed in ***Annexure-1.1 and 3.2***. The PSUs covered in this report registered an annual turnover of ₹ 81,694.55 crore as per their latest finalised accounts as on 31 December 2018. This turnover was equal to 11.55 *per cent* of Gross State Domestic Product (GSDP) for the year 2017-18 (₹ 7,07,046.99 crore). The PSUs covered in this Report suffered a loss of ₹ 3,961.81 crore as per their latest finalised accounts. As on March 2018, the State PSUs covered in this report had employed around sixty thousand employees.

There are 29 PSUs (including one Statutory Corporation) which are not covered in this report having an investment of ₹ 1,381.80 crore towards capital (₹ 448.12 crore) and long term loans (₹ 933.68 crore). This is a critical area as the investments in these PSUs do not contribute to the economic growth of the State.

Accountability framework

3. The procedure for audit of Government Companies are laid down in Sections 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2(45) of the Act 2013, a Government Company means any company in which not less than fifty one *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. Besides, any other company[10] owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled other Companies.

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. 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 Acts, 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditors are to be appointed by the CAG within sixty days from the date of registration of the company and in case 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 Comptroller and Auditor General of India (CAG) may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered

[10] Ministry of Corporate Affairs- (Removal of Difficulties) Seventh Order 2014 dated 4 September 2014.

necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory Audit

4. 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, financial 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 three Statutory Corporations, the CAG is sole auditor for Madhya Pradesh State Road Transport Corporation. In respect of Madhya Pradesh Warehousing and Logistics Corporation and Madhya Pradesh Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG.

Submission of accounts by PSUs

5. *Need for timely finalization and submission*

According to Sections 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the 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. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited financial statement for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Role of Government and Legislature

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

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the 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 under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Investment by Government of Madhya Pradesh in State Public Sector Undertakings (PSUs)

7. The Government of Madhya Pradesh (GoMP) has high financial stakes in the PSUs. This is of mainly three types:

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

8. The sector-wise summary of investment in the PSUs as on 31 March 2018 is given below:

Table 2: Sector-wise investment in PSUs

Name of sector	Government Companies		Statutory Corporations		Total	Investment (₹ in crore)		
	Working	Not covered in this report	Working	Not covered in this report		Equity	Long term loans	Total
Power	07	04	-	-	11	25,482.46	44,345.07	69,827.53
Other than power	36	24	02	01	63	2,247.20	4,472.41	6,719.61
Total	**43**	**28**	**02**	**01**	**74**	**27,729.66**	**48,817.48**	**76,547.14**

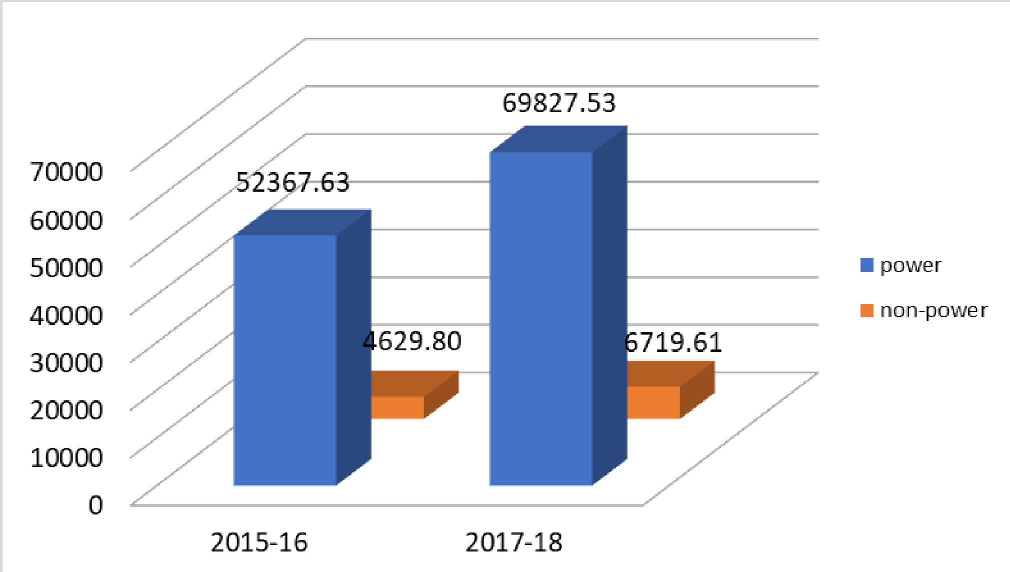
Source: *Compiled based on annual accounts of PSUs and sanction/ release orders for equity and loans.*

The thrust of PSU investment was mainly in power sector during the last three years. The power sector received investments of ₹ 17,459.90 crore (89.31 *per cent*) out of total investment of ₹ 19,549.71 crore made during the period from 2015-16 to 2017-18.

9. The investment in power and other than power sector at the end of 31 March 2016 and 31 March 2018 is indicated in the chart below:

Chart 1: Sector-wise investment in PSUs

(Figures in ₹ crore)



Keeping in view the huge investment in Power Sector, we are presenting the results of audit of seven Power Sector PSUs in Part I[11] of this report and of the 38 PSUs (other than power sector) in the Part II[12] of the report.

[11] The Part I includes Chapter-1 (Functioning of Power Sector Undertakings) and Chapter-2 (Compliance Audit Observations relating to Power Sector Undertakings).

[12] The Part II includes Chapter-3 (Functioning of PSUs other than Power Sector), Chapter-4 (Performance Audit relating to PSUs other than Power Sector) and Chapter-5 (Compliance Audit Observation relating to other than Power Sector Undertakings).

CHAPTER 1

PART I

Chapter 1

Functioning of Power Sector Undertakings

1. Introduction

1.1 The power sector companies play an important role in the economy of the State. Apart from providing the critical infrastructure required for development of the State's economy, this sector also adds significantly to the GDP of the State. A ratio of power sector PSUs' turnover to Gross State Domestic Product (GSDP) shows the extent of activities of PSUs in the State economy. The Table 1.1 provides the details of turnover of the power sector undertakings and GSDP of Madhya Pradesh for a period of three years ending March 2018.

Table 1.1: Details of turnover of power sector undertakings *vis-a-vis* GSDP of Madhya Pradesh

(₹ in crore)

Particulars	2015-16	2016-17	2017-18
Turnover	57,520.83	64,162.93	66,043.29
Percentage change in turnover as compared to turnover of preceding year	16.60	11.55	2.93
GSDP of Madhya Pradesh	5,30,442.61	6,39,219.67	7,07,046.99
Percentage change in GSDP as compared to GSDP of preceding year	10.48	20.51	10.61
Percentage of Turnover to GSDP of Madhya Pradesh	10.84	10.04	9.34

***Source**: Compiled based on Turnover figures of power sector PSUs from CAG Audit Report and GSDP figures as per Economic Review 2017-18 of Government of Madhya Pradesh.*

The turnover of power sector undertakings has recorded continuous increase. However, growth in the sector was not commensurate with the growth of GSDP. The year on year growth slided during the period 2015-18, whereas increase in GSDP of Madhya Pradesh ranged between 10.48 *per cent* and 20.51 *per cent* during the same period. The compounded annual growth[1] of GSDP was 10.05 *per cent* during the last three years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 10.05 *per cent* of the GSDP, the turnover of power sector undertakings recorded lower compounded annual growth of 4.71 *per cent* during last three years. This resulted in decrease in share of turnover of these power sector undertakings to the GSDP from 10.84 *per cent* in 2015-16 to 9.34 *per cent* in 2017-18.

[1] Rate of Compounded Annual Growth [{(Value of 2017-18/ Value of 2015-16)^(1/3 years)}-1]*100.

Formation of Power Sector Undertakings

1.2 The State Government enacted (February 2001) the Madhya Pradesh Vidyut Sudhar Adhiniyam, 2000 (MPVSA 2000) which *inter alia* provided for re-organisation of electricity industry and preparation of a scheme for transferring the powers, duties and functions of Madhya Pradesh State Electricity Board (MPSEB) to one or more power sector companies of the State Government. The State Government accordingly formulated (30 September 2003) the Madhya Pradesh Power Sector Reforms Transfer Scheme, 2003 (MPPSRT Scheme 2003) for unbundling of Madhya Pradesh State Electricity Board (MPSEB) and transfer of assets, properties, liabilities, obligations, proceedings and personnel of MPSEB to five power sector companies [*i.e. Madhya Pradesh Power Generating Company Limited (MPPGCL), Madhya Pradesh Power Transmission Company Limited (MPPTCL), Madhya Pradesh Poova Kshetra Vidyut Vitaran Company Limited (MPPoKVVCL), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVVCL) and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (MPPaKVVCL)*]. These five power sector companies came into existence *w.e.f.* November 2001 and all the assets and liabilities of MPSEB (including equity of ₹ 3,528.02 crore[2] and loans of MPSEB of ₹ 1,151.57 crore) were distributed among these companies according to the provisions of the MPPSRT Scheme 2003. The State Government incorporated one other power sector company *i.e. Madhya Pradesh Urja Vikas Nigam Limited* (MPUVNL) by infusing equity of ₹ 0.69 crore in 1982-83. Besides these six companies *and Madhya Pradesh Power Trading Company Limited, later renamed as Madhya Pradesh Power Management Company Limited (MPPMCL)*[3], *four*[4] other power sector companies were incorporated (February 2007 to October 2011) as subsidiary companies of MPPMCL/ MPPGCL. These PSUs did not commence any commercial activities till 2017-18 and one of them has already gone into liquidation[5].

Disinvestment, restructuring and privatisation of Power Sector Undertakings

1.3 No Disinvestment, restructuring and privatisation of Power Sector Undertakings was done during this period in the state of Madhya Pradesh.

Investment in Power Sector Undertakings

1.4 The activity-wise summary of investment in the power sector undertakings as on 31 March 2018 is given in Table 1.2:

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2 MPPGCL (₹ 1,915.08 crore), MPPTCL (₹ 730.43 crore), MPPoKVVCL (₹ 284.08 crore), MPMKVVCL (₹ 351.88 crore) and MPPaKVVCL (₹ 246.55crore).

3 As holding company of the three DISCOMs.

4 BTPCL (9-6-2011), STPCL (5-2-2007), DDKPL (25-2-2010) and SSPPL (12-10-2011).

5 DDKPL (2017-18).

Table 1.2: Activity-wise investment in power sector undertakings

Activity	Number of government undertakings	Investment (₹ in crore)		
		Equity	Long term loans	Total
Generation of Power	1	6,228.86[6]	11,843.00	18,071.86
Transmission of Power	1	2,988.69	2,201.22	5,189.91
Distribution of Power	3	16,119.70	30,275.82	46,395.52
Other[7]	2	100.06[8]	20.58	120.64
Not covered in this report[9]	4	45.15	4.45	49.60
Total	**11**	**25,482.46**	**44,345.07**	**69,827.53**

Source: *Compiled based on annual accounts of PSUs and sanction/ release orders for equity and loans.*

As on 31 March 2018, the total investment (equity and long term loans) in seven power sector undertakings covered in this report was ₹ 69,777.93 crore. The investment consisted of 36.45 *per cent* towards equity and 63.55 *per cent* in long-term loans. Further, an investment of ₹ 49.60 crore was made in four PSUs not covered in this Report.

The Long term loans advanced by the State Government constituted 60.45 *per cent* (₹ 26,808.01 crore) of the total long term loans, whereas 39.55 *per cent* (₹ 17,537.06 crore) of the total long term loans were availed from other financial institutions. However, during 2016-17 and 2017-18, the State Government has taken over ₹ 12,189.99 crore (35.09 *per cent*) of the outstanding debts (₹ 34,739.00 crore) of the DISCOMs as on 30 September 2015 under Ujwal DISCOM Assurance Yojana[10] (UDAY) scheme.

Budgetary Support to Power Sector Undertakings

1.5 The Government of Madhya Pradesh (GoMP) provides financial support to power sector undertakings in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of power sector undertakings for the last three years ending March 2018 are detailed in Table 1.3:

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6 Excluding an amount of ₹ 22.55 crore invested by holding company at Sr. No. A1 of ***Annexure-1.1*** in its subsidiaries at Sr. No. E8 and E11.

7 Sr. No. D6 and D7 of ***Annexure-1.1.***

8 Excluding an amount of ₹ 10,312.55 crore invested by holding company at Sr. No. D7 of ***Annexure-1.1*** in its subsidiaries at Sr. No. C3 to C5 and E9 and E10.

9 Sr. No. E8 to E11 of ***Annexure-1.1.***

10 Scheme launched by Ministry of Power, GoI for financial and operational turnaround of DISCOMs.

Table 1.3: Details of budgetary support to power sector undertakings

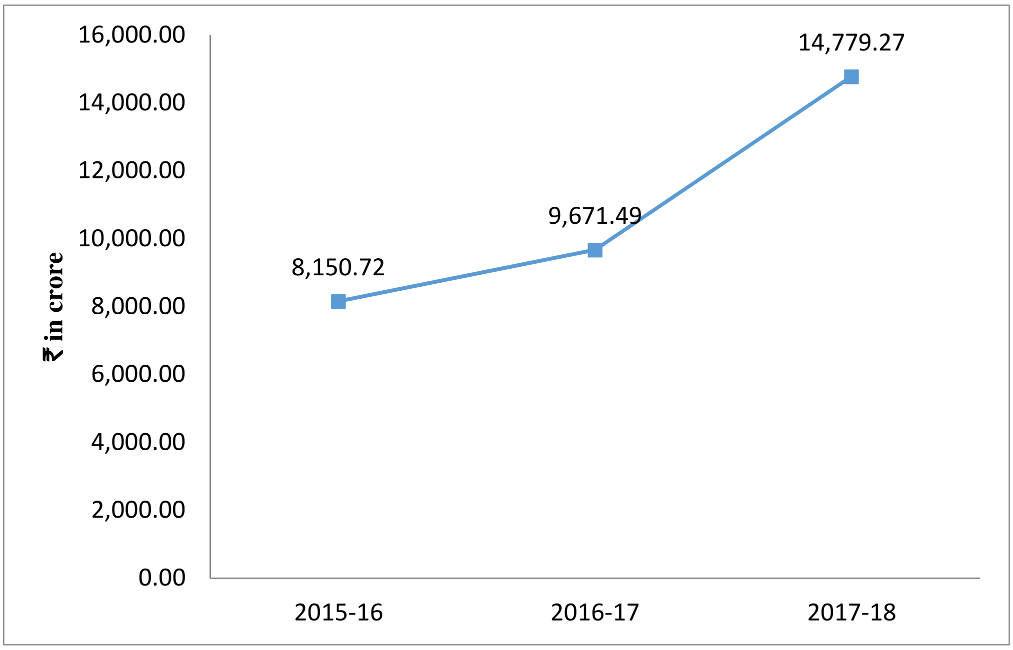
(₹ in crore)

Particulars[11]	2015-16		2016-17		2017-18	
	No of PSUs	Amount	No of PSUs	Amount	No of PSUs[12]	Amount
Equity Capital outgo (i)	6	637.23	6	196.93	3	4,913.94
Loans given (ii)	6	2,150.96	6	3,201.44	3	217.12
Grants/ Subsidies provided (iii)	3	5,362.53	3	6,273.12	4	9,648.21
Total Outgo (i+ii+iii)	6	8,150.72	6	9,671.49	4	14,779.27
Loan repayment/ written off	-	-	1	170.00	1	3,805.48[13]
Loans converted into equity	-	-	3	3,557.00	3	4,010.99
Guarantees Outstanding	7	5,026.98	6	10,086.05	4	2,772.16
Guarantee Commitment	7	12,240.91	6	17,809.92	4	6,736.26

Source: *Compiled based on annual accounts of PSUs and sanction/ release orders for equity, loans and guarantees.*

The details of budgetary support towards equity, loans and grants/ subsidies for the last three years ending March 2018 are given in the graph below:

Chart 1.1: Budgetary support towards Equity, Loans and Grants/ Subsidies



The budgetary assistance received by these PSUs during the year ranged between ₹ 8,150.72 crore and ₹ 14,779.27 crore during the period 2015-16 to 2017-18. The budgetary assistance ₹ 14,779.27 crore received during the year 2017-18 included ₹ 4,913.94 crore, ₹ 217.12 crore and ₹ 9,648.21 crore in shape of equity, loan and grants/ subsidy respectively.

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[11] Amount represents outgo from State Budget only.

[12] GoMP released equity directly to the three DISCOMS on behalf of their holding company i.e. MPPMCL against which these subsidiaries issued shares to their holding Company. Therefore, for the purpose of infusion of Government's fund, only holding company on behalf of its subsidiaries has been considered. Remaining one Power Sector PSU is Madhya Pradesh Urja Vikas Nigam Limited.

[13] Difference in Closing balances of 2017-18 and 2016-17 is (-) ₹ 7,599.35 crore: This include reduction on account of UDAY (₹ 4,010.99 crore), repayment (₹ 3,805.48 crore) and loans received from budget (₹ 217.12 crore).

Besides, the Ministry of Power (MoP), Government of India also launched (20 November 2015) UDAY Scheme for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). The provisions of UDAY and status of implementation of the scheme by three DISCOMs are discussed under *Paragraph 1.19* of this Chapter. The outstanding loans amounting to ₹ 4,010.99 crore were converted into equity during 2017-18 under UDAY scheme. Thus, the addition of ₹ 8,924.93 crore in equity of power sector companies during 2017-18 was through cash induction (₹ 4,913.94 crore) and conversion of loans (₹ 4,010.99 crore) into equity of three State DISCOMs under UDAY Scheme. The addition in equity was mainly towards capital investment and execution of various projects.

GoMP provides guarantee under Madhya Pradesh Government Guarantees Rules (MPGGR), 2009 for PSUs to seek financial assistance from Banks and financial institutions. The Government decided (February 2011) to charge guarantee commission at the rate of half a *per cent* to one *per cent* per annum in case of loan availed by PSUs from banks/ financial institutions without any exception under the provisions of the MPGGR 2009. Outstanding guarantee commitments decreased by 62.18 *per cent* from ₹ 17,809.92 crore in 2016-17 to ₹ 6,736.26 crore in 2017-18. During the year 2017-18, guarantee commission of ₹ 18.66 crore was paid by the PSUs.

Reconciliation with Finance Accounts of Government of Madhya Pradesh

1.6 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Madhya Pradesh. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2018 is stated in Table 1.4:

Table 1.4: Equity, Loans and Guarantee outstanding as per Finance Accounts vis-à-vis records of power sector undertakings

(₹in crore)

Form of investment	As per Finance Accounts	As per records of power sector undertakings	Difference
Equity	27,254.82	19,467.02	7,787.80
Loans	32,864.75	26,808.01	6,056.74
Guarantees	3,581.72	2,772.16	809.56
Total	**63,701.29**	**49,047.19**	**14,654.10**

Source: *Compiled based on information received from PSUs and Finance Accounts.*

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

Submission of accounts by Power Sector Undertakings

Timeliness in preparation of accounts by Power Sector Undertakings

1.7 There were 11 power sector undertakings under the audit purview of CAG as of 31 March 2018. Accounts for the year 2017-18 were submitted by seven working PSUs by 31 December 2018. Details of arrears in submission of accounts of power sector undertakings as on 31st December/ 30th September of each financial year for the last three years ending 31 March 2018 are given in Table 1.5:

Table 1.5: Position relating to submission of accounts of Power Sector Undertakings

Sl. No.	Particulars	2015-16	2016-17[14]	2017-18
1.	Number of PSUs	11	11	11
2.	Number of accounts submitted during current year	13	08	13
3.	Number of PSUs which finalised accounts for the current year	08	05	07
4.	Number of previous year accounts finalised during current year	05	03	06
5.	Number of PSUs with arrears in accounts	03	06	04
6.	Number of accounts in arrears	03	06	04
7.	Extent of arrears	One year	One year	One year

Source: *Compiled based on accounts of PSUs received till 31 December 2018.*

Performance of Power Sector Undertakings

1.8 The financial position and working results of 11 power sector companies as per their latest finalised accounts as of 31 December 2018 are detailed in ***Annexure-1.1.***

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the undertakings. The total investment of State Government and others in the power sector PSUs was ₹ 80,162.63 crore consisting of ₹ 35,817.56 crore as equity and ₹ 44,345.07 crore as long-term loans as detailed in ***Annexure-1.2***. Out of this, Government of Madhya Pradesh has investment of ₹ 46,272.23 crore in the seven Power Sector PSUs[15] covered in this report consisting of equity of ₹ 19,467.71 crore and long-term loans of ₹ 26,804.52 crore.

The year wise status of investment of GoMP in the form of equity and long-term loans in the power sector PSUs during the period 2015-16 to 2017-18 is shown in Chart 1.2:

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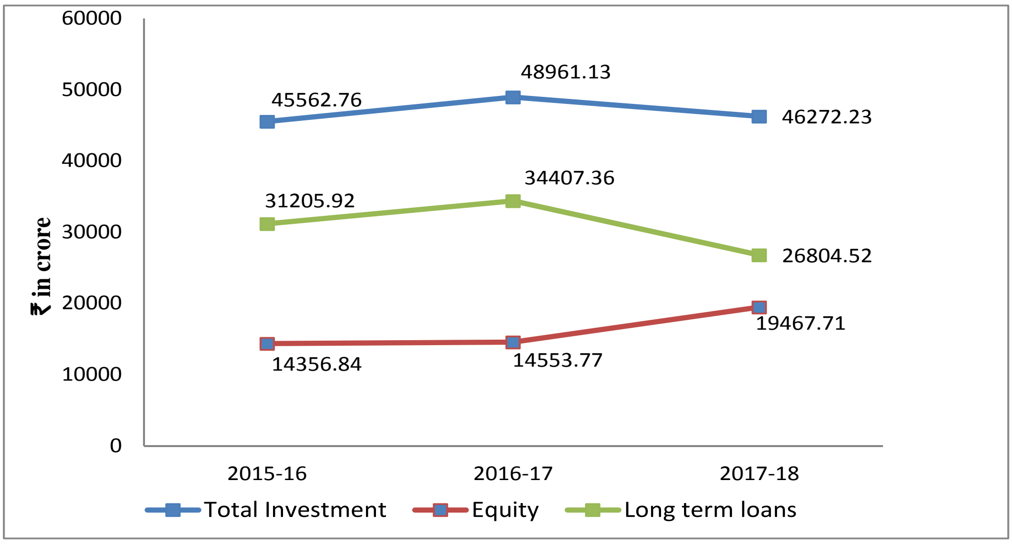
14 For the years 2016-17 and 2017-18 accounts received till 31 December are considered.

15 GoMP released equity to the MPPMCL and MPPGCL on behalf of their subsidiaries. Therefore, for the purpose of Infusion of Government's fund, only holding companies on behalf of their subsidiaries have been considered. Remaining two Power Sector PSUs are MPPTCL and MPUVNL.

Chart 1.2: Total investment of GoMP in Power Sector Undertakings

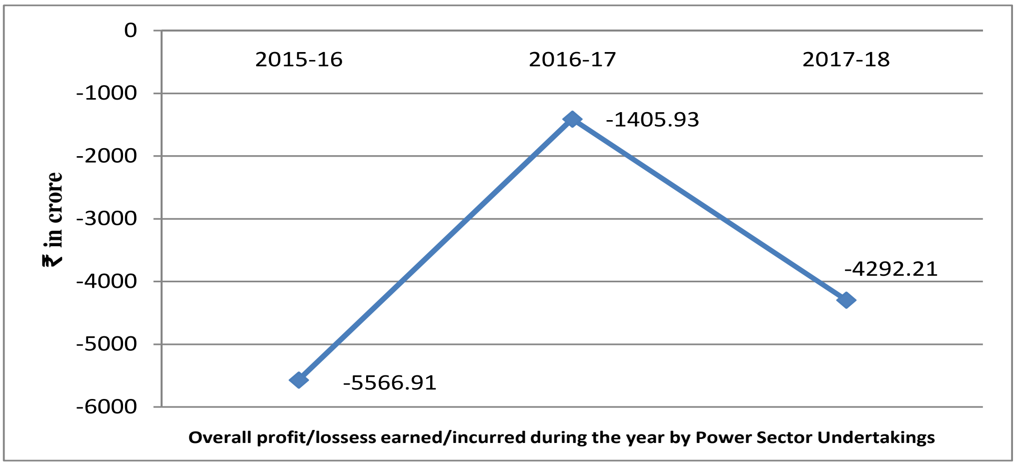


The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed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

Return on Investment

1.9 Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit/ losses[16] earned/ incurred by all the power sector undertakings during 2015-16 to 2017-18 is depicted in chart 1.3.

Chart 1.3: Profit/ Losses earned/ incurred by Power Sector Undertakings



The losses incurred by these PSUs was ₹ 4,292.21 crore in 2017-18 against ₹ 5,566.91 crore in 2015-16. According to latest finalised accounts of PSUs

[16] Figures are as per the latest finalised accounts during the respective years.

covered in this report, three PSUs earned profit of ₹ 618.10 crore, two PSUs incurred loss of ₹ 4,907.25 crore and two[17] PSUs had no profit no loss ***(Annexure-1.1)***. The profit making companies were Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (₹ 552.89 crore), Madhya Pradesh Power Generating Company Limited (₹ 32.73 crore) and Madhya Pradesh Power Transmission Company Limited (₹ 32.48 crore) while Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (₹ 2,716.79 crore) and Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (₹ 2,190.46 crore) incurred substantial loss.

Position of Power Sector Undertakings which earned/ incurred profit/ loss during 2015-16 to 2017-18 is given in Table 1.6:

Table 1.6: Power Sector Undertakings which earned profit / incurred loss

Financial year	Total PSUs in power sector	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had No profit/ loss during the year
2015-16	11	2	5	4
2016-17	11	2	5	4
2017-18	11	3	3	5

Real rate of return on the basis of Present Value of Investment

1.10 In view of the significant investment by Government in the seven PSUs covered in this report, return on such investment is essential from the perspective of State Government. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. Therefore, the real return on investment has also been calculated after considering the Present Value (PV) of money. PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, long term loans and Capital grants since finalisation of the balance sheets of these companies after unbundling of erstwhile MPSEB (2000-01) till 31 March 2018.

The PV of the State Government investment in power sector undertakings was computed on the basis of following assumptions:

- Long term loans and Capital grants have been considered as investment infusion by the State Government. Further, in those cases where interest free loans given to the PSUs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year. The funds made available in the form of revenue grants and subsidies have not been reckoned as investment except in the case of grant given under UDAY.

[17] Net expenses of MPPMCL are entirely distributed amongst its subsidiary companies on whose behalf it functions, operational loss of MPUVNL have been transferred to Government.

- The average rate of interest on government borrowings for the concerned financial year[18] was adopted as discount rate for arriving at Present Value since they represent the cost incurred by the government towards investment of funds for the year.

For the period 2015-16 to 2016-17 when the seven PSUs covered in this report incurred losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of the company is commented upon in *Paragraph 1.12*.

1.11 The position of State Government investment in the seven PSUs covered in this report in the form of equity, loans and capital grants since inception of these companies till 31 March 2018 and the consolidated position of the PV of the State Government investment relating to them since 2000-01 till 31 March 2018 is indicated in Table 1.7:

Table 1.7: Year wise details of investment by the state government and present value (PV) of government funds from 2000-01 to 2017-18

(₹in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the state government during the year	Loans and capital grants given by the state government during the year	Total investment during the year	Average rate of interest on government borrowings (in %)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year[19]
i	ii	iii	iv	v=iii+iv	vi	vii=ii+v	viii={vii*(1+vi)/100}	ix=(vii*vi/100)	x
2000-01	2544.08	-478.85	97.52	-381.33	9.94	2162.75	2377.73	214.98	-1,374.03
2001-02	2377.73	0.00	191.68	191.68	9.19	2569.41	2805.54	236.13	-1,477.23
2002-03	2805.54	-61.53	-1874.87	-1936.40	8.81	869.14	945.71	76.57	-1,476.97
2003-04	945.71	0.25	0.00	0.25	9.41	945.96	1034.97	89.01	-157.50
2004-05	1034.97	0.00	682.04	682.04	8.96	1717.01	1870.86	153.84	148.36
2005-06	1870.86	3949.23	3763.30	7712.53	7.33	9583.39	10285.85	702.46	1,241.50
2006-07	10285.85	162.75	198.01	360.76	7.86	10646.61	11483.43	836.82	554.84
2007-08	11483.43	774.11	-3739.92	-2965.81	7.72	8517.62	9175.18	657.56	-1,729.70
2008-09	9175.18	2048.89	1139.66	3188.55	7.24	12363.73	13258.87	895.13	-3,218.73
2009-10	13258.87	2659.40	1515.05	4174.45	6.94	17433.32	18643.19	1209.87	-3,616.38
2010-11	18643.19	-114.24	1281.62	1167.38	7.07	19810.57	21211.17	1400.61	-2,147.35
2011-12	21211.17	1017.28	5029.04	6046.32	6.91	27257.49	29140.99	1883.49	-2,469.05
2012-13	29140.99	953.84	6613.06	7566.90	6.75	36707.89	39185.67	2477.78	-4,280.84
2013-14	39185.67	893.44	3743.04	4636.48	6.69	43822.15	46753.85	2931.70	-6,197.61
2014-15	46753.85	1204.35	9338.05	10542.40	6.73	57296.25	61152.29	3856.04	-6,588.09
2015-16	61152.29	637.23	2325.81	2963.04	6.86	64115.33	68513.64	4398.31	-4,994.09
2016-17	68513.64	196.93	3260.89	3457.82	6.72	71971.46	76807.94	4836.48	-5,546.12
2017-18	76807.94	4913.94	-7599.35	-2685.41	6.67	74122.53	79,066.51	4943.97	-4,289.15
Total		**18,757.02**	**25,964.63**	**44,721.65**					

[18] The average rate of interest on Government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Madhya 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.

[19] Total Earnings for the year depict total of net earnings (profit/ loss) for the concerned year relating to those Power Sector PSUs where funds were infused by State Government.

The balance of investment of the State Government in these seven PSUs covered in this report at the end of the year increased to ₹ 47,265.73 crore in 2017-18 from ₹ 2,544.08 crore in 2000-01 as the State Government made further investments in shape of equity (₹ 18,757.02 crore), loans (₹ 25,309.73 crore) and capital grants (₹ 654.90 crore). The PV of investments of the State Government upto 31 March 2018 worked out to ₹ 79,066.51 crore.

It could be seen that total earnings for the year relating to these companies remained negative during 2000-01 to 2017-18 which indicates that instead of generating returns on the invested funds, these companies had not even recovered the cost of funds to the Government.

Further, the Government has also given equity/ grant of ₹ 7,568 crore in 2016-17 and ₹ 4,621.99 crore in 2017-18 to the three DISCOMs under UDAY scheme for taking over the debts of these DISCOMs due to banks and financial institutions. If we consider this grant as investment of the State Government, the return on investment would further get reduced.

Erosion of Net worth

1.12 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.

As on 31 March 2018 there were five PSUs with accumulated losses of ₹ 45,228.09 crore. Of the seven PSUs, covered in this report two PSUs incurred losses in the year 2017-18 amounting to ₹ 4,907.25 crore and three PSUs had not incurred loss in the year 2017-18, even though they had accumulated loss of ₹ 12,540.87 crore.

Net worth of three out of seven PSUs covered in this report had been completely eroded by accumulated loss and their net worth was either zero or negative. The net worth of these three PSUs was (-) ₹ 27,912.81 crore against equity investment of ₹ 16,119.70 crore in these PSUs as on 31 March 2018. However, out of three PSUs, whose capital had been eroded (being zero or negative net worth), one PSU had profit of ₹ 552.89 crore during 2017-18 largely on account of grant received under UDAY (***Annexure-1.1***).

In all the three PSUs whose capital had been eroded, Government loans outstanding as on 31 March 2018 amounted to ₹ 26,559.67 crore.

Net worth was less than half of its paid up capital in respect of one (MPPMCL) out of seven PSUs, whose net worth was positive at the end of 31 March 2018, mainly because the PSU did not undertake any independent business activity and just carried out power trading on behalf of its subsidiaries (DISCOMs).

The Table 1.8 indicates paid up capital, accumulated profit/ loss and net worth of the three Power Sector Undertakings whose net worth has been eroded during the period 2015-16 to 2017-18:

Table 1.8: Net worth of loss making three Power Sector Undertakings during 2015-16 to 2017-18

(₹in crore)

Year	Paid up Capital at end of the year	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred Revenue Expenditure	Net worth
2015-16	5,868.60	-35,602.55	-	-29,733.95
2016-17	9,973.21	-37,131.92	-	-27,158.71
2017-18	14,040.00	-42,032.03	-	-27,992.03

Dividend Payout

1.13 The State Government had formulated (July 2005) a dividend policy under which all profit making PSUs are required to pay a minimum return of 20 *per cent* on profit after tax. As per their latest finalised accounts, out of 11 Power sector PSUs, three PSUs earned an aggregate profit of ₹ 618.10 crore but none of them declared a dividend of ₹ 123.62 crore according to the criteria mentioned above. Dividend Payout relating to seven PSUs covered in this report of Power Sector Undertakings where equity was infused by GoMP during the period is shown in Table 1.9:

Table 1.9: Dividend Payout of seven PSUs covered in this report during 2015-16 to 2017-18

(₹in crore)

Year	Total PSUs where equity infused by GoMP		PSUs which earned profit during the year		PSUs which declared/ paid dividend during the year		Dividend Payout Ratio (%)
	Number of PSUs	Equity infused by GoMP	Number of PSUs	Equity infused by GoMP	Number of PSUs	Dividend declared/ paid by PSUs	
1	**2**	**3**	**4**	**5**	**6**	**7**	**8=7/ 5*100**
2015-16	8	637.23	2	339.82	0	0	0
2016-17	8	196.93	2	445.45	0	0	0
2017-18	8	4,913.94	3	2,655.70	0	0	0

During the period 2015-16 to 2017-18, the number of PSUs which earned profits ranged between two and three. None of these PSUs declared/ paid dividend to GoMP.

Further analysis disclosed that none of these companies have declared/ paid dividend since inception.

Return on Equity

1.14 Return on Equity (ROE) [20] is a measure of financial performance to assess how effectively management is using company's assets 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.

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

Return on Equity has been computed in respect of three[21] profit making power sector undertakings where funds had been infused by the State Government as in respect of other loss making PSUs their net worth is in negative. The details of Shareholders fund and ROE relating to these profit making power sector undertakings during the period from 2015-16 to 2017-18 are given in Table 1.10:

Table 1.10: Return on Equity relating to three Power Sector Undertakings where funds were infused by the GoMP

Year	Net Income/ total Earnings for the year[22] (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (%)
2015-16	29.49	16920.51	0.17
2016-17	64.28	11462.01	0.56
2017-18	65.21	12118.70	0.54

During the last three years period ended March 2018, the ROE of profit making PSUs ranged between 0.17 and 0.56 *per cent* only depicting the poor performance of these PSUs.

Return on Capital Employed

1.15 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[23]. The details of ROCE of PSUs covered in this report during the period from 2015-16 to 2017-18 are given in Table 1.11:

Table 1.11: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (%)
2015-16	-2,654.18	15,432.56	-17.20
2016-17	1,577.81	14,826.51	10.64
2017-18	-473.37	23,876.88	-1.98

The ROCE of the Power Sector Undertakings ranged between -17.20 *per cent* and 10.64 *per cent* during the period 2015-16 to 2017-18.

Analysis of Long term loans of the Companies

1.16 The analysis of the long term loans of the companies which had leverage during 2015-16 to 2017-18 was carried out to assess the ability of the companies to service the debt owed by the companies to Government, banks and other financial institutions. This is assessed through the Interest coverage ratio.

[21] MPPGCL, MPPTCL and MPPaKVVCL.

[22] As per annual accounts of the respective years.

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

Interest Coverage Ratio

1.17 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 the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio of PSUs covered in the report, which had outstanding loans during the period from 2015-16 to 2017-18 are given in Table 1.12:

Table 1.12: Interest Coverage Ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2015-16	2,905.06	-2,653.64	7	2	5
2016-17	3,441.12	1,577.81	7	3	4
2017-18	4,307.36	-468.30	7	3	4

It was observed that the number of power sector companies with interest coverage ratio of more than one increased from two companies in 2015-16 to three companies in 2017-18.

In none of the PSUs the interest payable on loans was higher than the value of their total assets as on 31 March 2018 which indicates high risk of insolvency in these PSUs.

Age wise analysis of interest outstanding on State Government Loans

1.18 As on 31 March 2018, interest amounting to ₹ 4,739.07[24] crore was outstanding on the long term loans of three PSUs provided by GoMP. The age wise analysis of interest outstanding on GoMP Loans in PSUs is depicted in Table 1.13:

[24] On the basis of information received from five PSUs.

Table 1.13: Interest outstanding on State Government Loans

(₹in crore)

Sl. No.	Name of PSU	Outstanding interest on loans	Outstanding for less than 1 year	Outstanding for 1 to 3 years	Outstanding for more than 3 years
1	Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited	1,183.26	868.76	184.57	129.93
2	Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited	1,563.06	1,101.26	391.73	70.07
3	Madhya Pradesh Power Management Company Limited	1.63	0.54	1.02	0.07
4	Madhya Pradesh Power Transmission Company Limited	1,703.58	317.77	498.27	887.54
5	Madhya Pradesh Power Generating Company Limited	287.54	73.84	96.78	116.92
	Total	**4,739.07**	**2,362.17**	**1,172.37**	**1,204.53**

Assistance under Ujwal DISCOM Assurance Yojana (UDAY)

1.19 The Ministry of Power (MoP), Government of India launched (20 November 2015) Ujwal DISCOM Assurance Yojana (UDAY Scheme) for operational and financial turnaround of State-owned Power Distribution Companies (DISCOMs). As per provisions of UDAY Scheme, the participating States were required to undertake following measures for operational and financial turnaround of DISCOMs:

Scheme for improving operational efficiency

1.19.1 The participating States were required to undertake various targeted activities for improving the operational efficiencies like compulsory feeder and Distribution Transformer (DT) metering, consumer indexing and GIS mapping of losses, upgrading or changing transformers and meters, smart metering of all consumers consuming above 200 units per month, Demand Side Management (DSM) through energy efficient equipments, quarterly revision of tariff, comprehensive Information, Education and Communication (IEC) campaign to check theft of power, assure increased power supply in areas where the AT&C losses have been reduced. The timeline prescribed for these targeted activities were also required to be followed so as to ensure achievement of the targeted benefits *viz.* ability to track losses at feeder and DT level, identification of loss making areas, reduce technical losses and minimize outages, reduce power theft and enhance public participation for reducing the theft, reduce peak load and energy consumption *etc.* The outcomes of operational improvements were to be measured through indicators *viz.* reduction of AT&C loss to 15 per cent in 2019-20 as per loss reduction trajectory finalised by the MoP and States, reduction in gap between average cost of supply and average revenue realised to zero by 2019-20.

Scheme for financial turnaround

1.19.2 The participating States were required to take over 75 *per cent* of DISCOMs debt by 2020-21 *i.e.* 21.80 *per cent* in 2016-17 and 13.30 *per cent* each year from 2017-18 to 2020-21. The scheme for financial turnaround *inter alia* provided that:

- State will issue non-SLR bonds to raise funds for providing grant/ loan/ equity to the Madhya Pradesh Power Distribution Companies.
- Takeover of debt shall be in the order of non Capex GoMP debt, followed by debt with highest cost.
- The transfer to the DISCOMs by the State in 2016-17 will be as equity and the remaining transfer in the form of grant.

Implementation of the UDAY Scheme

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

Achievement of operational parameters

The achievements *vis-a-vis* targets under UDAY Scheme regarding different operational parameters relating to the three State DISCOMs are in Table 1.14:

Table 1.14: Parameter wise achievements *vis-a-vis* targets of operational performance for the year 2017-18

Parameter	Target period as per MoU	Target	Achievement
Financial turnaround			
Takeover of loans of DISCOMs by GoMP by conversion into equity/ grant (in ₹ crore)	2017-18	4,622.00	4,621.99
Reduction of AT & C Loss (in per cent)	2017-18	19.15	30.16
Elimination of ACS - ARR gap (upto ₹ per unit)	2017-18	0.16	0.47
Tariff Revision in time	2017-18	Timely filing of tariff petition	No delay
Billing efficiency (in *per cent*)	2017-18	80.85	76.03
Collection efficiency (in *per cent*)	2017-18	100.00	91.51
Operational turnaround			
Distribution transformers metering (Urban) (in nos.)	2017-18	63,259.00	49,997.00
Distribution transformers metering (Rural) (in nos.)	2017-18	3,24,710.00	1,29,982.00
Feeder metering (Rural) (in nos.)	2017-18	14,204.00	8,934.00
Rural feeder audit (in nos.)	2017-18	11,934.00	8,726.00
Smart metering above 500 KWH (in nos.)	2017-18	1,28,708.00	40,557.00
Electricity access to un-connected households (in lakh)	2017-18	142.08	78.03
Distribution of LEDs under UJALA scheme (in lakh)	2017-18	300.00	132.41
Physical feeder segregation (in nos.)	2017-18	7,968.00	5,001.00

Source: *Information furnished by the three DISCOMs.*

The State has performed poorly in meeting the target for feeder metering and DTR metering in rural areas, smart metering, providing electricity to unconnected households and distribution of LEDs. Further, going by the current trend of progress, the State will find it difficult to achieve the most important target of reduction of AT&C loss to 15 *per cent* by 2019-20. According to the Ministry of Power, the Government of India, the State of Madhya Pradesh stood ninth amongst all the states on the basis of overall achievements made by the three State DISCOMs under UDAY Scheme upto 30 September 2018.

Implementation of Financial Turnaround

1.19.4 The Government of Madhya Pradesh (GoMP) conveyed (December 2015) its *'in principal'* consent to the MoP, GoI to take benefit of the UDAY Scheme. Thereafter, tripartite Memorandums of Understanding (MoU) was signed (10 August 2016) among the MoP, the GoMP and MPPMCL, on behalf of its three subsidiary State DISCOMs *i.e*. MPMKVVCL/ MPPoKVVCL/ MPPaKVVCL). As per provisions of the UDAY Scheme and tripartite MoU, out of total outstanding debt (₹ 34,739 crore) pertaining to three State DISCOMs as on 30 September 2015, the GoMP had to take over 75 *per cent* of total debts. The GoMP has taken over total debt of ₹ 12,189.99 crore during the period 2016-17 and 2017-18 as detailed in Table 1.15:

Table 1.15: Implementation of UDAY Scheme

(₹ in crore)

Year	Equity Investment	Grant	Total
2016-17	3,557.00	4,011.00	7,568.00
2017-18	4,010.99	611.00	4,621.99
Total	**7,567.99**	**4,622.00**	**12,189.99**

The remaining amount of ₹ 13,864.26 crore was to be converted into grant over a period of three years *i.e.* 2018-19, 2019-20 and 2020-21.

Comments on Accounts of Power Sector Undertakings

1.20 Nine Power Sector Companies forwarded their 13 audited accounts to the Accountant General during the period from 01 January 2018 to 31 December 2018. Of these, eight accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG for the accounts of 2016-18 are detailed in Table 1.16:

Table 1.16: Impact of audit comments on Power Sector Companies

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	5	20.15	2	10,063.26	-	-
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	3	11,260.65	1	162.63	1	217.27
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts	3	97.25	1	7.98	-	-
6.	Errors of classification	3	605.29	2	136.71	1	3,841.00

Source*: Compiled from comments of the Statutory Auditors/ C&AG in respect of Government Companies.*

During the year 2017-18, the Statutory Auditors had issued qualified certificates on seven[25] accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 12 instances of non-compliance to the Accounting Standards in three accounts.

Compliance Audit Paragraphs

1.21 For Part I of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2018, three compliance audit paragraphs relating to power sector undertakings were issued to the Principal Secretary of Energy Department, GoMP with request to furnish replies within two weeks. Reply of all compliance audit paragraphs has been received from the State Government and suitably incorporated in this report. The total financial impact of the compliance audit paragraphs is ₹ 29.57 crore.

Follow up action on Audit Reports

1.22 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Madhya Pradesh issued (May 2016) instructions to all Administrative Departments to submit replies/ explanatory notes to paragraphs/ performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

Discussion of Audit Reports by COPU

1.23 The status of discussion of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) by the COPU as on 31 December 2018 was as detailed in Table 1.17:

[25] Accounts of PSUs at S. No. A1, B5, C6, C7, C8, D9 and D10 of ***Annexure-1.1.***

Table 1.17: Performance Audits/ Paragraphs appeared in Audit Reports vis-a-vis discussed as on 31 December 2018

Period of Audit Report	Number of Performance Audits/ Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2015-16	1	6	1	6
2016-17	2	6	-	-

Source: *Compiled based on the discussions of COPU on the Audit Reports.*

Compliance to Reports of COPU

1.24 Action Taken Notes (ATNs) on eight reports of the COPU presented to the State Legislature in 2000-01 to 2011-12 had not been received (31 December 2018) from the State PSUs (Power Sector) as indicated in the Table 1.18:

Table 1.18: Compliance to COPU Reports

Year of the COPU Report	Total number of Reports of COPU	Total number of recommendations in COPU Reports	Number of recommendations where ATNs not received
2000-01	1	29	9
2001-02	1	41	10
2009-10	3	3	3
2010-11	2	5	4
2011-12	1	1	1
Total	**8**	**79**	**27**

Source: *Compiled based on ATNs received on recommendations of COPU from the respective Departments of GoMP.*

The above mentioned Reports of COPU contained recommendations in respect of paragraphs pertaining to Madhya Pradesh State Electricity Board, Madhya Pradesh Power Management Company Limited, Madhya Pradesh Power Transmission Company Limited and Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited which appeared in the Reports of the CAG of India for the year 2000-01 and 2011-12.

CHAPTER 2

Chapter 2

2. Compliance Audit Observations

This Chapter includes important audit findings emerging from test check of transactions of the Power Sector Undertakings.

Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited, Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited, and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited

2.1 Non- deposit of compounding charges

The Distribution companies delayed deposit of the compounding charges amounting to ₹ 52.40 crore collected from consumers in the State exchequer.

In exercise of the powers conferred under section 152(1) of the Electricity Act, 2003, the Distribution Companies (Discoms) i.e. Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (MPPoKVVCL), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (MPMaKVVCL), Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (MPPaKVVCL) accepts a sum of money from the consumers who had committed or were suspected of having committed an offence of theft of electricity, for compounding of the offence. On payment of the compounding charges, no proceedings were to be instituted against such consumers.

As per Rule 7 of Chapter 2 of General Financial Rules 2017, all moneys received by or on behalf of Government either as dues of Government or for deposit, remittance or otherwise, shall be brought into Government Account without delay.

Audit observed that upto 31 March 2018, the field offices of Discoms on behalf of the State Government had collected compounding charges amounting to ₹ 52.40 crore[1] from the consumers or persons suspected of having committed an offence of theft of electricity and remitted the same to Company headquarters. However the finance wing of the Discoms for no reasons on record, did not deposit the same in Government Account (March 2018).

The Government replied (January 2019) that Discoms have been instructed (January 2019) to ensure deposition of compounding charges so collected to the Government Account. Subsequently, MPMaKVVCL replied (January 2020) that the Government adjusted (January 2020) the amount of compounding charges to be deposited by the Discoms against the subsidy receivable by the Discoms.

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[1] MPPoKVVCL (Eastern Discom) = ₹ 5.16 crore, MPMaKVVCL (Central Discom) = ₹ 18.40 crore and MPPaKVVCL (Western Discom)= ₹ 28.84 crore.

Thus, the fact remains that on being pointed out by the Audit, the Department adjusted the compounding charges collected during the period 2006-07 to 2018-19 against subsidy receivable by the Discoms. However, system needs to be established to ensure regular and timely remittance of the compounding charges collected by the Discoms in Government Account.

Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited

2.2 Non-recovery of dues from Contractor

Company's negligence in correct credit of mobilisation advance in appropriate BG account and non-levy of interest on mobilisation advance resulted in non-recovery of dues of ₹ 4.80 crore.

Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (Company), Bhopal awarded (April 2012) the work of design, manufacture, pre- dispatch inspection, testing and supply of plant, material, storage, installation and commissioning of Supervisory Control and Data Acquisition (SCADA) equipment on turnkey basis for Bhopal and Gwalior Regions to M/s Easun Reyrolle Limited (Contractor), Bangalore at a cost of ₹ 83.57 crore. The contract was to be completed within 18 months from effective date (June 2012).

As per terms of the contract, the Company paid advances of ₹ 6.72 crore and ₹ 2.76 crore as mobilisation and material advance respectively against receipt of an irrevocable advance payment security in the form of Bank Guarantee[2] (BG): (Advance payment BG: ₹ 7.39 crore and Performance BG: ₹ 8.35 crore). As per the contract[3], simple interest at the cash credit rate (17.25 *per cent*) was to be collected on such advance from the date of payment of advance till the date of recovery/ adjustment from the subsequent bills submitted by the contractor. Further, as per the condition[4] in the proforma of Bank Guarantee that for any claim and payment under the guarantee to be made, the advances must have been received by the contractor in his specified account number[5] of the specified bank and the branch. If the contractor abandoned the work, any extra cost incurred in executing the left-over work, was to be recovered from the former[6].

Audit observed that the Company released the mobilisation advance in a different bank account[7] of the contractor, other than that specified in the BG. As per the terms of the contract, this rendered the BG void for meeting any claims in case of default of the Contractor. Even at the time of various subsequent renewals/ amendments of the BG (September 2014, March 2015, September 2015, etc.), before the Company issued final termination order to

2 BG valid uptill 31 March 2014.
3 Clause 22.1 of the contract award.
4 The condition was prescribed as per the format of advance payment security, as by and forming part of General Conditions of the Contract 13.3.2 of the Bid Document TS-355.
5 In this case account no. 910030049414113 at Bangalore, Axis bank of the contractor.
6 Clause 42.2.6 of General Conditions of Contract of the Bid document.
7 Account no. 910020050384455.

the Contractor (November 2015), no amendment to rectify the above mistake was made by the Company. The reason for not complying with the basic prerequisite of the conditional BG at the time of releasing the mobilisation advance, as well as at the times of various renewals of BG, even when a system of pre-audit exists in the Company, is not comprehensible. Further, the Company failed to levy and recover interest on mobilisation advance amounting to ₹ 3.79 crore from the running bills of the contractor with no reasons on record.

As the contractor could not execute the work as per milestone and timelines, the Deputy CGM (UP) terminated the contract in November 2015. Performance BG of ₹ 8.35 crore submitted by the contractor was forfeited by the Company. As per the assessment made (March 2018) by the Company through Chartered Accountants, dues worth ₹ 14.75 crore were recoverable (including the interest on mobilisation advance and after allowing various credits and encashment of Performance BG of ₹ 8.35 crore) from the contractor at the time of termination.

Government replied (October 2019) that the Company encashed (March 2018) ₹ 9.95 crore BG submitted by the contractor under another contract awarded by the Company. It was also replied that a writ petition has been filed (April 2018) in Hon'ble High Court of MP, Jabalpur against the Bank for encashment of BG of ₹ 7.39 crore. It further stated that it was a clerical error inadvertently committed and will not happen in future.

The reply is not found acceptable by Audit. The failure of the Company in releasing the mobilisation advance in a different account, other than which was specified in the BG, rendered the BG void and funds were, therefore, being released to the contractor without valid security. If it was a clerical error as stated, and passed undetected among all approving authorities, it is evident that the internal control system(s) are either weak or non-existent. The act of adjusting dues of one contract from the BG of another Contract does not absolve the Company from the negligence in protecting the financial interest of the Company in the instant case and has needlessly mired the Company in avoidable litigation. As on date (October 2019), an amount of ₹ 4.80 crore[8] (balance) is still recoverable from the contractor.

Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company

2.3 Irregular release of permanent power connection

The Distribution companies, in contravention of provisions of Electricity Supply Code, extended permanent power connections for construction activities of Power plants, instead of temporary power connection, resulting in revenue loss of ₹ 24.77 crore.

In compliance to the Electricity Act 2003, Madhya Pradesh Electricity Regulatory Commission (MPERC) issued Madhya Pradesh Electricity Supply

8 ₹ 14.75 crore minus ₹ 9.95 crore.

Code, 2004/ 2013 (Supply Code) which was amended in October 2015. Supply Code requires that any person requiring power supply for purpose that is temporary in nature, for a period of less than one year/ two years shall apply for temporary power supply connection. Also, as per the tariff regulations issued by MPERC from time to time, the charges under the temporary connection were to be billed at 1.3 times[9] of permanent connection tariff upto March 2018.

Audit observed (December 2018/ July 2019) that in contravention of the above provisions of the Supply Code 2004/ 2013, the Distribution Companies (Discoms) viz. Madhya Pradesh Paschim Kshetra Vidyut Vitran Company Limited (MPPaKVVCL) and Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (MPPoKVVCL) extended permanent HT connection as detailed below:

(₹ in crore)

Sl. No.	Name of the Discom	Name of the Power Plant	Date since permanent connection was released	Period of electricity bills provided by Discom	Amount of revenue loss due to charging lower tariff
1	MPPaKVVCL	Shree Singaji Thermal Power Project	October 2010	April 2012 to September 2018	4.35
2	MPPoKVVCL	Jhabua Power Limited, Seoni	June 2010	September 2013 to December 2018	3.09
3	MPPoKVVCL	Sasan Power Limited	November 2010	September 2013 to May 2015	3.01
4	MPPoKVVCL	Bina Power Supply Company, Limited	December 2009	December 2009 to April 2014	5.22
5	MPPoKVVCL	Moser Baer Power Madhya Pradesh Limited	October 2011	January 2012 to July 2014	2.72
6	MPPoKVVCL	Essar Power M.P. Limited, Kharahi Waidhan	July 2010	November 2011 to July 2013	1.32
7	MPPoKVVCL	Jai Prakash Power Venture Limited	January 2011	November 2011 to May 2015	5.06
Total					**24.77**

Government, while endorsing the reply of MPPaKVVCL (November 2019) replied in December, 2019 that:

- Till the first amendment (effective from 23.10.2015) in Supply Code 2013, there was no prohibition to grant permanent connection for construction purpose;
- Prior to this, Clause 4.43 of Supply Code 2013 (effective from 30.08.2013) only provides that temporary connection may be extended upto five years for construction purpose, however in this clause nothing is mentioned about grant of temporary connection for a period exceeding five years;
- The beneficiary through permanent connection is MP Power Generating Company Ltd (MPPGCL) which is the sister concern of MPPaKVVCL. Both the entities are wholly owned by Government of

[9] 1.25 times w.e.f April 2018 onwards.

MPPaKVVCL. Both the entities are wholly owned by Government of Madhya Pradesh. Hence, for Shree Singaji Thermal Power Project, the recovery is requested to restrict w.e.f 23.10.2015.

On the same lines, in respect of M/s Jhabua Power Limited, MPPoKVVCL replied (August 2019), that recovery is acceptable but only to the extent of ₹ 0.32 crore. It was also replied that action is being taken against the responsible officials for this wrong doing. For M/s Sasan Power Limited, no recovery is acceptable to the MPPoKVVCL as the consumer's connection was permanently disconnected on 31 May 2015 itself.

The above replies are not acceptable as:

- MPERC in its order (09.06.2015) clearly stipulated that the Distribution licensees had been allowed permanent connection for construction purpose which is not in line with the provisions of Supply Code 2004/ 2013 as the case may be.
- Further, it is also clarified that construction purpose is temporary in nature and is eligible for temporary power supply irrespective of the period of supply. Thus, the category of connection viz. permanent/ temporary is w.r.t. purpose of use not the time period of connection. However, none of the Discoms furnished (confirming reply of MPERC) any details of compliance made to the MPERC directions regarding furnishing the full details of permanent connections served for construction purposes, along with action taken against the responsible officers for such irregularities.
- MPPGCL is not the only beneficiary, as already pointed out by audit.
- In respect of M/s Sasan Power Limited, prior to disconnection, the revised Supply Code 2013 effective from 30.08.2013, clearly stipulated that for construction purpose of power plants, only temporary connection was to be extended, and amendment dated 23.10.2015 only reiterated that 'Under no circumstances, permanent connection be allowed for construction purposes'.

Thus, the Distribution companies extended undue benefit to these consumers by irregular release of cheaper permanent power connection for construction activities instead of temporary power connection, resulting in revenue loss of ₹ 24.77 crore to these Discoms.

CHAPTER 3

Part II

Chapter 3

Functioning of State Public Sector Undertakings (other than Power Sector)

Introduction

3.1 There were 63 State Public Sector Undertakings (PSUs) as on 31 March 2018 which were related to sectors other than Power Sector. These State PSUs were incorporated during the period 1925-26 and 2016-17 and included 60 Government Companies and three Statutory Corporations *i.e.* Madhya Pradesh Financial Corporation (MPFC) and Madhya Pradesh Warehousing and Logistics Corporation (MPWLC) and the non-functional Corporation, viz., Madhya Pradesh State Road Transport Corporation (MPSRTC). Six Government Companies did not commence commercial activities till 2017-18. These Government Companies further included 15 non-functional companies and 31 subsidiary companies owned by other Government Companies. Three[1] companies were added during the year.

Of the 63 State PSUs, financial performance of 38 PSUs is covered in this report (***Annexure-3.1***) and the nature of these PSUs is indicated in Table 3.1:

Table 3.1: Coverage and nature of PSUs covered in this report

Nature of the PSUs	Total number	Number of PSUs covered in the Report				Number of PSUs not covered in the Report
		Accounts up to			Total	
		2017-18	2016-17	2015-16		
Government Companies	60	17	14	05	36	24
Statutory Corporations	03	02	-	-	02	01
Total Companies/ Corporations	**63**	**19**	**14**	**05**	**38**	**25**
Government Controlled other Companies	-	-	-	-	-	-
Total	**63**	**19**	**14**	**05**	**38**	**25**

This Report does not include 25 PSUs whose accounts are in arrears for three years or more or were defunct/ under liquidation or first accounts were not received or were not due or have not commenced operations till 2017-18 as detailed in ***Annexure-3.2.***

The State Government provides financial support to the State PSUs in the shape of equity, loans and grants/ subsidy from time to time. Of the 47 working State PSUs, the State Government invested funds in 25 State PSUs only. The State Government did not infuse any funds in 22[2] companies, which are Joint Venture/ Subsidiaries of above State PSUs. Equity of these 22 joint venture/

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[1] MP Hotel Corporation Limited, Singrauli Airport Company Limited and MP Tourism Board.

[2] Loan of ₹ 0.71 crore to AKVN (Rewa) and Equity of ₹ 0.02 crore to SRHHVN has been given by GoMP.

subsidiary companies was contributed by the respective Co-partner/ Holding Companies.

Contribution to Economy of the State

3.2 A ratio of turnover of the 38 PSUs covered in this Report to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the State economy. The Table 3.2 provides the details of turnover of State PSUs (other than Power Sector) and GSDP of Madhya Pradesh for a period of three years ending March 2018:

Table 3.2: Details of turnover of State PSUs (other than Power Sector) *vis-a-vis* GSDP of (Madhya Pradesh)

(₹in crore)

Particulars	2015-16	2016-17	2017-18
Turnover	21,623.72	15,499.77	15,651.26
Percentage change in turnover as compared to turnover of preceding year	-	-28.32	0.98
GSDP of Madhya Pradesh	5,30,442.61	6,39,219.67	7,07,046.99
Percentage change in GSDP as compared to GSDP of preceding year	10.48	20.51	10.61
Percentage of Turnover to GSDP of Madhya Pradesh	4.08	2.42	2.21

Source*: Compiled based on Turnover figures of functional PSUs (other than power) and GSDP figures as per Economic Review 2017-18 of Government of Madhya Pradesh.*

The turnover of these 38 PSUs has decreased till 2016-17, but showed slight increase during 2017-18. The increase/ decrease in turnover ranged between 0.98 *per cent* and -28.32 *per cent* during the period 2015-18, whereas increase in GSDP of the State ranged between 10.48 *per cent* and 20.51 *per cent* during the same period. The compounded annual growth[3] of GSDP was 10.05 *per cent* during last three years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 10.05 *per cent* of the GSDP, the turnover of non-power sector undertakings recorded negative compounded annual growth of -10.21 *per cent* during last three years. This resulted in decrease in the share of turnover of these PSUs to the GSDP from 4.08 *per cent* in 2015-16 to 2.21 *per cent* in 2017-18.

Investment in State PSUs (other than Power Sector)

3.3 Details of investment in equity and long term loans in 38[4] State PSUs upto 31 March 2018 are detailed in ***Annexure-3.3.***

The PSUs covered in this Report fall in the following three categories:

1. PSUs not in open market competition (monopolistic PSUs): In Madhya Pradesh, out of 38 covered PSUs, three[5] PSUs fall under this category as they have monopolistic/ oligopolistic nature of operations i.e. their operations do not have any competition or have very limited competition.

[3] Rate of Compounded Annual Growth [{(Value of 2017-18/ Value of 2015-16)^(1/3 years)}-1]*100.

[4] Total 63 PSUs -21 PSUs whose accounts were in arrear for more than three years or more or were defunct/ under liquidation or first accounts were not received or were not due.

[5] MP Van Vikas Nigam Limited, MP Jal Nigam Maryadit and MP State Mining Corporation Limited.

2. PSUs with assured income: This category includes PSUs whose major income comes from assured sources of income such as Government grants/ subsidies, centage, commission, interest on bank deposits etc. 31 PSUs fall under this category.

3. PSUs in competitive sector: This category includes four[6] PSUs, which are open to market competition.

3.4 The sector-wise summary of investment in these State PSUs as on 31 March 2018 is given in Table 3.3:

Table 3.3: Sector-wise investment in State PSUs (other than power sector)

Sector	Number of PSUs	Investment (₹ in crore)						
		Equity			Long term loans			Total
		GoMP	GoI	Others[7]	GoMP	GoI	Others	
PSUs in Monopolistic Sector	03	140.13	1.39	0.00	0.00	0.00	0.00	141.52
PSUs with Assured Income	31	76.33	1.87	1041.62	1783.09	0.00	891.76	3794.67
PSUs in Competitive Environment	04	497.67	0.00	85.22	0.00	0.00	868.33	1451.22
PSUs not covered in this Report	25	268.76	42.53	91.68	895.33	0.00	33.90	1332.20
Total	**63**	**982.89**	**45.79**	**1218.52**	**2678.42**	**0.00**	**1793.99**	**6719.61**

Source: *Compiled based on annual accounts of PSUs and sanction/ release orders for equity and loans.*

As on 31 March 2018, the face value[8] of total investment (equity and long term loans) in 38 PSUs covered in this report was ₹ 5,387.41 crore. The investment consisted of 34.23 *per cent* towards equity and 65.77 *per cent* in long-term loans. The long term loans advanced by the State Government constituted 50.17 *per cent* (₹ 1,783.09 crore) of the total long term loans whereas 49.83 *per cent* (₹ 1,760.09 crore) of the total long term loans were availed from other financial institutions like HUDCO, SIDBI, etc.

The investment has reduced by 33.51 *per cent* from ₹ 8,103.05 crore in 2015-16 to ₹ 5,387.41 crore in 2017-18. The investment decreased due to addition of ₹ 1,041.28 crore and reduction of ₹ 3,756.92 crore towards equity and long term loans respectively during 2015-16 to 2017-18.

Disinvestment, restructuring and privatisation of State PSUs (other than Power Sector)

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

Budgetary Support to State PSUs (other than Power Sector)

3.6 The Government of Madhya Pradesh provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and

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[6] MPSTDCL, MPJP Minerals, MP Hotel Corporation Ltd. and MPFC.
[7] Others includes investment by Holding Companies, financial institutions, banks, etc.
[8] The original cost of the equity shares paid by the subscribers to the equity shares.

loans converted into equity during the year in respect of State PSUs for the last three years ending March 2018 are as detailed in Table 3.4:

Table 3.4: Details regarding budgetary support to State PSUs (other than Power Sector) during the years

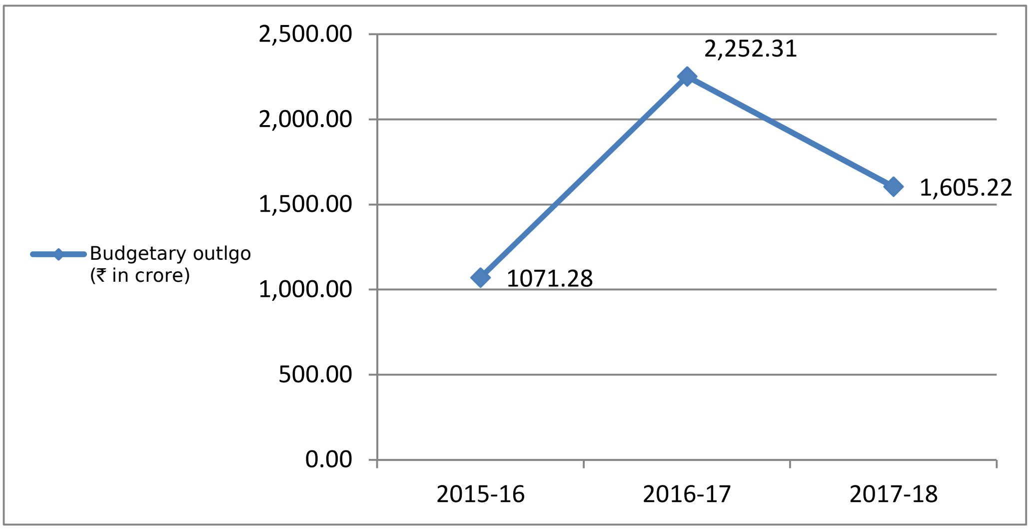
(₹in crore)

Particulars[9]	2015-16		2016-17		2017-18	
	No of PSUs	Amount	No of PSUs	Amount	No of PSUs	Amount
Equity Capital outgo (i)	3	20.52	4	110.58	1	25.00
Loans given (ii)	2	256.28	3	310.47	3	273.50
Grants/Subsidy provided (iii)	12	794.48	17	1,831.26	19	1,306.72
Total Outgo (i+ii+iii)	15	1,071.28	21	2,252.31	21	1,605.22
Loan repayment written off	-	-	-	-	-	-
Loans converted into equity	-	-	-	-	-	-
Guarantees Outstanding	4	1,327.00	5	1,737.68	6	313.17
Guarantee Commitment	4	1,405.99	5	1,727.80	6	1,129.11

Source: *Compiled based on annual accounts of PSUs and sanction/ release orders for equity, loans and guarantees.*

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the last three years ending March 2018 are given in a Chart 3.1:

Chart 3.1: Budgetary outgo towards Equity, Loans and Grants/ Subsidies



The annual budgetary assistance to these PSUs during the year ranged between ₹ 1,071.28 crore and ₹ 2,252.31 crore during the period 2015-16 to 2017-18. The budgetary assistance ₹ 1,605.22 crore received during the year 2017-18 included ₹ 25 crore, ₹ 273.50 crore and ₹ 1,306.72 crore in form of equity, loans and grants/ subsidy respectively. The subsidy/ grants given by the State Government was primarily to develop industrial infrastructure and promote investment and development of smart cities.

GoMP provides guarantee under Madhya Pradesh Government Guarantees Rules (MPGGR), 2009 for PSUs to seek financial assistance from Banks and financial institutions. The Government decided (February 2011) to charge guarantee commission at the rate of half a *per cent* to one *per cent* per annum in case of loan availed by PSUs from banks/ financial institutions without any exception under the provisions of the MPGGR 2009. Outstanding guarantee

[9] Amount represents outgo from State Budget only.

commitments stood at ₹ 1,129.11 crore in 2017-18. During the year 2017-18, no guarantee commission was paid by the PSUs (other than Power Sector).

Reconciliation with Finance Accounts of Government of Madhya Pradesh

3.7 The figures in respect of equity, loans and guarantees outstanding as per records of all State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Madhya Pradesh. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2018 is stated in Table 3.5:

Table 3.5: Equity, loans and guarantees outstanding as per Finance Accounts of Government of Madhya Pradesh vis-à-vis records of State PSUs (other than Power Sector)

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	565.31	633.36	68.50
Loans	1,416.58	1,502.94	86.36
Guarantees	873.24	1,129.11	255.87

Source: *Compiled based on information received from PSUs and Finance Accounts.*

Audit observed that out of 63 State PSUs, such differences occurred in respect of 26 PSUs as shown in ***Annexure-3.4***. The differences between the figures have been persisting for last many years. The issue of reconciliation of differences is being taken up with the PSUs and the Departments from time to time. Major difference in balances was observed in Madhya Pradesh Trade and Investment Facilitation Corporation Limited. We, therefore, recommend that the State Government and the respective PSUs should reconcile the differences in a time-bound manner.

Submission of accounts by State PSUs (other than Power Sector)

3.8 Of the total 63 State PSUs, there were 47 functional PSUs *i.e.* 45 Government Companies and two Statutory Corporations and 16 non-functional PSUs *i.e.* 15 Government Companies and one Statutory Corporations under the purview of CAG as of 31 March 2018. The status of timelines followed by the State PSUs in preparation of accounts by the state PSUs is as detailed under:

Timeliness in preparation of accounts by the State PSUs

3.8.1 Accounts for the year 2017-18 were required to be finalized by all the functional PSUs by 30 September 2018. However, out of 63 PSUs, 28 PSUs submitted their accounts for the year 2017-18 for audit by CAG on or before 31 December 2018 whereas accounts of 35 PSUs were in arrears.

Details of arrears in submission of accounts of State PSUs (other than Power Sector) as on 31 December 2018[10] are given in Table 3.6.

[10] For the year 2015-16, 2016-17 and 2017-18, Accounts received till 31 December were considered.

Table 3.6: Position relating to submission of accounts by the State PSUs (other than Power Sector)

Particulars		Government Companies/ Government Controlled Other Companies/ Statutory Corporations			
		Government Companies	Government Controlled other Companies	Statutory Corporations	Total
Total number of PSUs under the purview of CAG's audit as on 31.03.2018		60	-	03	63
Less: PSUs from which accounts for 2017-18 were not due		-	-	-	-
Number of PSUs from which accounts for 2017-18 were due		60	-	03	63
Number of PSUs which presented the accounts for CAG's audit by 31 December 2018		26	-	02	28
Number of accounts in arrears		173	-	10	183
Break- up of Arrears	(i) Under Liquidation	56	-	0	56
	(ii) Non-functional	34	-	10	44
	(iii) First Accounts not submitted	31	-	0	31
	(iv) Others	52	-	0	52
Age–wise analysis of arrears against 'Others' category	One year (2017-18)	16	-	0	16
	Two years (2016-17 and 2017-18)	12	-	0	12
	Three years and more	24	-	0	24

The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The concerned Departments were informed regularly regarding arrears in accounts.

The GoMP had provided ₹ 1,431.94 crore (Equity: ₹ 10.03 crore Loan: ₹ 53.08 crore, Grant: ₹ 375.81 crore and Subsidy: ₹ 993.02 crore) in 11 of the 27 working State PSUs accounts of which had not been finalised by 31 December 2018 whereas no investment was made in remaining 16 PSUs during the period for which accounts are in arrears. PSU wise details of investment made by State Government during the years for which accounts are in arrears are shown in ***Annexure-3.5***.

In the absence of finalisation of accounts and their subsequent audit in remaining 35 PSUs, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the funds were utilized for the purpose for which these were provided by the State Government.

Winding up of non-functional State PSUs

3.9 Sixteen State PSUs were non-functional companies having a total investment of ₹ 793.34 crore mainly, in Madhya Pradesh Road Transport Corporation (₹ 683.31 crore), Madhya Pradesh State Textile Corporation Limited (₹ 86.71 crore) and Optel Telecommunication Limited (₹ 17.12 crore) towards capital (₹ 116.16 crore) and long term loans (₹ 677.18 crore) as on 31 March 2018. The number of non-functional PSUs at the end of each year during last three years ended 31 March 2018 are given in Table 3.7:

Table 3.7: Non-functional State PSUs

Particulars	2015-16	2016-17	2017-18
No. of non-functional PSUs	9	17	16
Out of above, No. of PSUs which were under liquidation	4	4	4

Source: *Compiled from the information included in Audit Report (PSU), GoMP of respective years and in* ***Annexure-3.2****.*

As regards 12 non-functional PSUs from last six to 28 years[11], the Government may take appropriate decision regarding winding up of these PSUs.

Impact of non-finalisation of accounts of State PSUs (other than Power Sector)

3.10 As pointed in *Paragraph 3.8*, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs (other than Power Sector) to State GDP and their profitability including profit earned/ loss incurred for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

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

Placement of Separate Audit Reports of Statutory Corporations

3.11 Out of three Statutory Corporations, two Corporations had forwarded their accounts of 2017-18 by 31 December 2018.

Separate Audit Reports (SARs) are audit reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. Status of annual accounts of Statutory Corporations and placement of their SARs in legislature is detailed in Table 3.8:

Table 3.8: Status of placement of SAR of the Statutory Corporations

Name of the Corporation	Year of Accounts	Month of placement of SAR
Madhya Pradesh State Warehousing Corporation	2016-17	SAR issued in December 2018 but not placed
	2017-18	Pending finalisation
Madhya Pradesh Financial Corporation	2016-17 and 2017-18	Pending finalisation
Madhya Pradesh State Road Transport Corporation	2007-08	No information furnished
	2008-09 onwards	Accounts not finalised

Source*: Compiled based on information available on the website of Madhya Pradesh Legislative Assembly.*

[11] Companies at Sr. No. IIIA 10 to IIIA 20 and IIIB 21 of the ***Annexure-3.2***.

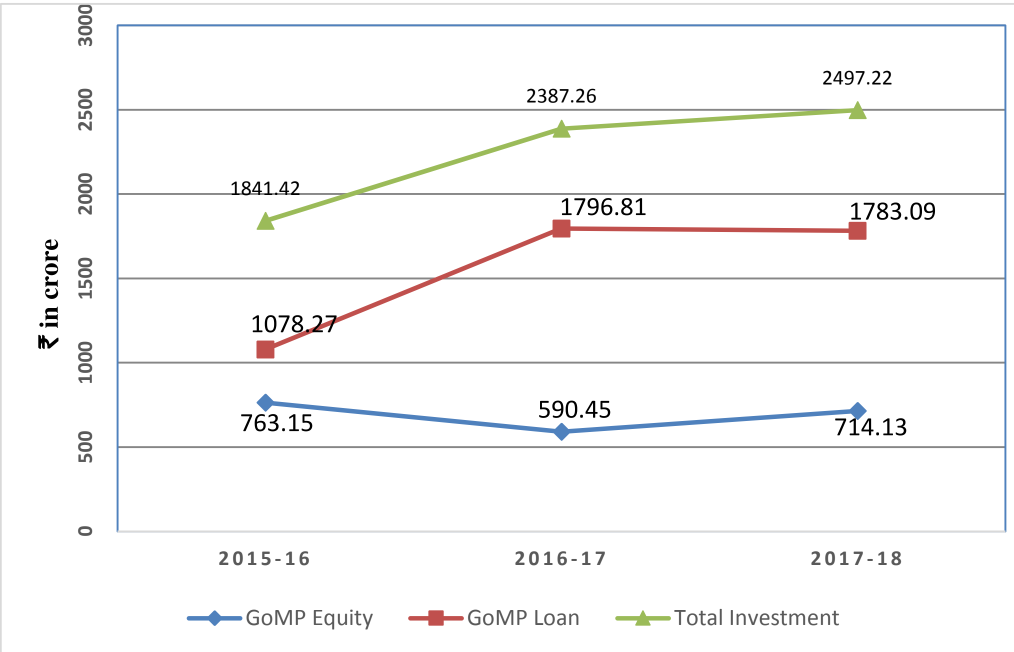
Performance of State PSUs (other than Power Sector)

3.12 The financial position and working results of the 38 State PSUs covered in this report as per their latest finalised accounts[12] as of 31 December 2018 are detailed in ***Annexure-3.1.***

The PSUs are expected to yield reasonable return on investments made by Government in the undertakings. The total investment of State Government and others in these PSUs was ₹ 5,387.41 crore consisting of equity of ₹ 1,844.23 crore and long term loans of ₹ 3,543.18 crore. Out of this, Government of Madhya Pradesh has investment of ₹ 2,497.22 crore in the 18 PSUs consisting of equity of ₹ 714.13 crore and long term loans of ₹ 1,783.09 crore.

The year wise statement of investment of GoMP in the PSUs other than power sector covered in this report during the period 2015-16 to 2017-18 is as follows:

Chart 3.2: Total investment of GoMP in PSUs (other than power sector)



The profitability of a company is traditionally assessed through Return On Investment (ROI), Return On Equity (ROE) and Return On Capital Employed (ROCE). Return On Investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment. Return On Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund. Return On Capital Employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed.

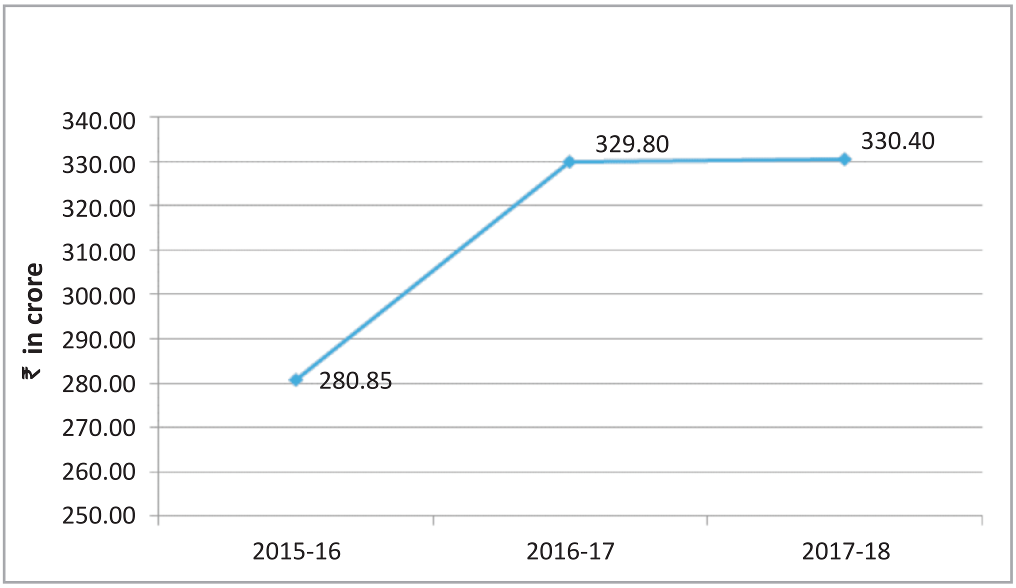
Return on Investment

3.13 The Return on investment is the percentage of profit or loss to the total

[12] Latest finalised accounts for the years 2015-16 to 2017-18.

investment. The overall position of Profit/ losses[13] earned/ incurred by the 38 State PSUs covered in this report during 2015-16 to 2017-18 is depicted below in a chart:

Chart 3.3: Profit/ Losses earned/ incurred by functional PSUs (other than Power Sector)



The profit of ₹ 280.85 crore earned by these covered PSUs in 2015-16 increased to ₹ 330.40 crore in 2017-18. According to latest finalised accounts of these 38 State PSUs covered in this report, 18 PSUs earned profit of ₹ 380.01 crore and eight PSUs incurred losses of ₹ 49.61 crore as detailed in ***Annexure-3.1***.

3.13.1 The number of PSUs that earned profit was 18 in 2017-18 as compared to 22 in 2016-17. The profit earned increased to ₹ 330.40 crore from ₹ 329.80 crore in 2016-17.

The details of sector wise profit of PSUs during 2017-18 are summarized in Table no.3.9:

Table No 3.9: Sector wise profitability of PSUs

Sector	Number of Profit earning PSUs	(₹ in crore)	
		Profit after Tax	Percentage of profit to total profit after tax
PSUs in Monopolistic Sector	02	154.86	40.75
PSUs with Assured Income	14	218.81	57.58
PSUs in Competitive Environment	02	6.34	1.67
Total	**18**	**380.01**	**100.00**

Source: *Compiled based on latest finalized annual accounts of PSUs*

It may be seen from above table that out of 18 PSUs, 16 PSUs earned 98.33 *per cent* profit (₹ 373.67 crore) which were either having monopolistic advantage or were having assured income from budgetary support, centage, commission, interest on bank deposits etc.

Thus in audit view sustainability of these PSUs is State dependent.

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

Real Return on the basis of Present Value of Investment

3.14 An analysis of the earnings *vis-a-vis* investments in respect of those 18 State PSUs (covered in this report) where funds had been infused by the State Government was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on the basis of historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. Therefore, real return on investment has also been calculated after considering the Present Value (PV) of money. PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest free/ defaulted loans and capital grants starting from 2000-01 in these companies till 31 March 2018. During the period from 2000-01 to 2017-18, these PSUs had a positive/ negative return on investment during the years 2013-14 to 2017-18. The real return on investment for these years have, therefore, been calculated and depicted on the basis of PV.

The PV of the State Government investments in these PSUs was computed on the following assumptions:

- Loans have been considered as fund infusion by the State Government. However, in case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of loans over the period. The funds made available in the form of grant/ subsidy have not been reckoned as investment except capital grant since they do not qualify to be considered as investment.

- The average rate of interest on Government borrowings for the concerned financial year[14] was adopted as discount rate for arriving at Present Value since they 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.

3.15 PSU wise position of State Government investment in these 18 State PSUs in the form of equity, interest free/ defaulted loans and capital grants on historical cost basis for the period from 2000-01 to 2017-18 is indicated in ***Annexure-3.6.*** Further, consolidated position of NPV of the State Government investment relating to these PSUs for the same period is indicated in Table 3.10:

[14] The average rate of interest on Government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Madhya 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 3.10: Year wise details of investment by the State Government and Present Value (PV) of Government investment for the period from 2000-01 to 2017-18

(₹in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Interest free/ defaulted Loans and capital grants given by the State Government during the year[15]	Total investment during the year	Average rate of interest on Government borrowings (in %)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total Earnings for the year[16]
i	ii	iii	iv	v=iii+iv	vi	vii=ii+v	viii={vii*(1 + vi)/ 100}	ix={vii*vi)/ 100}	x
2000-01	224.62	4.00	-16.13	-12.13	9.94	212.49	233.61	21.12	6.13
2001-02	233.61	-4.10	-25.13	-29.23	9.19	204.38	223.16	18.78	19.01
2002-03	223.16	17.42	16.46	33.88	8.81	257.05	279.69	22.65	9.22
2003-04	279.69	1.79	-47.40	-45.61	9.41	234.08	256.11	22.03	0.70
2004-05	256.11	12.30	-	12.30	8.96	268.41	292.46	24.05	33.78
2005-06	292.46	11.89	58.57	70.46	7.33	362.92	389.52	26.60	40.73
2006-07	389.52	174.38	0.38	174.76	7.86	564.28	608.63	44.35	93.50
2007-08	608.63	65.00	-58.50	6.50	7.72	615.13	662.62	47.49	91.17
2008-09	662.62	16.20	-	16.20	7.24	678.82	727.96	49.15	67.60
2009-10	727.96	6.00	15.69	21.69	6.94	749.65	801.68	52.03	124.97
2010-11	801.68	26.38	-2.10	24.28	7.07	825.96	884.36	58.40	141.55
2011-12	884.36	10.00	9.45	19.45	6.91	903.81	966.26	62.45	156.03
2012-13	966.26	-15.38	72.89	57.51	6.75	1,023.77	1,092.87	69.10	221.73
2013-14	1,092.87	30.00	90.43	120.43	6.69	1,213.30	1,294.47	81.17	287.49
2014-15	1,294.47	94.28	136.32	230.60	6.73	1,525.07	1,627.71	102.64	324.23
2015-16	1,627.71	41.72	73.76	115.48	6.86	1,743.19	1,862.77	119.58	366.79
2016-17	1,862.77	-50.73	1,349.49	1,298.76	6.72	3,161.53	3,373.99	212.46	343.39
2017-18	3,373.99	160.00	-2.73	157.27	6.67	3,531.26	3,766.79	235.53	287.96
Total		**601.15**	**1,671.45**	**2,272.60**					

The balance of investment by the State Government in these PSUs at the end of the year increased to ₹ 2,497.22 crore in 2017-18 from ₹ 224.62 crore in 2000-01 as the State Government made further investments in shape of equity (₹ 601.15 crore) and loans/ capital grant (₹ 1,671.45 crore) during the period 2000-01 to 2017-18. The PV of funds infused by the State Government upto 31 March 2018 amounted to ₹ 3,766.79 crore. During 2000-01 to 2003-04, these companies earned some profits, though, total earnings remained below the minimum expected return to recover cost of funds infused in these PSUs. 2004-05 onwards, these companies started earning sufficient profits to recover cost of funds infused as eight[17] of these PSUs incurred substantial profits during this period.

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[15] Negative figures of loans shown in this column represent repayment of loans by the PSUs to the State Government during the concerned year.

[16] Total Earning for the year depicts total of net earnings (profit/ loss) for the concerned year relating to those 18 PSUs (other than Power Sector) where funds were infused by State Government. In case where annual accounts of any PSU was pending during any year then net earnings (profit/ loss) for that year has been taken as per latest audited accounts of the concerned PSU.

[17] MPRVVN, MPSMCL, MPLUN, TPFCL, MPRDCL, MPTRIFAC, MPWLCL and MPPHCL.

Return On Equity of PSUs

3.16 Return On Equity (ROE)[18] is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. Sector wise ROE of PSUs is depicted in Table 3.11

Table 3.11: Return on Equity Sector wise

Sl. No.	Sector	ROE during 2015-16		ROE during 2016-17		ROE during 2017-18	
		No of PSUs	ROE	No of PSUs	ROE	No of PSUs	ROE
1	PSUs in Monopolistic Environment	3	31.51	03	21.79	3	20.33
2	PSUs with Assured Income	20	11.18	25	11.78	25	12.52
3	PSUs in Competitive Environment	2	10.34	2	3.56	3	(-) 1.12
	Total	**25**		**30**		**31**	

It could be seen that ROE of competitive sector PSUs are significantly lower than monopolistic/ assured income sector PSUs during the previous three years. In competitive sector ROE in 2017-18 was negative due to loss of ₹ 11.39 crore incurred by MP Financial Corporation.

This reflects that the PSUs operating in competitive environment are not self-sustainable.

Return On Capital Employed

3.17 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[19]. The details of ROCE of 38 PSUs *(PSUs covered in this Report)* during the period from 2015-16 to 2017-18 are given in Table 3.12.

Table 3.12: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (in %)
2015-16	391.36	4,896.38	7.99
2016-17	592.83	5,959.63	9.95
2017-18	503.39	5,709.65	8.82

It was observed that ROCE ranged between 7.99 *per cent* and 9.95 *per cent* during the period 2015-16 to 2017-18.

PSUs incurring losses

3.18 There were eight PSUs that incurred losses during the year 2017-18. The losses incurred by these PSUs increased to ₹ 49.61 crore in 2017-18 from ₹ 0.12 crore during 2016-17 as given in Table 3.13.

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

[19] Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure.

Table 3.13: Number of PSUs that incurred losses during 2015-16 to 2017-18

Year	No of PSUs incurred loss	Net loss for the year (₹ in crore)	Accumulated loss (₹ in crore)	Net Worth[20] (₹ in crore)
PSUs in Monopolistic Environment				
2015-16	0	0.00	0.00	0.00
2016-17	0	0.00	0.00	0.00
2017-18	1[21]	0.12	5.31	105.31
PSUs with Assured Income				
2015-16	4	76.53	185.03	378.91
2016-17	2	0.12	5.44	7.49
2017-18	6	38.10	60.83	142.71
PSUs in Competitive Environment				
2015-16	1	88.67	-90.02	-28.80
2016-17	0	0.00	0.00	0.00
2017-18	1	11.39	12.09	418.19

Out of total loss of ₹ 214.93 crore incurred by 10 PSUs during three years, loss of ₹ 0.12 crore was contributed by one PSUs in Monopolistic Environment despite not being open to market competition. This reflects adversely on the sustainability of this Company. Although MP Jaypee Minerals Limited had not suffered loss in 2017-18 but its accumulated loss amounted to ₹ 149.67 crore during the year 2017-18. Due to accumulated loss net worth of the PSU was in negative.

State PSUs listed in Table 3.14 incurred losses of more than ₹ 10 crore during the year 2017-18 as per latest finalised accounts.

Table 3.14 - List of loss making PSUs incurred loss of more than ₹ 10 crore

Sl. No.	Name of PSU	Net loss (₹ in crore)
1	Madhya Pradesh State Civil Supplies Corporation Limited (2016-17)	27.24
2	MP Financial Corporation	11.39

Erosion of Net worth of PSUs

3.19 As on 31 March 2018 there were five[22] PSUs with accumulated losses of ₹ 161.66 crore. Of the five PSUs, one PSU incurred loss in the year 2017-18 amounting to ₹ 3.89 crore and four PSUs had not incurred loss in the year 2017-18, even though they had accumulated loss of ₹ 158.82 crore.

Net worth of three[23] out of 38 covered PSUs had been completely eroded by accumulated loss and their net worth was either zero or negative. The net worth of these three PSUs was (-) ₹ 91.21 crore against equity investment of ₹ 62.49 crore in these PSUs as on 31 March 2018 ***(Annexure-3.1).***

[20] 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 mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision.

[21] MP Jal Nigam Maryadit is under construction and not commenced business upto 2017-18.

[22] MP Urban Development Corporation, MP Plastic City Development Corp. Limited, Pithampur Auto Cluster, JP Minerals and MP Hotel Corporation Limited.

[23] MP Urban Development Corporation, JP Minerals and Plastic City Development Corporation Limited.

Net worth was less than half of their paid up capital in respect of one[24] PSU out of 38 covered PSUs in this report, whose net worth was positive at the end of 31 March 2018, indicating their potential financial sickness.

Dividend Payout

3.20 The State Government had formulated (July 2005) a dividend policy under which all profit making PSUs are required to pay a minimum return of 20 *per cent* of the profit after tax.

Dividend Payout relating to 17 PSUs (covered in this report) where equity was infused by State Government during the period is shown in Table 3.15:

Table 3.15: Dividend Payout of 17 PSUs (other than Power Sector) during 2015-16 to 2017-18

(₹ in crore)

Year	Total PSUs where equity infused by GoMP		PSUs which earned profit during the year		PSUs which declared/ paid dividend during the year		Dividend Payout Ratio (%)
	Number of PSUs	Equity infused by GoMP	Number of PSUs	Equity infused by GoMP	Number of PSUs	Dividend declared/ paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2015-16	16	545.13	14	354.15	2	12.10	3.41
2016-17	17	600.13	14	337.69	4	43.38	12.85
2017-18	17	714.13	12	374.70	6	45.63	12.18

During the period 2015-16 to 2017-18, the number of PSUs which earned profits ranged between 12 and 14 PSUs. During this period, number of PSUs which declared/ paid dividend to GoMP ranged between two and six PSUs.

The Dividend Payout Ratio during 2015-16 to 2017-18 ranged between 3.41 *per cent* and 12.85 *per cent* only. Further analysis disclosed that the PSUs declared/ paid dividend and the Dividend Payout Ratio was increased from 3.41 *per cent* in 2015-16 to 12.18 *per cent* in 2017-18.

Of these six PSUs which declared/ paid dividend during 2017-18, one[25] PSU declared dividend higher than the prescribed limit, while two[26] PSUs declared dividend lower than the prescribed limit and three[27] PSUs declared dividend as per the dividend policy.

Analysis of Long Term Loans of the PSUs (other than Power Sector)

3.21 Analysis of the Long Term Loans of the PSUs which had leverage during 2015-16 to 2017-18 was carried out to assess the ability of the companies to serve the debt owed by the companies to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio.

Interest Coverage Ratio

3.22 Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing Earnings Before Interest and Taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lessor the ability of the PSU to pay interest on debt. An

[24] Pithampur Auto Cluster.
[25] MPSAIDCL.
[26] MPWLC and MPPHCL.
[27] MPRVVNL, MPSMCL and MPLUN.

interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio of PSUs which had outstanding loans covered in the report during the period from 2015-16 to 2017-18 are given in Table 3.16:

Table 3.16: Interest coverage ratio of functional State PSUs (other than Power Sector) having liability of loans

Year	Interest (₹ in crore)	Earnings Before Interest and Tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans	Number of PSUs having interest coverage ratio more than one	Number of PSUs having interest coverage ratio less than one
2015-16	96.17	224.75	16	10	6[28]
2016-17	122.70	16.06	15	12	3[29]
2017-18	84.32	106.71	15	11	4[30]

Of the 15 State PSUs (other than Power Sector) having liability of loans during 2017-18, 11 PSUs had interest coverage ratio of more than one whereas remaining four PSUs had interest coverage ratio below one which indicates that these four PSUs could not generate sufficient revenues to meet their expenses on interest during the period. Madhya Pradesh State Civil Supply Corporation and Madhya Pradesh Trade and Investment Facilitation Corporation received interest free long term loan from government.

Comments on Accounts of State PSUs (other than Power Sector)

3.23 Thirty-three functional companies forwarded 41 audited accounts to the Accountant General during the period from 1 January 2018 to 31 December 2018. Of these, 39 accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are detailed in Table 3.17:

Table 3.17: Impact of audit comments on Functional Companies (other than Power Sector)

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	7	168.64	11	446.68	02	0.27
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	2	-1,410.37	3	-1.52	02	0.74
4.	Decrease in loss	-	-	-	-	01	0.12
5.	Non-disclosure of material facts	5	26.54	3	1.87	01	107.02
6.	Errors of classification	10	221.35	6	36.11	07	521.14

Source: *Compiled from comments of the Statutory Auditors/ CAG in respect of Government Companies.*

28 MPAKVN (Indore) Ltd., MPAKVN (Ujjain) Ltd., MPJML, MPSCML, MPSCSCL and AICTCL.

29 MPAKVN (Indore) Ltd., MPAKVN (Rewa) Ltd. and MPJML.

30 MPAKVN (Indore) Ltd., MPPCDC (Gwalior) Ltd., MPSCSCL and MPFC.

During the year 2017-18, the Statutory Auditors had issued qualified certificates on 17 accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 23 instances of non-compliance to the Accounting Standards in 11 accounts.

3.24 The State has three Statutory Corporations *i.e.* (i) Madhya Pradesh State Road Transport Corporation (MPSRTC), (ii) Madhya Pradesh Financial Corporation (MPFC) and (iii) Madhya Pradesh Warehousing and Logistics Corporation (MPWLC). The CAG is sole auditor in respect of the only non-working corporation, *viz.* MPSRTC.

Both working Statutory Corporations, forwarded their annual accounts for the year 2017-18. Both accounts were selected for supplementary audit.

The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the CAG in respect of Statutory Corporations are given in Table 3.18:

Table 3.18: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	1	1.54	2	7.04	-	-
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	-	-	-	-	1	17.51
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts	-	-	-	-	-	-
6.	Errors of classification	1	17.23	-	-	1	103.31

***Source**: Compiled from comments of the Statutory Auditors/ CAG in respect of Statutory Corporations.*

Performance Audit and Compliance Audit Paragraphs

3.25 For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2018, one Performance Audit Report and one compliance audit paragraph were issued to the Principal Secretary of the respective Administrative Department with request to furnish replies within four weeks. Replies have been received for the compliance audit paragraph from the State Government. Further, replies have not been received for the PA.

Follow up action on Audit Reports

Replies outstanding

3.26 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Madhya Pradesh issued (May 2016) instructions to all Administrative Departments to submit replies/ explanatory notes to paragraphs/ performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

As on 31 December 2018 reply/ explanatory notes to two out of six paragraphs of Audit Report 2016-17 were not received from the department.

Discussion of Audit Reports by COPU

3.27 The status of discussion of Performance Audits and paragraphs related to PSUs (other than Power Sector) that appeared in Audit Reports (PSUs) by the COPU as on 30 September 2019 was as under:

Table 3.19: Performance Audits/ Paragraphs appeared in Audit Reports *vis-a-vis* discussed as on 30 September 2019

Period of Audit Report	Number of Performance Audits/ Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2015-16	2	9	-	9
2016-17	-	5	-	-

Source: *Compiled based on the discussions of COPU on the Audit Reports.*

Compliance to Reports of COPU

3.28 Action Taken Notes (ATNs) on 41 reports of the COPU presented to the State Legislature in 1973-74 to 2011-12 had not been received (31 December 2018) from the State PSUs (other than Power Sector) as indicated in the Table 3.20:

Table 3.20: Compliance to COPU Reports

Year of the COPU Report	Total number of Reports of COPU	Total number of recommendations in COPU Reports	Number of recommendations where ATNs not received
Upto 2003-04	14	625	108
2004-05	7	132	41
2005-06	5	89	29
2006-07	3	82	15
2007-08	1	23	14
2008-09	1	26	26
2010-11	7	38	14
2011-12	3	3	3
Total	**41**	**1018**	**250**

Source: *Compiled based on ATNs received on recommendations of COPU from the respective Departments of GoMP.*

The above mentioned Reports of COPU contained recommendations in respect of paragraphs pertaining to 10 Departments which appeared in the Reports of the CAG of India for the year 1973-74 to 2011-12.

CHAPTER 4

Chapter 4

4. Performance Audit relating to State Public Sector Undertakings (other than Power Sector)

4.1 Performance Audit on implementation of road projects on Build Operate Transfer mode by Madhya Pradesh Road Development Corporation Limited

Introduction

4.1.1 Madhya Pradesh Road Development Corporation Limited (Company) is responsible for construction, up-gradation, operation and maintenance of entrusted National Highways (NH) and Major District Roads (MDR) in addition to all the State Highways (SH) in the State of Madhya Pradesh. Road projects under Public Private Partnership (PPP) arrangement on Build Operate and Transfer (BOT) basis are executed by the Company under BOT-Toll, BOT- Annuity and BOT- Toll+Annuity modes, as detailed in Table 4.1.1:

Table 4.1.1 Description of BOT Modes

BOT Mode	Description
Toll	Government of India and GoMP provides Viability Gap Funding in the form of Grant to or collects Premium from the Concessionaire who constructs the road, operates it and collects the toll for recovery of project cost during the predefined Concession Period.
Annuity	Concessionaire executes the work and GoMP pays the project cost in the form of six-monthly annuities for the predefined time period of 13 years.
Toll+Annuity	GoMP pays the predetermined six-monthly Annuity to the Concessionaire for 13 years, who also collects the toll during the Concession Period.

During 2013-18, the Company completed 48 BOT road projects (72 roads of 3,004.78 km length costing ₹ 6,605.04 crore) and terminated 12 BOT road projects (19 roads of 1,035.42 km length costing ₹ 4,136.22 crore) before completion as detailed in Table 4.1.2:

Table 4.1.2 Details of projects executed by the Company

Type of Road	BOT Mode	Total Projects			
		No. of Projects	No. of Roads	Length (Kms)	Project Cost (₹ in crore)
Completed Projects					
MDR	Annuity	14	37	1,110.20	1,702.11
	Toll	1	1	38.23	96.73
	Toll+Annuity	9	9	392.46	730.18
Sub-total		**24**	**47**	**1,540.89**	**2,529.02**
SH	Annuity	1	1	8.93	16.00
	Toll	7	7	448.10	1,045.70
	Toll+Annuity	13	14	748.56	1,742.12
Sub-total		**21**	**22**	**1,205.59**	**2,803.82**
NH	Toll	3	3	258.30	1,272.20
Sub-total		**3**	**3**	**258.30**	**1,272.20**
Total Completed Projects		**48**	**72**	**3,004.78**	**6,605.04**

Type of Road	BOT Mode	Total Projects			
		No. of Projects	No. of Roads	Length (Kms)	Project Cost (₹ in crore)
Terminated Projects					
MDR	Annuity	3	10	229.99	368.34
	Toll+Annuity	1	1	46.98	97.77
Sub-total		**4**	**11**	**276.97**	**466.11**
SH	Annuity	1	1	9.34	47.56
	Toll	2	2	180.10	328.55
	Toll+Annuity	2	2	129.16	242.65
Sub-total		**5**	**5**	**318.60**	**618.76**
NH	Toll	3	3	439.84	3,051.35
Sub-total		**3**	**3**	**439.84**	**3,051.35**
Total Terminated Projects		**12**	**19**	**1,035.42**	**4,136.22**
Grand Total		**60**	**91**	**4,040.20**	**10,741.26**

Organisational Setup

4.1.2 The Company works under the overall administrative control of Madhya Pradesh Public Works Department (MPPWD), Government of Madhya Pradesh (GoMP). Management of the Company is vested with the Board of Directors comprising the Chairman (Chief Minister of Madhya Pradesh), two vice-chairmen (Minister for MPPWD and Chief Secretary, GoMP), Managing Director (MD) and six other Directors. Day-to-day management of the Company is looked after by the MD, who is assisted by Engineer-in-Chief, five Chief Engineers, six Deputy General Managers, six Assistant General Managers (AGMs) and six Managers at Headquarters as depicted in ***Annexure-4.1***.

The Company has 13 Divisional Offices[1] headed by Divisional Managers, who are responsible for monitoring execution of road projects in respective divisions. They are assisted by AGMs, Managers and other supporting staff.

Audit Objectives

4.1.3 The Performance Audit was conducted to ascertain whether:

- Study for selection of road projects was made on realistic basis and estimates were prepared as per guidelines of GoMP and Ministry of Road Transport and Highways (MoRTH);
- Selection of Concessionaires were made after carrying out due diligence;
- Execution of works was carried out by Concessionaires economically and efficiently;
- Funding of BOT projects was economical and efficient; and
- Monitoring of the projects to achieve the intended objective was effective.

Audit Criteria

4.1.4 The audit findings are based on the criteria derived from the following:

[1] Bhopal, Narmadapuram, Indore, Dhar, Ujjain, Rewa, Sidhi, Sagar, Chhindwara, Gwalior, Jabalpur, Shahdol and Chambal.

- Guidelines issued by Planning Commission, Government of India (GoI), MoRTH and GoMP related to BOT road projects;
- Provisions contained in Model Documents of Request for Proposal (RFP), Request for Qualification (RFQ) and Concession Agreements issued by Planning Commission, GoI;
- Provisions of Madhya Pradesh Financial Code and Madhya Pradesh Works Department Manual and instructions issued by Finance Department, GoMP for implementation of road projects;
- Provisions of Indian Road Congress (IRC) codes issued by MoRTH, GoI; and
- Provisions of Institutional Mechanism for Monitoring of PPP Projects issued by Planning Commission, GoI.

Audit scope and methodology

4.1.5 A review on 'Evaluation and Management of Build, Operate and Transfer mode in Madhya Pradesh Road Development Corporation Limited' was featured in Audit Report 2012-13. There were five recommendations made by Audit in the review, out of which, the Company has taken corrective action on one recommendation. The Committee on Public Undertaking has discussed the review on 21 September 2016 and its recommendations are awaited (August 2019).

In this Performance Audit, 16 out of 48 BOT road projects completed during 2013-18 (33.33 *per cent*) for up-gradation of 22 roads of 1,026.02 km length (34.15 *per cent* out of total length of 3,004.78 km of 48 projects) at a project cost of ₹ 2,590.52 crore (39.22 *per cent* out of total project cost of ₹ 6,605.04 crore of 48 projects) were selected for detailed Audit on the basis of stratified random sampling method with help of IDEA software, subject to minimum of at least one project from each strata/ sub-category[2]. Further, all the 12 terminated BOT road projects consisting of up-gradation of 19 roads of 1,035.42 km length at a project cost of ₹ 4,136.22 crore were test-checked in audit. The details of projects selected are detailed in ***Annexure-4.2*** and completed projects selected are summarised in Table 4.1.3:

Table 4.1.3 Details of projects selected in Performance Audit

Type of Road	BOT Mode	Projects selected in sample			
		No of Projects	No of Roads	Length (Kms)	Project Cost (₹ in crore)
Completed Projects					
MDR	Annuity	4	10	277.38	401.65
	Toll	1	1	38.23	96.73
	Toll+Annuity	3	3	143.81	283.71
Sub-total		**8**	**14**	**459.42**	**782.09**
SH	Annuity	1	1	8.93	16.00
	Toll	2	2	167.10	329.40
	Toll+Annuity	4	4	301.27	726.36
Sub-total		**7**	**7**	**477.30**	**1,071.76**
NH	Toll	1	1	89.30	736.70
Sub-total		**1**	**1**	**89.30**	**736.70**
Total Completed Projects		**16**	**22**	**1,026.02**	**2,590.55**
Total Terminated Projects		**12**	**19**	**1,035.41**	**4,136.22**
Grand Total		**28**	**41**	**2,061.43**	**6,726.77**

[2] Annuity-SH, Annuity-MDR, Toll+Annuity-SH, Toll+Annuity-MDR, Toll-NH, Toll-SH and Toll-MDR.

22 Audit observations have been taken on the basis of the test-check of above 28 BOT road projects. There may be similar errors/ omissions in other projects being implemented by the Company. The Company should therefore, internally examine all the other projects being executed.

During the Performance Audit, records related to planning, implementation, financial management and monitoring of BOT road project were examined and related information were collected from the Company's Headquarter office and the respective divisional offices. This included examination of Concession Agreements of 28 selected BOT road projects, consultancy contracts for 14[3] out of 28 projects and joint physical verification of nine roads[4].

The objectives, criteria and methodology of audit were discussed in the Entry Conference held on 01 November 2018 with the Principal Secretary, Finance Department, GoMP and MD of the Company. The draft report was issued to the MPPWD and the Company on 07 August 2019. The audit findings were also discussed in the Exit Conference held on 10 October 2019 with the Principal Secretary, MPPWD and MD of the Company. The Company submitted reply to the draft Performance Audit Report in September 2019 and November 2019, which were duly considered and incorporated in this Audit Report.

Audit acknowledges the co-operation extended by the Company and its officials in facilitating the conduct of the Performance Audit.

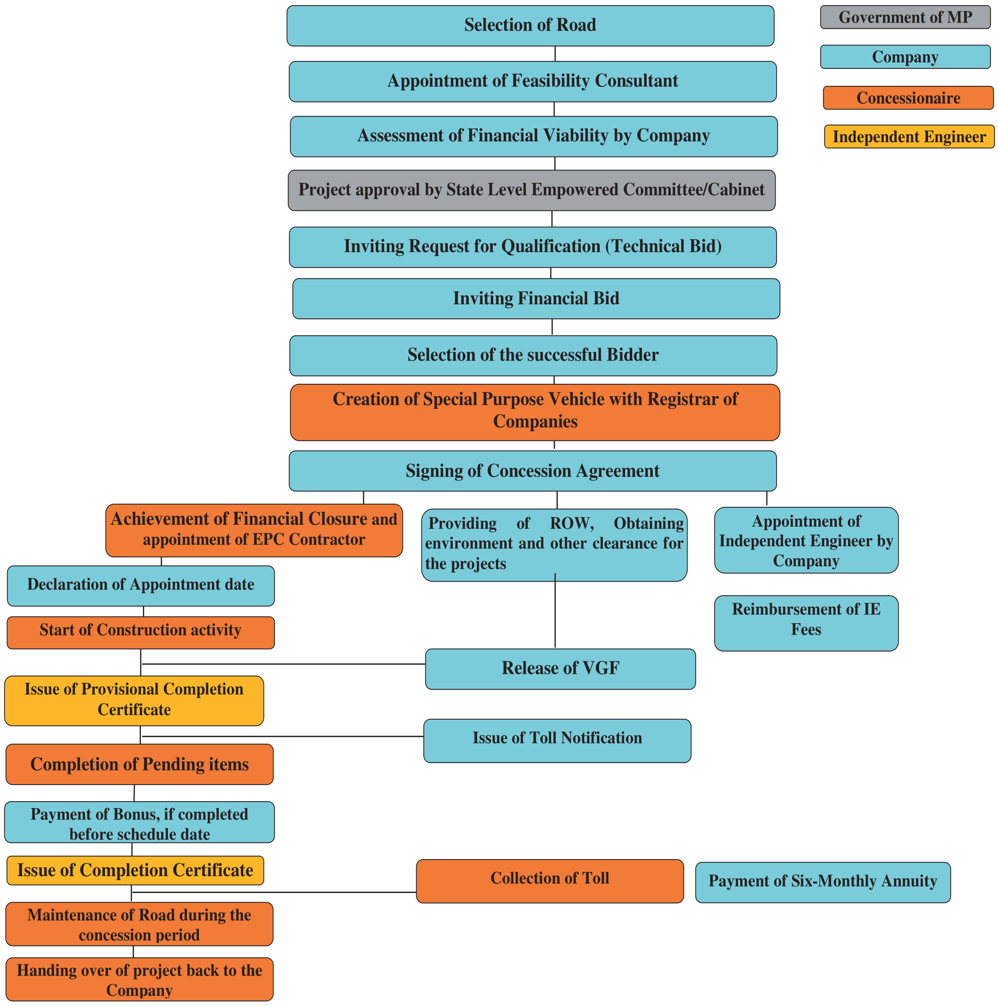
Audit findings

4.1.6 The roads under BOT mode were to be constructed under PPP arrangement between the Company and Concessionaire for development of roads projects, including the designing of BOT Projects, pre-project activities, tendering, contracting, execution of work, and monitoring of the projects. The detailed procedure, roles and responsibilities of the Company and the Concessionaire has been depicted in Chart 4.1.1:

[3] Records relating to feasibility consultancy contracts of balance 14 projects were not made available.

[4] Manawar-Singhana-Kukshi, Khandwa-Dehtalai-Burhanpur, Betul-Sarni-Parasia, Damoh-Pathariya-Gadakota, Garhakota-Rehli-Deori, Damoh-Katni, Rewa to Hanumana MP-UP border, Ujjain -Simhastha Bypass and Datia-Dinara.

Chart 4.1.1
Procedure for implementing BOT Projects under PPP arrangement



Audit observations noticed in compliance of the Audit Objectives are discussed in the following paragraphs.

Planning of BOT Projects

4.1.7 The first objective of this Performance Audit was to assess whether the selection of road projects was made on realistic basis and estimates were prepared as per guidelines of MoRTH and GoMP.

Audit requested the records relating to selection process of the BOT road projects, but no such records were made available to Audit. Hence, Audit could not assure due diligence in planning for road projects. Further, implementation modes of BOT road projects were decided by GoMP before Feasibility Reports for which no records for justification were furnished. Further, the Company adopted deficient Feasibility Reports without carrying out their independent verification through respective Divisional Offices. This has resulted in avoidable delay in completion of projects and increased the projects costs. Detailed audit findings are discussed in succeeding paragraphs.

Selection of BOT road projects

4.1.8 The Company is mandated to develop and maintain a safe and effective road network in the State. As per information provided by MPPWD, the Company conducts surveys on existing roads of MPPWD and on the basis of its traffic intensity, selects the roads for development/ upgradation on BOT mode. Further, MPPWD and the Company had jointly done categorisation[5] of roads in 2015, for prioritising their selection on the basis of their condition.

Audit observed that the Company had awarded all the test-checked 28 BOT road projects (nine BOT road projects of 467.85 km were completed) before conducting categorisation of roads in 2015. Records which formed the basis for selection/ planning of the above road projects for taking up under BOT mode were not made available to Audit inspite of repeated requests.

Further, as per model Request for Proposal (RFP) for selection of consultant issued (March 2010) by Ministry of Finance, GoI, the consultant was required to assist in developing revenue model of BOT road project. However, MPPWD directed (August 2010) the Company to carry out Feasibility Study of twelve[6] Major District Roads (MDRs) on a specific Annuity mode in advance, without assigning any reason. Records which formed the basis for deciding the mode of the above road projects were not made available to Audit. Accordingly, the Company appointed consultants for conducting Feasibility Study of above roads on BOT (Annuity) basis in seven[7] divisions for which no justification was made available to Audit.

Therefore, justification for deciding on the selection of road projects and their implementation mode could not be assessed. Thus, Audit could not assure that the planning for these roads were made after following due diligence. Non-production of records to Audit may result in non-detection of serious irregularities, if any, committed by the respective authorities.

The Company stated (October 2019) that tenders for conducting Feasibility Studies were invited to find out any mode on which project is viable. The consultant ascertained the revenue model and financial viability of the project. The reply is factually incorrect as the Company had issued orders for conducting feasibility studies specifying revenue model in advance without obtaining any inputs from consultants.

The Company further stated (November 2019) that the road network of state was in pathetic condition. BOT projects were selected after detailed deliberation with public representative, higher authorities and field officers duly considering economic growth, traffic intensity and diversion of traffic after the construction. The projects were subsequently vetted by Directorate of Institutional Finance, GoMP and approved by State Level Empowered Committee (SLEC). Reply is not acceptable as no such records of detailed

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5 'A' category – Roads which are in good condition, 'B' category – Roads which are in poor condition, 'C' category – Roads which are in fair condition and require reconstruction next year, 'D' category – Roads on which repair/ renewal/ overlay work is required, and 'E' category – Roads which are under execution.

6 Ashok nagar-Vidisha, Mundi-Sanawad, Ashapur–Singhot, Badwah-Katkut, Dariyapur–Jasondhi–Maharashtra Border, Garakota-Deori, Rehli-Gorjhamar, Damoh-Garhakota, Ambah-Pinhat, Nadigaon-Seondha, Satanbada-Narwar and Tekna-Manpur.

7 Indore, Bhopal, Ujjain, Rewa, Sagar, Jabalpur and Gwalior Divisions.

deliberation with public representative, higher authorities and field officers were produced to Audit inspite of repeated requests and specific request during Exit Conference (October 2019).

Non-transparent planning process

4.1.9 As per the PPP guidelines issued (February 2008) by GoMP, Feasibility Study was to be conducted for selected/ planned roads before tendering.

The Company appointed (September 2010 to December 2011) three consultants for conducting feasibility studies of eight completed and six terminated BOT road projects[8] at a cost of ₹ 2.33 crore. However, none of the consultants submitted Feasibility Reports within stipulated time of 150 days and the delay ranged from four months to 23 months (***Annexure-4.3***). The Company did not ensure timely submission of Feasibility Reports and took provisional data from consultants. The Company, concealed the fact of non-preparation of final Feasibility Report and adoption of provisional data for project formulation, without recording any reasons, proposed these 14 road projects for approval of State Level Empowered Committee[9] (SLEC)/ State Cabinet. In case of Gwalior-VIII project, the proposal to SLEC was made (07 June 2011) 43 days before due date (26 August 2011) of submission of Feasibility Report.

In this regard, Audit observed that in case of five MDRs and one SH[10], there were substantial variation (two to 1,650 *per cent* of the data of Feasibility Reports) in Traffic data, Financial Parameters[11], implementation mode, construction period, Annuity amount, Viability Gap Funding (VGF) amount etc. as submitted to SLEC vis-à-vis the data appearing in the Feasibility Report prepared by the Consultants as detailed in ***Annexure-4.4***. In case of Ujjain-SH2, Feasibility Consultant recommended to implement the project on Toll+Annuity mode, however, the Company submitted (January 2012) proposal to SLEC and accordingly invited bids on Toll mode. As no bids were received on Toll mode, proposal was revised by the Company on BOT (Toll + Annuity) Mode, which was approved by SLEC in February 2013.

Further, Notice Inviting Tender (NIT) for selection of Concessionaire for execution of 24 roads of 14 BOT road projects were floated 29 to 373 days before final Feasibility Reports. Out of these, in respect of 20 roads of 10 BOT road projects, the Company had even executed Concession Agreements 13 to 188 days before final Feasibility Report (***Annexure-4.3***).

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[8] Records relating to feasibility consultancy contracts of balance eight completed projects (Bhopal-1, Indore-3, Narmadapuram-SH1, Sagar-SH2, Ujjain-SH2, Rewa-NH1, Indore-SH1 and Rewa-SH4) and six terminated projects (Sagar-SH-37, Indore-SH-36, Jabalpur-NH-12, Rewa-NH-75 (1), Rewa-NH-75 (2) and SH-23) were not made available.

[9] Finance Department, GoMP vide Circular No. 16 dated 04 September 2010 has constituted SLEC for approval of PPP projects at a project cost greater than ₹ 10 crore or where Viability Gap Funding is sought from GoI. SLEC is headed by Chief Secretary and its members are Principal Secretaries of Finance Department, Planning Department, Law Department, Sponsoring Department and Director of Institutional Finance.

[10] MDRs: Mundi-Sanawad, Damoh-Garahkota, Rehli-Gorjhamar, Ashoknagar Vidisha and Dariyapur Jasondi. SH: Seoni Katangi.

[11] Traffic data, financial forecast, mode, construction period, etc. as submitted to SLEC vis-a-vis the data appearing in the Feasibility Report prepared by the Consultants.

This approach of getting approval on the basis of provisional data and non-disclosure of facts relating to non-submission of final Feasibility Report to SLEC/ State Cabinet, execution of Concession Agreements before receipt of final Feasibility Report indicates opaque planning process, which raises doubts on transparency and fair play, which led to termination of six road projects.

The Company stated (November 2019) that to improve the pathetic condition of road network in minimum possible time, every step was expedited. The consultants had identified the revenue model at the stage of draft Feasibility Report on the basis of actual data and accordingly proposals were put up to SLEC for approval and tenders were invited. The reply is not acceptable as terms of reference of consultant specifically provided that bid process for selection of Concessionaire would be taken up *after* submission of final Feasibility Report and project clearance. Further, the facts relating to non-submission of final Feasibility Report was not apprised to SLEC/ State Cabinet.

Adoption of Feasibility Reports without verification

4.1.10 As per Request for Proposal of consultancy contracts issued by the Company, Feasibility Report submitted by consultant shall *inter alia* contain estimated construction cost, operation and maintenance cost, traffic forecast, toll revenue, detailed financial analysis, financial viability of the project, etc. These details forms basis of finalisation of scope of work as per Schedules of Concession Agreements. During review of Feasibility Reports of selected BOT road projects, following deficiencies were noticed:

- In case of 13[12] out of 16 selected completed projects, consultants included Environmental Mitigation Cost[13] in total project cost and added 25 *per cent* contingencies thereon, which was accepted by the Company. Whereas, in respect of other two[14] projects, Environment Mitigation Cost was added after providing for contingencies of 25 *per cent*. Thus, the consultants did not follow uniform practice for treating the Environmental Mitigation Cost, which resulted in increase in total cost in to Concession Agreements by ₹ 7.43 crore.

The Company stated (September 2019) that environmental mitigation cost was included in total project cost. Reply does not explain the reasons for not following uniform practice for treating the environmental mitigation cost.

- Consultant of Gwalior-2 project ignored 7.9 kms of forest area in Feasibility Report and excluded 305 electric poles resulting in delay in obtaining forest clearance and increase of utility shifting cost by ₹ 1.33 crore. The Company has not taken any efforts for verification of the data of the Feasibility Report. The consultant's proposal on toll mode also proved wrong as no bid on toll mode was received, and the work was finally awarded

12 Gwalior-2 (₹ 0.42 crore), Indore-1 (₹ 0.46 crore), Indore-2 (₹ 0.60 crore), Indore-3 (₹ 0.50 crore), Narmadapuram-SH1 (₹ 0.68 crore), Sagar-1 (₹ 0.14 crore), Sagar-3 (₹ 0.35 crore), Sagar-SH2 (₹ 0.46 crore), Ujjain-SH2 (₹ 0.42 crore), Ujjain-SH3 (₹ 0.14 crore), Bhopal-1 (₹ 0.27 crore), Rewa-NH1 (₹ 2.63 crore) and Rewa-SH4 (₹ 0.36 crore).

13 Environmental Mitigation Cost consists of cost for reduction of noise/ dust pollution, plantation of trees etc.

14 Gwalior-SH1 and Indore-SH1. Feasibility Reports of Indore-5 project not received.

(March 2013) on Toll+Annuity mode resulting in avoidable delay of 22 months[15].

The Company accepted (September 2019) that Feasibility Reports are not detailed project report. In Exit Conference (October 2019) Principal Secretary assured that in future penal action would be taken against consultants for deficient Feasibility Reports. However, the Company stated (November 2019) that final Feasibility Reports were verified and vetted by the concerned Divisional Managers. Reply is not acceptable as even after verification by concerned Divisional Managers, forest area of 7.9 kms and 305 electric poles were overlooked.

- Similarly, Feasibility Report of Narmadapuram-SH1 project was prepared (June 2010) for Regular Contract (Asian Development Bank) and after change of implementation mode to BOT (Toll) in May 2011, no separate Feasibility Report was prepared. As the Concessionaire of the project failed to achieve Financial Closure, the Concession Agreement was terminated and even after re-tendering, no bids were received on Toll mode. The project was finally awarded (May 2013) after change of mode to Toll+Annuity. In this regard, Audit noticed that Traffic projections in Feasibility Report was abnormally high. Average Daily Traffic for April 2017 was projected as 12,877, whereas as per Toll data furnished to Audit, actual Average Daily Traffic in April 2017 was only 1,955 i.e. 15 *per cent* of projections. This indicated that due to adoption of higher traffic projections of Feasibility Report, the Company designed the project on Toll mode on which tendering was not successful and implementation mode was changed (May 2013) to Toll+Annuity, which delayed the project by three years.

- According to provisions of IRC, the thickness of pavement was to be decided on the basis of traffic calculated in terms of Million Standard Axles[16] (MSA) and bearing capacity of Sub-grade in terms of California Bearing Ratio[17] (CBR). However, Feasibility Consultant of Damoh-Katni road had considered the unwarranted excess thickness of pavement by 30 mm in 119.20 kms, which were adopted by the Company without any independent verification. This has contributed to extra project cost of ₹ 2.23 crore. The details are detailed in Table 4.1.4:

Table 4.1.4 Excess Thickness of pavement

Particulars	Million Standard Axles Calculated	California Bearing Ratio of Sub grade (in *per cent*)	Pavement Thickness (mm)
Considered by consultant	15.67/ 25.76	7	600
As required under IRC	15.67/ 25.76	11	570
Excess thickness of pavement			**30 mm**

[15] Initial proposal on Toll mode was submitted by the Company to SLEC on 23 May 2011, which was based on recommendations of Feasibility Report.

[16] Design life of a road is defined in terms of the cumulative number of million standard axles that can be carried before a major augmentation of the road is necessary.

[17] Quality of soil of subgrade is measured in terms of CBR and is used for designing flexible pavements.

The Company stated (September 2019) that the Feasibility Report is indicative for BOT projects and the Concessionaire executes the work on the basis of their own survey and design. The reply does not explain the reasons for adoption of higher unwarranted thickness by the Consultant and the Company in violation of provisions of IRC.

- IRC: 64-1990 stipulates that a major arterial road should be designed on Level of Service-B[18] (LOS-B) on the basis of design service volume[19] at the end of its design life by projecting the present volume at an appropriate traffic growth rate. IRC: 37-2012, provides for consideration of annual growth rate of traffic at 5 *per cent*. Daily traffic of Bamkhalfata-Dogawa (MDR-23.67 km) road at the end of concession period (2026) was projected as 1,556 PCUs, for which IRC specified construction of single lane (3.75 meter). However, Feasibility consultant recommended and the Company approved construction of 5.50 meters wide road (Intermediate Lane) without recording any reason for deviation from IRC.

Similarly, concession period of Ratlam–Sailana–Banswada (SH-43.58 km) road with paved shoulders[20] was reduced from 30 years to 15 years after change of mode to Toll+Annuity due to non-receipt of bid on toll mode[21], but design service volume was not revised from 25,780 PCUs to 12,452 PCUs, for which, IRC provided for construction of two lane with earthen shoulders. However, Feasibility Consultant recommended and the Company approved construction of two Lane with paved shoulders without recording any reason for deviation from IRC. As a result, the Project costs were increased by ₹ 9.65 crore[22] and consequent liability of higher Annuity.

The Company stated (May 2019) that traffic was projected as per actual traffic survey duly considering probable future growth of traffic after construction. As per the projections, road was viable for two lanes with paved shoulders.

The reply is not acceptable as it does not explain, why the excess width and higher traffic growth rates were adopted in contravention of the provisions of IRC.

Thus, the Company adopted deficient Feasibility Reports without carrying out their independent verification through respective Divisional Offices. This has resulted in avoidable delay in completion of projects and increase in projects costs as discussed above.

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[18] Represents stable flow of traffic with reasonable freedom to select desired speed and manoeuvre within the traffic stream. Level of comfort and convenience provided is somewhat less than Level of Service-A, because the presence of other vehicles in the traffic affects individual behaviour.

[19] Design Service Volume is defined as the maximum hourly volume of traffic at which vehicles can reasonably be expected to ply on roadway during a given time period.

[20] Shoulder is extended construction on both sides of road for additional safety to road users. The construction may consist of earthen material (earthen shoulder), granular material (hard shoulder) or same material, which was used in construction of road (paved shoulder).

[21] Approved by SLEC in February 2012.

[22] Indore-3: ₹ 8.20 crore and Ujjain-SH2: ₹ 1.45 crore.

Recommendations:

The Company should:

1) Select road projects and decide implementation mode of BOT projects on the basis of categorisation of roads and Feasibility Reports;

2) Verify data of Feasibility Reports such as forest area, utility shifting and traffic projections from the Divisional Offices of the Company; and

3) Record justification for deviations from provisions of IRC.

Contract Management

4.1.11 The second objective of this Performance Audit was to assess whether selection of Concessionaires was made after carrying out due diligence.

For selection of Concessionaires, the Company floats Request for Qualification (RFQ). Audit analysed the tendering and contracting process of selected BOT road projects and observed that evaluation of RFQ of applicants was erroneous, unviable project was awarded on toll mode and six Annuity projects were awarded at higher Annuity than the recommendations of SLEC. Detailed audit findings are discussed in succeeding paragraphs.

Erroneous selection of Concessionaires

4.1.12 As per Clause 2.2.10 of RFQ, *each* member of a Consortium[23] applicant should substantially satisfy the pre-qualification requirements to the extent specified in Clause 2.2 (Eligibility of Applicants). Clause 2.2.2 (A) specified that during last five years the applicant should have executed projects for an amount more than twice the cost of project for which tenders are invited and Clause 2.2.2 (B) specified that *each* member of the Consortium should have a minimum Net Worth[24] of 12.50 *per cent* of Project Cost in the immediately preceding financial year.

BOT arrangement provides for appointment of Engineering, Procurement and Construction[25] (EPC) Contractor by the Concessionaire for construction of the roads in accordance with the provision of the Concession Agreement. As per Clause 2.25 of RFQ, EPC works of the project were to be executed only by the experienced contractors who have completed projects of minimum 20 *per cent* of the current project cost or ₹ 5 crore, whichever is lower.

A. Awarding of work to the ineligible Concessionaires

- In case of five[26] out of 12 terminated projects, M/s Concast Infratech Limited, who was a member of the Consortium applicant (May 2011 to February 2012), was not technically and financially qualified as it was

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[23] Group of entities coming together to implement the Project.

[24] Sum of subscribed and paid up equity and reserves from which shall be deducted the sum of revaluation reserves, miscellaneous expenditure not written off and reserves not available for distribution to equity shareholders (Clause 2.2.4 of RFQ).

[25] Contracting arrangement for executing a project in prescribed time limit wherein the contractor is responsible for all the activities from design, procurement, construction to commissioning and handover of the project to the Company. Contract price is fixed and payments are made to the contractor on milestone completion basis.

[26] Gwalior-IX, Jabalpur-VI, Gwalior-SH-2, Indore-SH-36 and Gwalior-VIII.

incorporated in September 2010 only and had neither executed any projects nor had required net worth as per requirement of RFQ. However, the Company considered (October 2011 to May 2012) these consortiums as qualified and awarded the projects to them. Further, all these five projects were awarded to them without assessing their combined capacity to effectively undertake five projects simultaneously.

The EPC contractor appointed by the Concessionaires for execution of the above five projects and Rewa-NH-75(1) project was also M/s Concast Infratech Limited, which had no experience of completing projects of more than 20 *per cent* of project cost or of ₹ 5 crore. Concessionaire of Gwalior-VIII project introduced (May 2012) M/s Comex Infratech Pvt. Ltd. into the project SPV for strengthening of financial standing and to bring development expertise without any evaluation by the Company.

Selection of ineligible Concessionaires and allowing execution of works by ineligible EPC contractors had also contributed to the slow progress of works. As a result, the Company had to terminate (March 2015 to January 2018) all these six projects. Physical progress of the project at the time of termination ranged between 6.72 *per cent* and 56 *per cent* as detailed in ***Annexure-4.5***. The balance works were re-awarded on EPC basis instead of BOT basis at an increased project cost by ₹ 236.18 crore[27]. Had the Company implemented the Rewa-NH-75(1) project, being a project of National Highway Authority of India, it would have received Annual Grant of ₹ 34.80 crore from GoI for meeting the expenditure incurred on staff and office expenses. Thus, the objective of taking up projects on BOT mode was defeated.

In Exit Conference (October 2019), Principal Secretary (PWD) assured that in future, clauses in RFQ would be made clear by specifically mentioning technical and financial pre-qualification requirement for members of Consortium applicant.

- **Jabalpur-NH-12 (294.20 kms)**: PPP cell of Department of Economic Affairs (DEA), GoI instructed (September 2012) the Company to unbundle the project into three packages of 100 Kms each for competitive responses. The Company had no experience of dealing with project above ₹ 736.70 crore. However, the Company, after clarifying DEA, obtained its approval for not unbundling the project. Accordingly, the Company approved floating the tender as a single project, however, experience criteria for technical qualification as per Clause 2.2.2 (A) of RFQ was fixed ₹ 2,485.96 crore (equal to the project cost being bid) instead of ₹ 4,971.92 crore, for the reason not on records.

Further, the Consortium, which has a member Company of Russian origin, *inter alia* claimed in RFQ document, erroneous experience of completing two projects[28] in last five years i.e. during 2007-12. However, the Chartered Accountant firm engaged by the Company, omitted to locate the fact that the applicant had not executed these projects in last five years. However according to website of that Company, both the projects were actually completed in 2003, i.e. prior to last five years, hence should not have been considered for

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[27] From ₹ 854.83 crore to ₹ 1091.01 crore.

[28] Construction of Lefortovo Tunnel and construction of third transport ring of Moscow completed in 2003.

evaluating technical capacity. Recommendation of Chartered Accountant firm was accepted by the Company at face value without verification/ due diligence. As a result, the project was awarded (February 2014) to a Consortium having inadequate technical capacity of ₹ 3,361.47 crore[29].

As per Concession Agreement, the Concessionaire was required to achieve Financial Closure[30] within 180 days from the date of Concession Agreement. However, the Concessionaire failed to achieve Financial Closure and the Concession Agreement was terminated in April 2015 without any physical progress. Subsequently, GoI decided to take up the entire project on EPC basis instead of BOT basis at an increased project cost[31] by ₹ 410.32 crore. Had the Company implemented the project, it would have received Annual Grant of ₹ 397.75 crore from GoI for meeting the expenditure incurred on staff and office expenses. The project was delayed by seven years and is still incomplete (March 2019). Thus, the objective of taking up project on BOT mode was defeated.

In Exit Conference (October 2019), Principal Secretary (PWD) assured that the Company will review the practice of outsourcing the evaluation work to Chartered Accountant firm.

- **Indore-SH1:** The Company fixed experience criteria for technical qualification as per Clause 2.2.2 (A) of RFQ as ₹ 227 crore instead of ₹ 454 crore, for the reason not on records. Audit noticed that the applicant, in RFQ document, *inter alia* claimed experience of completing two jointly executed projects for the full amount of payment and revenue instead of its proportionate share in the Special Purpose Vehicle (SPV) of these projects. The applicant also claimed experience of completing four projects for more amount than the amount certified by Chartered Accountant in RFQ document and was incurred beyond past five years. Further, average turnover of the applicant for last three years was ₹ 129.99 crore as against the requirement of ₹ 227 crore[32].

Inspite of that, the Tender Committee of the Company considered the Applicant as qualified and the work was awarded (July 2011) to a Concessionaire having inadequate technical capacity of ₹ 359.21 crore[33].

Further, PPP guidelines of GoMP provided that Internal Rate of Return (IRR) of a project to be viable should be more than 13 *per cent*. However, IRR of Indore-SH1 project was 12.26 *per cent*. In fact, while approving (February 2011) the project, GoMP mentioned that the traffic on the road is low and the project is not viable even after providing 40 *per cent* Viability Gap Funding (VGF) and approved to pay Deemed Shadow Fee[34] of ₹ 3.86 crore annually to the Concessionaire for 10 years, which was proposed

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[29] Technical Capacity computed by Audit without considering both ineligible projects.

[30] Financial Closure means fulfilment of all conditions precedent to the availability of funds under the Financing Agreements.

[31] From ₹ 2,485.95 crore to ₹ 2,896.28 crore.

[32] As per GoMP guidelines, a bidder to be financially capable for bidding should have minimum average turnover for last three years to 100 *per cent* of project cost.

[33] Technical Capacity computed by Audit without considering the ineligible projects or part thereof.

[34] It is an option to the Authority to compensate the Concessionaire for loss of fee revenues from vehicles that are exempt from payment of fee under the Fee Rules.

to be funded through a separate grant. However, in the absence of approval of 'Deemed Shadow Fee' clause by Empowered Institution[35], the Company awarded the project on 29.23 *per cent*[36] VGF without 'Deemed Shadow Fee' clause, which has rendered the project unviable. As a result, the Concessionaire cited financial crunch, which contributed in non-achievement of the project milestones and led to delay in completion of the project by 23 months.

The Company stated (September 2019) that financial bid of the Concessionaire was approved (May 2011) by the tender committee after considering Deemed Shadow Fees of 8.63 *per cent* of project cost. Further, the bidders quoted the VGF as per their own financial assessment, hence, there is no reason to award the project on lower VGF and consequent financial crunch of the Concessionaire. Reply is not correct as inspite of being aware about unviability of the project without 'Deemed Shadow Fee', this clause was deleted by the Company from the RFP. Further, the Company has not offered its response on the issue of awarding the project to ineligible Concessionaire.

B. Failure to ensure minimum shareholding in Special Purpose Vehicles

As per RFQ, *each* member of the applicant Consortium should have a minimum of 26 *per cent* shareholding in Special Purpose Vehicle (SPV).

- **Rewa-NH-75 (2):** The Company did not ensure minimum 26 *per cent* shareholding in SPV by *each* member of the applicant Consortium. Further, IE informed (February 2016) to the Company that after start of work, Concessionaire has changed its EPC contractor. Therefore, the Company could not assess qualification of changed EPC contractor.

The EPC contractor of the Concessionaire stopped the work in August 2016 citing financial crisis. The Company terminated (May 2017) the Concession Agreement after financial and physical progress of ₹ 196.80 crore and 33.56 *per cent* respectively. Subsequently, GoI floated (November 2017) tenders for completion of balance 66.44 *per cent* work on EPC basis instead of BOT basis at a cost of ₹ 318.05 crore after transfer of project by the Company. Had the Company implemented the project, it would have received Annual Grant of ₹ 46.55 crore from GoI for meeting the expenditure incurred on staff and office expenses. Thus, the objective of taking up project on BOT mode was defeated.

The Company stated (September 2019) that based on the communication of the Concessionaire that shareholding of two individuals have been transferred to other member of the applicant Consortium, Concession Agreement was executed. Reply is not acceptable as actual transfer of minimum 26 *per cent* shares was not verified and ensured by the Company.

- **SH-23 and SH-54:** The Company had accepted formation of SPV with lower equity of ₹ 35.26 crore and ₹ 10 crore against the required equity of

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[35] Empowered Institution means an institution, Company or inter-ministerial group designated by the Government for the purposes of VGF Scheme. It is headed by Additional Secretary and Director General, DEA.

[36] VGF of ₹ 66.36 crore was finalised for the project having project cost of ₹ 227 crore.

₹ 51.08 crore[37] and ₹ 72.44 crore[38] respectively. Further, Concessionaire of SH-23 project invested paid-up capital of only ₹ 17.63 crore[39] against the commitment of ₹ 35.26 crore. The Company ignored the delay in Financial Closure and allowed for execution of works and both the Concessionaires failed to achieve the milestones of works.

In the above two projects, the progress of work by the EPC contractors appointed by the Concessionaires was very slow and the work was stopped by them after completing 12.95 *per cent* and 56 *per cent* of work respectively citing financial crunch.

As a result, the Company terminated the Concession Agreements in January 2016 and November 2016 respectively. Balance works (87.05 *per cent* and 44 *per cent* respectively) were awarded on EPC basis instead of BOT basis at increased project cost by ₹ 97.67 crore[40].

The Company stated (September 2019) that in Concession Agreement there is no restriction imposed on paid up capital of the SPV. Reply is not acceptable as copy of Common Loan Agreement executed by the Concessionaire with Lenders was available with the Company, which specifically provided to maintain Debt-Equity ratio within a specified limit, which the Company failed to monitor and thus, the financial interest of the projects was not protected.

Award of work at higher Annuity

4.1.13 State Level Empowered Committee (SLEC) in its fifth meeting (April 2011), while approving BOT road projects on Annuity and Toll+Annuity basis, had instructed that the yearly Annuity amount should not be more than 16 *per cent* of their Project Cost. Further, during seventh SLEC meeting (July 2011), while approving BOT road projects on Annuity and Toll+Annuity basis, it was categorically mentioned by Directorate of Institutional Finance, GoMP that in order to maintain total Annuity payout in a year within 25 *per cent* of the plan ceiling of the department, there was need to take up these projects on an annual Annuity of less than 18 *per cent* of their project cost.

Audit observed that in four[41] out of 12[42] completed Annuity/ Toll+Annuity road projects, Tender Committee[43] of the Company had approved the projects (based on Annuity offer received in tendering) beyond (19.50 *per cent* to 20.40 *per cent* of Project Costs) the prescribed ceiling of 18 *per cent*. Annual Annuity commitment of the above projects was ₹ 61.28 crore, which was

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[37] As per Clause 3.2 of Common Loan Agreement with Allahabad Bank, the Debt to Equity ratio was not to exceed 2.25:1 i.e. Equity should be 30 *per cent* of (Total Project Cost ₹ 194.81 crore less VGF ₹ 24.55 crore) = ₹ 51.08 crore.

[38] As per Clause 13.1 of Common Loan Agreement with Punjab National Bank, the Debt to Equity ratio was not to exceed 1.50:1 i.e. Equity should be 40 *per cent* of (Total Project Cost ₹ 211.60 crore less VGF ₹ 30.51 crore) = ₹ 72.44 crore.

[39] Verified by audit from master data of SPV from website of Ministry of Corporate Affairs.

[40] From ₹ 328.55 crore to ₹ 426.22 crore.

[41] Bhopal-1, Indore-3, Indore-5 and Gwalior-SH1.

[42] Out of 16 completed BOT road projects, 12 projects were on Annuity and Toll+Annuity mode and balance four projects were on Toll mode.

[43] Tender Committee of the Company is headed by Chief Secretary and its members are Principal Secretary (Finance), Principal Secretary (MPPWD) and Managing Director of the Company.

₹ 5.35 crore higher than the limit of 18 *per cent* of their project cost. Further analysis of the present value of future annuities for 13 years in respect of these project revealed that their present value was higher than their project cost, ranging from 26.79 *per cent* to 32.68 *per cent*. Hence, non-compliance to the limit of 18 *per cent* has resulted in excess Annuity liability of ₹ 69.55 crore[44] during the concession period of 13 years.

Similarly, in case of Sagar-3 and Sagar-SH2 projects, SLEC had approved (July 2011 and February 2013) yearly Annuity of ₹ 8.13 crore and ₹ 30.70 crore respectively. Here also, Audit observed that the Company, awarded the projects at higher yearly Annuity of ₹ 10.92 crore and ₹ 35.52 crore respectively, resulting in excess Annuity liability of ₹ 98.93 crore[45] during concession period of 13 years.

The Company stated (September 2019) that in BOT Annuity projects, Annuity is the bidding criteria for selection of the Concessionaire and bids received were competitive, reasonable and approved by Tender Committee. The reply is not acceptable as the Company had not approached SLEC for accepting higher Annuity bids than the approved limit.

Recommendation: The Company should ensure compliance of qualification criteria for selection of the Concessionaires and EPC contractors.

Project Management

4.1.14 The third objective of this Performance Audit was to assess whether execution of works was carried out by Concessionaires economically and efficiently.

Audit analysis of BOT projects revealed that there were delay in obtaining forest clearances and providing Right of Way (RoW) by the Company. Operation of Performance Security clause by the Company was deficient. Achievement of milestones and Financial Closure by the Concessionaires was delayed, for which damages were not recovered by the Company in time. Other issues like deficiencies in payment of early completion bonus, irregular release of VGF, avoidable payment for Change of Scope, excess collection of user fees, irregular issue of provisional completion certificate, and avoidable expenditure on repair and maintenance of roads were also noticed. Detailed audit findings are discussed in succeeding paragraphs.

Delay in achieving project milestones by the Concessionaire

4.1.15 The Concession Agreement provided 730 days' time period for completion of project in phased manner i.e. Project Milestones. If the Concessionaire fails to achieve any specified Project Milestone within 90 days from the stipulated date of achieving milestone, he shall pay Damages to the Company at the rate of 0.10 *per cent* of the amount of Performance Security for delay of each day until such Milestone is achieved. Further, as per Clause 31.3.1 of Concession Agreement, all payments and damages payable to

44 ₹ 5.35 crore yearly Annuity x 13 years.

45 Sagar-3 project - ₹ 2.79 crore x 13 years and Sagar-SH2 project - ₹ 4.82 crore x 13 years.

the Company were recoverable from the Escrow Account in the month when it is due.

In case of nine[46] out of 12 terminated BOT road projects (75 *per cent* projects) there were delays in achievement of project milestones ranging from two months (Gwalior-IX) to 34 months (SH-54). Similarly, in case of three[47] out of 16 completed BOT road projects (18.75 *per cent* projects) also there were delays in achievement of project milestones ranging from three months (Indore-SH1) to 52 months (Sagar-3). The details are furnished in ***Annexure-4.6***. Delays were mainly due to stoppage/ slow progress of work by the Concessionaire (*Paragraph 4.1.12)* in case of seven projects[48], besides delay of one year to four years six months in providing RoW and forest clearance by the Company in case of five projects[49] *(Paragraph 4.1.20)*.

Hence, in seven projects, despite of having Right of Way/ Forest Clearance and inspite of going for BOT mode, milestones were achieved by the Concessionaires with delays and the purpose of going for BOT was defeated. Hence, damages amounting to ₹ 53.84 crore were recoverable from the Concessionaires of the above seven projects for their default. However, the Company neither demanded, nor recovered, the damages for delay in achieving project milestones. This resulted in undue benefit of ₹ 53.84 crore to these seven Concessionaires. The Company also did not monitor Escrow Accounts of the above Concessionaires for recovery of the dues as discussed in *Paragraph 4.1.26*.

The Company stated (September 2019) that the projects have been terminated and damages for delay in achieving project milestones had been adjusted by encashing Performance Security. Reply is not acceptable as only reasons for termination was mentioned in the termination order without accounting for the damages recoverable. Further, the Company had even never demanded the damages for delay in achieving project milestones from the Concessionaires.

Irregularities in release of VGF

4.1.16 Government of India (GoI) notified (January 2006) a scheme for financial support to PPP projects. Under the scheme, Viability Gap Funding (VGF) was to be provided by GoI as a Capital Grant[50] to support PPP infrastructure projects with the objective of making the project commercially viable.

As per Clause 25 of the Concession Agreement, the Concessionaire becomes eligible for VGF only after expending its Equity in the project. It was to be disbursed by GoI/ GoMP on the recommendation of the Company, in proportion to loan disbursed by the Lenders under the Financing Agreements. Schedule-G of Model Concession Agreement (MCA) specified that financial progress/ expenditure incurred should not include advances and expenditure

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[46] Chhindwara-MDR, Jabalpur-VI, Gwalior-VIII, Gwalior-SH-2, SH-54, Rewa-NH-75 (2), Gwalior-IX, Rewa-NH-75 (1) and Indore-SH-36.

[47] Rewa-SH4, Sagar-3 and Indore-SH1.

[48] Chhindwara-MDR, Jabalpur-VI, Gwalior-VIII, Gwalior-SH-2, SH-54, Indore-SH-36 and Sagar-3.

[49] Rewa-NH-75 (2), Gwalior-IX, Rewa-NH-75 (1), Rewa-SH4 and Indore-SH1.

[50] One-time or deferred grant equivalent to the lowest bid for capital subsidy, but subject to a maximum of 20 *per cent* of the total project cost.

on procurement of Plant and Machinery (Clause 3.2). Following observations in irregular release of VGF were, however, noticed in case of three out of eight VGF projects during Audit:

- In case of SH-54 project, out of total disbursed loan of ₹ 130 crore, the Concessionaire used ₹ 40 crore for procurement of plant and machinery and the Company recommended (May 2016) to GoI for release of first instalment of VGF amounting to ₹ 14.98 crore (total VGF amount was ₹ 30.50 crore). Accordingly, the Department of Economic Affairs (DEA), Ministry of Finance, GoI, released (June 2016) first instalment of VGF of ₹ 14.98 crore to the Concessionaire. Since procurement of plant and machinery was not a part of the project cost and was the responsibility of the EPC Contractor engaged by Concessionaire, he was not eligible for the proportionate VGF of ₹ 4.61 crore[51].

- In respect of Indore-SH1 project, the Concessionaire claimed advances (ranging from ₹ 1.17 crore to ₹ 25.16 crore) as expenditure of the project and the Company accepted the same and recommended for release of VGF amounting to ₹ 12.39 crore prematurely. Even after completion of the project, an amount of ₹ 1.17 crore was lying with its EPC contractor unadjusted. Thus, corresponding VGF of ₹ 37.66 lakh[52] was not due.

- In respect of Rewa-SH4 project, the Concessionaire had invested equity capital of ₹ 8.12 crore against the required investment of ₹ 40.56 crore. Inspite of that, the Company recommended GoI for release of VGF of ₹ 34.68 crore to the Concessionaire, which was subsequently released. This entire release of VGF of ₹ 34.68 crore was irregular as the Concessionaire had not expended its entire Equity in the project.

The Company stated (September 2019) that VGF was released in proportion of the loan disbursed as certified by the Lead Financial Institution and Statutory Auditors (Chartered Accountant) of the Concessionaire. Reply is not acceptable as VGF was payable to the Concessionaire only after expending the Equity. Besides, the MCA had also specified that financial progress for the purpose of VGF should not include any kind of advances, which too was flouted by the Company’s action.

Payment of bonus on account of early completion

4.1.17 As per the executed Concession Agreement[53], if the Concessionaire achieves provisional completion prior to scheduled date, he shall be entitled to receive Early Completion Bonus[54]. The Company, entered into Concession Agreements for development of roads under BOT mode with scheduled completion of 730 days from Appointed Date in all the projects. Audit noticed the following deficiencies:

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[51] VGF disbursed: ₹ 14.98 crore x Cost of plant and machinery: ₹ 40 crore/ Total loan amount: ₹ 130 crore= ₹ 4.61 crore.

[52] ₹ 45.11 crore VGF amount x ₹ 1.17 crore milestone advances outstanding/ ₹ 140.16 crore loan amount shown as invested.

[53] In case of Annuity and Toll+Annuity road projects.

[54] Early Completion Bonus shall be product of average daily Annuity and the number of days by which the date of completion preceded to the scheduled completion i.e. 730 days from the Appointed Date.

- Though the scheduled completion period of 730 days was proposed by the Company to SLEC and approved by GoMP, the basis of arriving at the time period was not available on record. Further, in case of Bankalphata-Dogawa and Ashoknagar-Vidisha roads, the Consultants had also recommended construction period of 365 days and 550 days respectively, but the Company adopted the scheduled completion period to 730 days.

Out of 12 projects awarded by the Company on Annuity and Toll+Annuity mode, the selected Concessionaires completed six projects (369.61 kms) before 550 days and five projects (321.28 kms) between 550 days and 730 days, i.e. within stipulated completion period.

The Company paid early completion bonus of ₹ 137.98 crore to the Concessionaires of these 11 projects[55] out of 12 projects. Incidentally if the Company had adopted scheduled completion period of 550 days from Appointed Date[56] as provided in the overview of the framework of MCA for construction of a BOT road project, early completion bonus payable for the above 11 projects would have been only ₹ 47.18 crore.

The Company stated (September 2019) that Feasibility Reports are indicative and mainly for the purpose of bidding only and the completion schedule was finalised by the Company looking to the volume of work[57] at site. The reply is not acceptable as the consultant had also recommended completion period of the projects after considering the volume of work at site. Further, inspite of wide variation in quantum of work involved in the above BOT projects in terms of widening/ new construction of major bridges[58], minor bridges[59] and length of roads[60], the Company had uniformly fixed project completion period as 730 days in respect of all the above projects without giving due weightage to the volume of work at site.

- In EPC and Regular Contracts (Asian Development Bank)[61], there is a capping of three and five *per cent* of project cost respectively for early completion bonus, whereas no such limit was fixed in cases of BOT projects. In case of eight[62] BOT projects, early completion bonus was more than five *per cent*, ranging from 6.33 *per cent* (Bhopal-1) to 26.50 *per cent* (Indore-3) of project cost. Hence, by not capping early completion bonus in case of BOT projects, the Company incurred early completion bonus of ₹ 77.84 crore in case of eight out of 12 BOT projects, which was avoidable.

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55 Within 550 days: Indore-2, Indore-3, Ujjain-SH3, Sagar-1, Sagar-SH2 and Gwalior-2. Between 550 days and 730 days: Bhopal-1, Narmadapuram-SH1, Indore-5, Gwalior-SH1 and Ujjain-SH2.

56 The date on which Financial Closure is achieved or an earlier date that the Parties may by mutual consent determine, and shall be deemed to be the date of commencement of the Concession Period. Every Condition Precedent should have been satisfied or waived prior to the Appointed Date.

57 Major bridges, Minor bridges, Culverts, etc.

58 Nil in case of Gwalior-SH1 and four in case of Indore-2.

59 One in case of Gwalior-SH1 and 21 in case of Bhopal-1.

60 Gwalior-SH1 8.93 kms and Narmadapuram-SH1 124.10 kms.

61 MPRDC also executes road projects on the regular contract mode funded by Asian Development Bank.

62 Indore-2, Indore-3, Bhopal-1, Ujjain-SH3, Narmadapuram-SH1, Sagar-1, Sagar-SH2 and Gwalior-2.

The Company accepted (September 2019) that there is no upper cap limit in case of BOT Projects unlike cash contracts such as ADB funded projects, EPC projects and other budgeted projects.

- As per Clause 14.3 of the MCA, Independent Engineer (IE) may issue provisional completion certificate, if project highway can safely and reliably be put to use though certain works are incomplete. However, in case of five projects[63], early completion bonus of ₹ 75.18 crore was paid by the Company without ensuring construction of essential components of roads, completion of road as a whole which led to undue benefit to the Concessionaires and has adversely affected the economic execution of projects. The details are in Table 4.1.5:

Table 4.1.5- Payment of bonus without ensuring completion of essential components of roads

Road Project	Audit Observation
Bhopal-1	The Company without ensuring actual completion of pending construction of major bridge, paid (October 2014) early completion bonus of ₹ 5.21 crore to the Concessionaire.
Sagar-1	The Company without ensuring actual completion of pending works highway work in 1.6 kms[64] length, paid (May 2014) early completion bonus of ₹ 14.31 crore to the Concessionaire. The Project was finally completed on 26 November 2015 with a delay of 440 days.
Sagar-SH2	The Company without ensuring actual completion of pending civil works in 21.950 kms paid (March 2016) early completion bonus of ₹ 26.71 crore to the Concessionaire.
Ujjain-SH2	Provisional completion certificate was issued (June 2015) with pending construction of protection work at minor bridge (Chainage 26+400 Kms). As a result, a fatal accident occurred on the spot on 15 July 2015. Inspite of that, the Company paid (January 2016) early completion bonus of ₹ 4.36 crore to the Concessionaire.
Narmada puram-SH1	Provisional completion certificate for Narmadapuram-SH1 project was issued (November 2015) with pending construction of 21.500 Kms road and the Company paid (December 2015) early completion bonus of ₹ 24.59 crore to the Concessionaire.

- As per Clause 12.4 of Concession Agreement, the Concessionaire was required to start construction of project on/ after Appointed Date. In case of Sagar-1 and Sagar-SH2 projects, the Concessionaires started the work 21 days before Appointed Date. However, the Company has paid early completion bonus of ₹ 41.02 crore to the Concessionaires of the above projects without re-fixing the Appointed Date as per actual date of starting the work. The details are in Table 4.1.6:

[63] Bhopal-1, Sagar-1, Sagar-SH2, Ujjain-SH2 and Narmadapuram-SH1.

[64] Ch. 16+900 to 17+000 (100 m), 36+800 to 37+200(400 m), 38+200 to 38+700(500 m) and 40+800 to 41+400 (600 m).

Table 4.1.6- Payment of bonus without re-fixing Appointed Date

Road Project	Audit Observation
Sagar-1	Right of way was provided to the Concessionaire on 10 April 2012 and the Concessionaire achieved Financial Closure with a delay of 103 days on 12 September 2012, which was declared as appointed date. It was noticed that the Concessionaire had started the work before Appointed Date and completed Granular Subbase work in entire length by 18 September 2012. However, the Company has paid early completion bonus of ₹ 14.31 crore to the Concessionaire without re-fixing the Appointed Date as per actual date of starting the work.
Sagar-SH2	The Concessionaire achieved Financial Closure on 5 June 2014 with a delay of 187 days, which was declared as appointed date. It was noticed that the Concessionaire had started the work 21 days before appointed date. However, the Company has paid early completion bonus of ₹ 26.71 crore to the Concessionaire without re-fixing the Appointed Date as per actual date of starting the work.

- In case of eight projects[65], the Concessionaires achieved Financial Closure with delay in the range of 25 days to 187 days and accordingly declaration of Appointed Date was also delayed. However, the Concessionaires of above eight projects[66] had completed the work five days to 500 days before scheduled completion date, for which the Company has paid early completion bonus. Since, the projects were already delayed due to non-achieving Financial Closure in time, the objective of paying early completion bonus to provide early access of upgraded roads to the public was defeated to that extent.

Irregular payment to Concessionaire towards Change of Scope

4.1.18 As per guidelines[67], in case of BOT projects, risks during construction phase, i.e. Design Risk[68] and Construction Risk[69], are attributable to the private sector. Further, as per Concession Agreement[70], the description for the various elements of the Project Highway given are bare minimum for the Project. The Concessionaire was to procure finance and undertake the design, engineering, procurement, construction, operation and maintenance of the Project Highway at its own cost and expense. Schedule-A describes existing infrastructure details and Schedule-B describes the detailed scope of works for execution of BOT road projects. In this regard, the following deficiencies were noticed in Audit:

65 Bhopal-1 (25 days), Sagar-1 (103 days), Sagar-SH2 (187 days), Narmadapuram-SH1 (143 days), Indore-5 (146 days), Gwalior-SH1 (90 days), Indore-3 (69 days) and Gwalior-2 (81 days).

66 Bhopal-1 (118 days), Sagar-1 (318 days), Sagar-SH2 (202 days), Narmadapuram-SH1 (182 days), Indore-5 (50 days), Gwalior-SH1 (5 days), Indore-3 (500 days) and Gwalior-2 (470 days).

67 Issued by PPP Cell, Infrastructure Division, DEA.

68 The risk that the technology used will be unexpectedly superseded during the term of the project and will not be able to satisfy the requirements in the output specifications. It would result in increased costs of a replacement technology.

69 The risk that the construction of the assets required for the project will not be completed on time, budget or to specification. It may lead to additional raw materials and labour costs, increase in the cost of maintaining existing infrastructure or providing a temporary alternative solution due to a delay in the provision of the service.

70 Annexure-I to schedule B of Concession Agreement.

- In case of 11[71] out of 16 completed projects, the Company paid ₹ 24.73 crore through change of scope for increase in items of works of roads (₹ 4.60 crore) and structures (₹ 20.13 crore), though the items of works were already incorporated in detailed scope of work of the Concession Agreements for which design and construction risk are attributable to the Concessionaire. Hence, payment of ₹ 24.73 crore on account of change in design or specification of the works to the Concessionaires was inadmissible.

- As per detailed scope of work of Concession Agreement, construction of new additional structures during the concession period will be the responsibility of the Concessionaire for which no compensation was payable by the Company. However, in case of five[72] out of 16 completed projects, the Company paid ₹ 8.05 crore under change of scope for items not mentioned in the Schedule to Concession Agreement. Out of this, ₹ 7.47 crore was paid to the Concessionaires on account of structures of roads. This included construction of minor bridges of ₹ 3.30 crore on Ujjain-SH2 project[73] and Sagar-SH2 project[74]. This indicated that the Company failed to identify requirement of construction of bridges having spans as big as up to 10 meter in length and could not include the same in the schedule of Concession Agreements.

The Company stated (September 2019) that the Concessionaire has to execute the project as per detailed scope of work and any variation in scope of work from it will lead to payment of change of scope as per Clause 16 of the Concession Agreement. Further, it was stated (November 2019) that in three BOT projects, MoRTH had also allowed Change of Scope for variation from detailed scope of work of Concession Agreement.

The reply is not acceptable as Concessionaire has to design, engineer, procure and construct the work as per detailed scope of work at its own cost. Clause 16 of the Concession Agreement also clearly specified that additional works and services which are not included in the Scope of the Project as per Concession Agreement will lead to payment of Change of Scope. Further, MoRTH in case of Rewa-MP/ UP Border BOT Project, rejected the Change of Scope proposal of the Company on the plea that the items were already included in detailed scope of work of the Concession Agreement.

Hence, for any change of scope of work due to deviation from detailed scope of work, the Company was not liable to pay. This has resulted in the payment over and above project cost to the tune of ₹ 24.73 crore to the Concessionaires.

- Feasibility Report (June 2010) of Narmadapuram-SH1 (124 Kms) included provisions for reconstruction in 71.20 Kms road and reconstruction from base course level in 48.85 Km of road as existing 48.85 Kms road was in good condition with sufficient road width. It was also mentioned in the report that the road was passing through Forest area.

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71 Gwalior-2, Sagar-SH2, Indore-5, Gwalior-SH1, Indore-SH1, Indore-1, Indore-2, Sagar-1, Ujjain-SH2, Ujjain-SH3 and Indore-3. Financial implication of Indore-SH1 project was tentative and was not finalised.

72 Gwalior-2, Sagar-SH2, Gwalior-SH1, Ujjain-SH2 and Ujjain-SH3.

73 At 41.432 km: ₹ 1.05 crore, 36.750 km: ₹ 0.63 crore and ₹ 0.53 crore.

74 At 9.69 km: ₹ 0.55 crore, 11.22 km: ₹ 0.54 crore.

It was noticed that the Company by ignoring the fact of forest area did not initiate any action prior to Concession Agreement for necessary approvals from GoI for forest clearance, did not mention the details of forest area in the Concession Agreement (May 2011) and included provision for reconstruction of total road length. Subsequently, in principle approval for diversion of 19.653 hectare was accorded (April 2015) on basis of proposal of the Company (November 2014) submitted by the Concessionaire. In principal approval for balance 12.026 hectare was granted by MoEFC in October 2017 based on proposal submitted in March 2015.

Further, the Company considered only 4.68 Kms road[75] as good and existing layers of Granular Sub Base (GSB) and sub-grade was considered for negative change of scope leaving existing layers of GSB and sub-grade of 48.85 Kms road resulting in undue benefit of ₹ 20.07 crore to the Concessionaire. Besides, the Company had to bear cost of additional structures valuing ₹ 4.83 crore which were essential to comply the conditions of wildlife clearance. This resulted in avoidable liability of corresponding amount.

The Company stated (May 2019) that delay in obtaining permission was on account of forest department and NBWL. The reply is not acceptable as the Company did not initiate proposals in time. Further, it was stated that all the participant bidders had given their proposal based on minimum provisions prescribed in detailed scope of work laid down as per DPR. Reply does not explain reasons for not considering existing construction upto base level.

- As per Schedule-C of Concession Agreement of Gwalior-SH1 project, the Concessionaire was required to construct a toll plaza (₹ 0.97 crore) and two bus shelters (₹ 0.04 crore). However, based on the request of the Company (December 2013), the toll plaza was not constructed. During joint physical verification of the road, it was verified that the Toll plaza and two bus shelters were not constructed by the Concessionaire. Inspite of that, the Company had not considered their cost of ₹ 1.01 crore for negative change of scope, for which reasons were not on record.

The Company stated (May 2019) that toll plaza was not applicable for Annuity projects, project cost of ₹ 15.88 crore was considered on the basis of financial analysis without including toll plaza. Reply is factually incorrect as cost of toll plaza and bus shelters has been included in project cost of ₹ 15.88 crore.

Delay in submission of Performance Security and achievement of Financial Closure

4.1.19 A. As per Concession Agreement, the Concessionaire was required to submit the Performance Security within 180 days from the date of Concession Agreement (Clause 9.1). Delay in submission of Performance Security[76] attracted damages from the Concessionaire (Clause 4.3). The Company could encash and appropriate the damages from Performance Security, subject to its replenishment to its original level by the Concessionaire within 30 days from

75 Other than the stretch of 48.85 Km.

76 At the rate of 0.20 *per cent* for each day of delay subject to maximum of 20 *per cent* of Performance Security.

the date of encashment (Clause 9.2). Interest[77] was to be levied for delayed payments by the Concessionaire (Clause 47.5).

Audit observed that in respect of nine[78] out of 12 terminated BOT road projects and 10[79] out of 16 completed BOT road projects, the Concessionaires submitted Performance Security with delays ranging from seven days (Narmadapuram-SH1) to 797 days (Indore-SH-36). This attracted damages amounting to ₹ 44.81 crore from 19 Concessionaires. However, the Company has not taken efforts for recovery of damages as prescribed under Clause 9.2 of Concession Agreement. As a result, the Company could not recover damages of ₹ 4.78 crore from six Concessionaires and recovery of damages of ₹ 40.03 crore from the remaining 13 Concessionaires was also made with delay ranging from nine days to 1,611 days. Non-recovery/ delayed recovery of damages has resulted in loss of interest amounting to ₹ 9.43 crore.

B. Clause 15 of the Guidelines[80] for PPP Projects in Madhya Pradesh specified that Performance Security would be discharged after completion of the Project. However, the Company did not initiate any action to amend the Concession Agreement as per Guidelines and continued with the existing Clause of releasing Performance Security after spending 20 *per cent* of the project cost. The Concession Agreement provided for not releasing Performance Security in case of breach of Agreement by the Concessionaire (Clause 9.3).

However, in case of ten[81] out of 28 projects, in which the Concessionaires were at default due to delay in submission of Performance Security, achievement of Financial Closure and achieving milestones, the Company ignored the Clause 9.3 and released (October 2012 to May 2015) Performance Security of ₹ 69.47 crore before completion of the project instead of retaining the same. As a result, Concessionaires were extended undue benefit.

The Company stated (June 2019) that Clause 9.3 of MCA has been adopted, which provided for release of Performance Security after spending 20 *per cent* of project cost. Reply is silent on not adhering to the instructions issued by the Directorate of Institutional Finance, GoMP. Moreover, the Company even deviated from Clause 9.3 of MCA and released Performance Security of 10 projects, in which the Concessionaires were at default.

C. As per Concession Agreement, the Concessionaire was required to achieve Financial Closure within 180 days from the date of Concession Agreement, which was extendable for further 120 days (Clause 24.1.1). It further provided for payment of damages for delay in achieving Financial Closure[82]. Appointed Date i.e. the date of commencement of the concession period, is notified on achievement of Financial Closure.

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77 At the rate equal to 5 *per cent* above the Bank Rate.

78 Gwalior-IX, Gwalior-SH-2, Gwalior-VIII, Indore-SH-36, Jabalpur-NH-12, Jabalpur-VI, Rewa-NH-75 (1), Rewa-NH-75 (2) and Sagar-SH-37.

79 Gwalior-2, Gwalior-SH1, Indore-1, Indore-5, Indore-SH1, Narmadapuram-SH1, Sagar-1, Sagar-3, Sagar-SH2 and Ujjain-SH3.

80 Issued (February 2008) by PPP Cell, Directorate of Institutional Finance, GoMP.

81 Bhopal-1, Indore-1, Indore-SH1, Jabalpur-VI, Narmadapuram-SH1, Rewa-SH4, Sagar-1, Sagar-3, Sagar-SH2 and Ujjain-SH3.

82 At the rate of 0.10 *per cent* of Performance Security for delay upto 120 days and at 0.20 *per cent* for delay for a further period upto 200 days.

In case of all the 12[83] terminated BOT road projects and 13[84] out of 16 completed BOT road projects, the Concessionaires achieved Financial Closure with delays ranging from nine days (Ujjain-SH3) to 1,088 days (Chhindwara-MDR). Delays were mainly due to Concessionaires' failure in obtaining loan from financial institutions in time. Hence, damages amounting to ₹ 94.34 crore were recoverable from the Concessionaires.

However, the Company has not taken efforts for recovery of damages. As a result, the Company could not recover damages of ₹ 52.59 crore from nine Concessionaires and recovery of damages of ₹ 41.75 crore from the remaining 16 Concessionaires was also made with delay ranging from 60 days to 1,484 days. Non-recovery/ delayed recovery of damages has resulted in loss of interest amounting to ₹ 20.79 crore. None of the Concessionaires replenished the Performance Security except Indore-SH1 project. The Company also did not monitor Escrow Accounts of the above Concessionaires for recovery of the dues as discussed in *Paragraph 4.1.26*.

Further, in case of Chhindwara-MDR, SH-54 and SH-23 projects, the Company, without recording any reason, has allowed Financial Closure beyond 300 days against the provision of Concession Agreement. Further, in respect of Chhindwara-MDR and SH-54 projects, the Company notified (September 2013 and February 2012) Appointed Dates three years and one year four months before Financial Closure by the Concessionaires. The projects, finally, could not be completed by the Concessionaire and were terminated by the Company, which resulted in time overrun and increase in project cost by ₹ 102.13 crore as detailed in ***Annexure-4.5***.

Similarly, in case of Indore-SH1 project, the Company accepted (April 2012) Financial Closure based on underwriting of Term Loan by bank. The final common loan agreement with four lenders was executed by the Concessionaire on 06 February 2013. Hence, Appointed Date was irregularly notified by the Company in advance by 292 days.

In respect of Indore-SH1 project, the Company stated (July 2019) that damages have been recovered from the Operation and Maintenance Grant paid to the Concessionaire. Reply is not acceptable as interest on delayed recovery of damages was not being recovered.

The Company further stated (September 2019) that Clause 47.5 pertains to interest on delayed payment by both the parties and not for the delayed damages and damages have been recovered by invoking Performance Security. The reply is not acceptable as Clause 47.5 of Concession Agreement is very specific about charging of interest on any type of delayed payment by the Concessionaire including damages. Further, encashment of Performance Security cannot be termed as recovery of damages as the Concessionaire has not replenished the same after recovery of the damages.

[83] Chhindwara-MDR, Gwalior-IX, Gwalior-SH-2, Gwalior-VIII, Indore-SH-36, Jabalpur-NH-12, Jabalpur-VI, Rewa-NH-75 (1), Rewa-NH-75 (2), Sagar-SH-37, SH-23 and SH- 54.

[84] Bhopal-1, Gwalior-2, Gwalior-SH1, Indore-1, Indore-3, Indore-5, Indore-SH1, Narmadapuram-SH1, Rewa-SH4, Sagar-1, Sagar-3, Sagar-SH2 and Ujjain-SH3.

D. In six[85] out of 16 completed projects, project cost as per Concession Agreement was ₹ 1,058.81 crore. However, the Concessionaires of the projects increased the project cost at the time of Financial Closure to ₹ 1,195.75 crore citing reasons of escalation, interest during construction, preliminary and pre-operative expenses. Higher project costs were accepted by the Company at the time of approving Financial Closure and was not submitted to SLEC. As a result, the Concessionaires were allowed by them to avail higher borrowed funds besides creation of higher liability by ₹ 123.25 crore[86] in case the project gets terminated due to default of the Company or during operation period.

The Company stated (May 2019) that project cost is lowest of capital cost as per financial package, Concession Agreement and actual cost. The reply is silent on the aspect of increase in project cost, hence reply is not relevant to Audit observation.

Delay in obtaining forest clearance and providing Right of Way

4.1.20 Ministry of Environment, Forests and Climate Change, GoI notification (September 2006) provided for obtaining prior environmental clearance in case of expansion of NHs. Proposal for taking up non-forest activity in Protected Areas is required to be cleared by the Standing Committee of National Board for Wildlife (NBWL) under the provisions of Wildlife (Protection) Act, 1972, apart from prior approval of GoI under the Forest (Conservation) Act, 1980. As per Concession Agreement, the Company was required to obtain all permissions relating to environmental issues within five months from the date of Concession Agreement. MoRTH recommended (June 2011) that if actively pursued, forest clearance takes 1.5 to 2 years.

As per Clause 10.3.2 of Concession Agreement, the Company was required to provide 80 *per cent*/ 90 *per cent* of total Right of Way (RoW) to the Concessionaire before Appointed Date. In the event of delay in grant of stipulated RoW, the Company was liable to pay damages to the Concessionaire at the rate of 0.10 *per cent* of the Performance Security per day, subject to a maximum of 20 *per cent* of the Performance Security (Clause 4.2).

Audit observed that there were delays in obtaining forest clearance in three out of 12 terminated projects (25 *per cent* cases) and two out of 16 completed projects (13 *per cent*) test-checked due to delay in submission of proposals, furnishing of incomplete information, non-submission of proposal in prescribed format by the Company. This has also resulted in construction of roads with lesser width than the requirement, creation of black spot[87] on road passing through forest area due to inadequate width, subsequent delays in completion of projects and termination of projects as discussed in details in ***Annexure-4.7***. Hence, level of service of road and safety of road users was adversely affected to that extent.

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85 Indore-1, Indore-2, Indore-SH1, Rewa-SH4, Sagar-SH2 and Narmadapuram-SH1.

86 Equivalent to 90 per cent of the Debt due as per clause 37.3.1 of Concession Agreement.

87 A Black spot is a place where there is frequent occurrence of road traffic accidents due to a variety of reasons.

Further, in respect of five out of the 16 completed projects (31 *per cent*), the Company delayed in providing RoW upto 32 months due to failure in effectively pursuing removal of encroachment, reconciling the mismatch data of land records, promptly pursing for obtaining possession of site from other organisations and assessing the exact required land area, etc. The project wise delay in handing over of RoW have been detailed in ***Annexure-4.8***. This has resulted in construction of road with lesser width than requirement, delay in construction of road, avoidable claim of damages from Concessionaire for delay in handing over site and avoidable payment of early completion bonus of ₹ 10.47 crore to the Concessionaires. Hence, level of service of road was adversely affected to that extent.

The Company stated (September 2019) that the Company had applied timely to concerned authorities and delay was on the part of other Authorities. Reply is not acceptable, as in case of test-checked projects, failure was on the part of the Company in timely submission of proposals, furnishing of incomplete information, non-submission of proposal in prescribed format.

In respect of delay in providing RoW, it was stated (September 2019) that due to encroachment, arbitration, court cases and involvement of other departments handing over of land was delayed. Reply is not acceptable as the delay in providing RoW was due to failure of the Company in effectively pursuing removal of encroachment, reconciling the mismatch data of land records, promptly pursing for obtaining possession of site from other organisations and assessing the exact required land area, etc.

Irregular collection of user fees

4.1.21 MCA for SHs issued (April 2009) by Planning Commission of India provided that since repayment of debt would be neutral to inflation, therefore the user fee (Toll) should be indexed to the extent of 40 *per cent* of increase in Wholesale Price Index (WPI). Schedule-R of MCA also provided formula for revising user fees by limiting increase in WPI to 40 *per cent*[88].

It was noticed that MPPWD deviated from the methodology of calculation of user fees[89] and fixed the same for full indexation without restricting up to 40 *per cent* of increase in WPI, for which no reasons were furnished. This allowed Concessionaires of eight[90] out of 11 toll projects to levy excess user fees on 1.38 crore road users during May 2013 to September 2018, which resulted in undue benefit to the Concessionaires amounting to ₹ 7.14 crore. Besides, road users would be compelled to bear the extra burden of user fees for the entire concession period.

The Company replied (September 2019) that MCA is for guidance and not to be followed in toto. Concession Agreements are approved by SLEC with deviation from MCA. Fee notifications was issued by MPPWD and it did not provide for indexation of WPI to 40 *per cent*. In Exit Conference (October 2019), it was stated that if the Company change toll rates, financial viability of the projects will also be affected.

88 Base rate +base rate x {(WPI A – WPI B)/ WPI B} x 0.40.

89 Applicable rate of fees= base rate* WPI A/ WPI B.

90 Gwalior-2, Indore-1, Indore-2, Indore-SH1, Narmadapuram-SH1, Sagar-SH2, Ujjain-SH2 and Ujjain-SH3.

Reply is not acceptable as Empowered Institution, DEA, GoI in its meeting with the Company officials, clarified (June 2006) that deviation from MCA is not acceptable in respect of issues which are basic to a PPP project. Since, recovery of project cost by the Concessionaire by levy of user fees is basic to a PPP project, deviation from MCA is not acceptable. Further, proposals submitted by the Company to SLEC for approval did not mention this deviation from MCA. Further, in case of National Highways implemented by the Company, indexation to the extent of 40 *per cent* of increase in WPI was done.

Further, project-specific deficiencies in collection of user fees in four out of 11 toll projects are discussed below:

- **Rewa-SH4 (74.132 kms):** IE issued (June 2013) and the Company accepted provisional completion certificate for first homogenous section (40.02 kms) and user fee notification for that section was issued in contravention to the provisions of MCA. The Concessionaire collected ₹ 1.15 crore user fees upto October 2014, without completion of whole project. The Concessionaire stopped the work in November 2013 and the project was terminated on 05 May 2015. The Company has also not taken any efforts to collect the user fee (Toll) from the road users after termination of the project.

- **Rewa-NH1 (89.30 kms):** IE issued (February 2015) and the Company accepted provisional completion certificate for incomplete project and user fee notification for a part of road (49.63 kms) in contravention of the provisions of MCA. As a result, Concessionaire collected ₹ 5.93 crore user fees without completion of whole project.

The Company stated (May 2019) that IE had intimated (February 2015) that the Concessionaire had completed 75 *per cent* of the total length of the project. The reply is factually incorrect as the Concessionaire completed only 55 *per cent* (49.60 kms*100/ 89.30 kms) on the date of issue of provisional completion certificate.

- **Ujjain-SH2:** The Concessionaire citing the reason of traffic leakage, requested (June 2013) the Company to give permission to shift the location of user fee collection point from Km 10+500 to “16+00 to 17+00”. However, the Company gave (June 2015) permission to set up an additional fee collection point at Ch. 36+200. As the Concessionaire was required to make his own assessment for project viability, allowing the additional user fee collection point has resulted in undue advantage to the Concessionaire which was not originally envisaged at the tendering stage.

The Company replied (May 2019) that the Concessionaire was allowed for additional user fee collection point as per Clause 27.8 of Concession Agreement. The reply is not acceptable as the Company in pre-bid meeting (July 2012) already accepted that the revenue leakage point was hypothetical. Further, Concessionaire had applied for shifting of user fee point and Concession Agreement also provided for only one user fee point. Therefore, allowing the additional user fee collection point before completion of road was not justified.

- **Ujjain-SH3**: The Concessionaire did not deposit user fee collection of ₹ 1.73 lakh in the Escrow Account.

Issue of provisional completion certificates

4.1.22 As per Clause 14.3 of the MCA, Independent Engineer (IE) may issue provisional certificate of completion, if at least 75 *per cent* of the total length of the Project Highway has been completed and it can be safely and reliably placed in commercial operation subject to non-completion of certain works[91]. As per executed Concession Agreement, the Concessionaire was required to complete the incomplete items within 90 days from the date of Provisional Completion Certificate and for any delay thereafter damages[92] were payable by the Concessionaire (Clause 14.4.1). In this regard, Audit has observed the following deficiencies:

- In case of eight[93] out of 16 completed projects, Provisional Completion Certificates were issued by IE without ensuring completion of total length of carriageway, construction of major/ minor bridges, widening of minor bridges, works of bituminous concrete, side shoulders, protection work of bridges which were accepted by the Company. Inclusion of such critical works in punch list was against the provisions of MCA and the roads were not fit for safe and reliable commercial operation.

- Concessionaires of five[94] out of the above eight projects, completed pending items of punch list with a delay ranging from 93 to 669 days. In case of Sagar-3 project, Provisional Completion Certificate was issued (June 2016) without construction of two major bridges[95], which are still incomplete. Subsequently, the Concessionaire stopped infusion of equity in the project. As a result, the project is standstill[96] and on the verge of termination (March 2019). In case of termination of the project after issue of provisional completion certificate, possibility of bearing liability of outstanding loan of ₹ 62.63 crore by the Company cannot be ruled out. The Company did not recover damages from the above six Concessionaires as per Clause 14.4.1 amounting to ₹ 17.58 crore.

- In case of Indore-SH1 project (127.44 km), Provisional Completion Certificate was issued (September 2014) without completion of 75 *per cent* of length.

The Company stated (September 2019) that provisional completion certificates were issued by IE after substantially completion of the project with pending works and with declaration that the project is fit for entry into commercial operation. Reply does not explain the reasons for deviation from the Clause 14.3 of the MCA, which provides that Provisional Completion Certificate can

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[91] This may include roadside drains, fencing, tree plantation, rest areas, project facilities, turfing on embankment slopes, pointing of masonry works, stone pitching, bus shelters and truck lay-byes.

[92] Per day damages at the lower of 0.10 *per cent* of the Performance Security and 0.20 per cent of the cost of completing such items as estimated by the IE.

[93] Sagar-3, Indore-1, Indore-SH1, Ujjain-SH2, Bhopal-1, Sagar-1, Narmadapuram-SH1 and Sagar-SH2.

[94] Indore-1, Indore-SH1, Ujjain-SH2, Sagar-1 and Narmadapuram-SH1.

[95] At chainage Km 5+860 and Km 20+370.

[96] Sagar-3 Project (45.50 km).

be issued with pending works of ancillary nature only viz. roadside drains, fencing, tree plantation, rest areas, project facilities, turfing on embankment slopes, pointing of masonry works, stone pitching, bus shelters and truck lay-byes only. Further, in Exit Conference (October 2019), Principal Secretary agreed that while accepting provisional completion certificates, the Company should check actual completed work and assess that only ancillary items of work are pending.

Further, it was stated (September 2019) that several notices have been issued to the Concessionaires for depositing damages for delay in completion of punch list items. Reply is not acceptable as no such notices were found on record and recovery of damages has not been made so far.

Avoidable expenditure on repair and maintenance

4.1.23 As per Clause 12.2 of Concession Agreement, the Concessionaire was required to maintain the road at its own cost so that the traffic worthiness and safety thereof are maintained, and was required to undertake the necessary repair and maintenance works for this purpose.

It was noticed that in case of three projects viz. Jabalpur-NH-12, Sagar-SH-37, Rewa-NH-75(2) out of 12 projects terminated by the Company, the Concessionaire did not maintain the Project Highway during construction period. Subsequently, the Company incurred an amount of ₹ 22.54 crore[97] on repair and maintenance of such roads, which was to be borne by the Concessionaires. The Company, however, made no effort for recovering the same from the Concessionaires.

The Company stated (September 2019) that after termination of the Concession Agreement, it is the responsibility of the Company to keep the road motorable and to ensure safety of road users. Reply is self-explanatory that due to poor maintenance of the road by the Concessionaires, the Company had to incur expenditure on repair and maintenance of the road.

Further, it was stated (September 2019) repair expenditure has been recovered by invoking Performance Security of the Concessionaire of Rewa-NH-75 (2). Reply is not correct as Performance Security amount (₹ 16.05 crore) was less than the total amount recoverable from him towards other damages (₹ 24.46 crore). In respect of Sagar-SH-37, it was stated that the repair/ renewal work was carried out in different reach of the road. However, no records were furnished by the Company in support of reply.

Recommendation: The Company should ensure strict compliance of the provisions of Concession Agreements relating to construction period, rate of user fees, provisional completion certificates, etc and fix responsibility for deviations.

Financial Management

4.1.24 The fourth objective of this Performance Audit was to assess whether funding of BOT projects was economical and efficient.

97 Jabalpur-NH-12: ₹ 16.56 crore, Sagar-SH-37: ₹ 0.87 crore, Rewa-NH-75 (2): ₹ 5.11 crore = Total ₹ 22.54 crore.

Funds for the projects were provided through State budget. During 2013-18, the Company incurred ₹ 73.17 crore towards viability gap funding (VGF), ₹ 274 crore towards development and supervision of BOT roads and ₹ 2,334.36 crore towards Annuity payment as detailed in Table 4.1.7:

Table 4.1.7 Year wise funding through State budget to the Company for roads during 2013-18

(₹ in crore)

Particulars	Year	Budget Provision	Actual Expenditure	Saving	Saving (in *per cent*)
Annuity	2013-14	175.00	87.50	87.50	50.00
	2014-15	425.00	400.00	25.00	5.88
	2015-16	669.94	585.86	84.08	12.55
	2016-17	550.00	550.00	0.00	0.00
	2017-18	711.00	711.00	0.00	0.00
Annuity Total		**2,530.94**	**2,334.36**	**196.58**	**7.77**
Development and Supervision of BOT Roads	2013-14	10.00	8.00	2.00	20.00
	2014-15	35.00	35.00	0.00	0.00
	2015-16	171.00	171.00	0.00	0.00
	2016-17	92.30	60.00	32.30	34.99
	2017-18	0.00	0.00	0.00	0.00
Development and Supervision of BOT Roads Total		**308.30**	**274.00**	**34.30**	**11.13**
VGF	2013-14	41.00	23.34	17.66	43.07
	2014-15	40.00	23.58	16.42	41.05
	2015-16	30.00	14.13	15.87	52.90
	2016-17	48.00	3.71	44.29	92.27
	2017-18	40.00	8.41	31.59	78.98
VGF Total		**199.00**	**73.17**	**125.83**	**63.23**
Grand Total		**3,038.24**	**2,681.53**	**356.71**	**11.74**

Source: *Detailed Appropriation Accounts of respective years.*

In addition to the above budgetary funding, the Company utilised ₹ 409.25 crore from State Highway Fund[98] (SHF) during 2013-18 for meeting development cost of projects, maintenance and repair of highways, pre-tender activities, utility shifting, land acquisition, etc.

Audit analysed the Financial management of the Company with reference to BOT projects and the instances of non-recovery of premium amount, project monitoring fee, establishment charges, IE fees and Project Development Expenditure (PDE) from the Concessionaires were noticed. Further, the operation of Escrow Accounts was also found to be deficient. Detailed audit findings are discussed in succeeding paragraphs.

Non-recovery of Project Development Expenditure

4.1.25 As per Madhya Pradesh Project Development Fund (MPPDF) scheme guidelines, MPPDF is to be used for the Project Development Expenditure[99] (PDE) incurred by the Company. Para 12 of scheme guidelines provided that

[98] SHF was established under Section 3 of the Madhya Pradesh Rajmarg Nidhi Adhiniyam, 2012.

[99] Feasibility studies, Cost of consultants, Environment impact studies, Financial structuring, Legal reviews, Development of project documentation including concession, agreement, Commercial assessment studies (including traffic studies, demand assessment, capacity to pay assessment), Grading of projects, etc.

PDE will be recovered from the successful bidder on award of the project and the Company will make clear provisions for this in the Concession Agreements.

The Company incurred PDE of ₹ 18.96 crore on preparation of Feasibility Reports, consultant fee and financial analysis charges in respect of prospective 97 BOT roads during 2013-18. However, it was noticed that the Company did not include any specific provision in the Concession Agreements for recovery of PDE, which was contrary to provisions in Scheme Guidelines as aforesaid. Therefore, it failed to recover the same from the Concessionaires. Further, PDE of ₹ 8.88 crore[100] was met from appropriating SHF[101] and PDE of ₹ 10.08 crore[102] was borne by the Company from its own funds.

Thus, not only did the Company fail to recover PDE of ₹ 18.96 crore from the Concessionaires, but incurred PDE from government funds as well. This non-recovery of PDE from the Concessionaires ultimately resulted in loss to the Government exchequer.

The Company accepted (November 2019) that there is no provision in the Concession Agreement to recover PDE. Further, it was stated that at the time of preparation of project it was envisaged that PDE would be borne by the GoMP through State Highway Fund. Reply is not acceptable as inspite of clear instructions of GoMP, no specific clause was included in Concession Agreement by Company for recovery of Project Development Expenditure from the Concessionaires.

Excess drawals from Escrow Accounts

4.1.26 As per Concession Agreement, the Concessionaire was required to execute and procure Escrow Agreement[103] before the Appointed Date[104]. The Concessionaire was also required to open an Escrow Account with Escrow Bank for routing financial inflows and outflows of the project (Clause 31 of the Concession Agreement). The Escrow Bank was to act as a trustee for the Company, the lenders and the Concessionaire. Withdrawal of funds from Escrow Account *inter alia* included for all payments[105] relating to construction of the Project Highway and all payments and damages certified by the Company as due and payable to it, by the Concessionaire. The Company was a signatory in the executed Escrow Agreements. Independent Engineer (IE)

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100 Pertaining to SHs and MDRs.

101 As per Section 4 of the Madhya Pradesh Rajmarg Nidhi Adhiniyam, 2012, the SHF may be utilised for meeting expenditure incurred on data collection, pre-feasibility studies or feasibility studies.

102 Pertaining to NHs.

103 It is agreement among the Concessionaire, the Company, the Escrow bank and the Lenders.

104 The date on which Financial Closure is achieved or an earlier date that the Parties may by mutual consent determine, and shall be deemed to be the date of commencement of the Concession Period. Every Condition Precedent should have been satisfied or waived prior to the Appointed Date.

105 Subject to and in accordance with the conditions, if any, set forth in the Financing Agreements.

engaged by the Company was required to keep a watch on the achievement of the milestones[106] by the Concessionaire and report to the Company.

In the absence of Project Monitoring Units and Project Review Units (*Paragraph 4.1.30*), the Company could not monitor compliance of conditions relating to Escrow Account. As, the Company did not furnish Escrow Account statements of the selected projects to Audit, the same in respect of 15[107] out of 28 projects were obtained by Audit directly from the respective Escrow Banks. Review of Escrow Account statements, revealed the following deficiencies in eight out of the above 15 projects:

- Concessionaires of three terminated projects[108] opened the Escrow Accounts with a delay of 23 days to 62 days from Appointed Date, for which damages at the rate of 0.20 *per cent* of the Performance Security per day were payable by the Concessionaire (Clause 4.3). However, the Company did not impose the penalty of ₹ 1.22 crore for delay in opening of Escrow Accounts. In case of other three projects[109], the Concessionaires opened current account instead of Escrow Account in contravention of Clause 31 of the Concession Agreement.

In case of Gwalior-IX Project, the Company stated (September 2019) that the Appointed Date was declared before Escrow Agreement as the Concessionaire had already started actual construction work. This indicated lackadaisical approach of the Company in ensuring operation of Escrow Account even after start of the project.

- The first and second milestones were to be achieved within 180 days and 365 days from Appointed Date with 10 *per cent* and 35 *per cent* financial progress respectively.

Scrutiny of Escrow/ Current Account statements of seven projects[110] revealed that the Concessionaires failed to achieve either of the milestones but funds ranging from 10 to 70 *per cent* of total project cost in respect of first milestone and 27 to 72 *per cent* in respect of second milestone were withdrawn from Escrow/ Current Account. Further, six out of seven projects were terminated by the Company due to slow progress of work. Excess withdrawal of fund at the time of termination was ₹ 332.19 crore as detailed in ***Annexure-4.9***.

The Company accepted (September 2019) the fact and stated that as per provisions of Escrow Agreement, Escrow Bank is responsible for withdrawal from Escrow Accounts as per provisions of Escrow Agreement. It was also stated that the Company is not responsible for monitoring of day to day transactions of Escrow Accounts. Further, it was stated that the lender banks

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106 Schedule-G of Concession Agreement provides for four milestones, with expenditure of not less than 10, 35, 70 and 100 *per cent* of total capital cost set forth in the Financial Package.

107 Terminated Projects: Gwalior-IX, Gwalior-VIII, Sagar-3, Gwalior-2, Gwalior-SH-2, SH-54, Rewa-NH-75 (1), Rewa-NH-75 (2) and Jabalpur-VI. Completed Projects: Ujjain-SH3, Gwalior-SH1, Indore-2, Indore-3, Sagar-SH2 and Sagar-1.

108 Gwalior-IX, Gwalior-VIII and Sagar-3.

109 Gwalior-SH-2, SH-54 and Ujjain-SH3.

110 Current Accounts: Gwalior-SH-2 and SH-54 (terminated), Escrow Accounts: Gwalior-IX, Rewa-NH-75 (2), Rewa-NH-75 (1), Gwalior-VIII (terminated) and Sagar-3 (completed).

disbursed the amount on the basis of Lenders' Independent Engineer (LIE)[111] reports and the lenders had not intimated disbursement to the Company. Thus, there was no mechanism to monitor withdrawal from Escrow/ Current Accounts of the projects by the Company, which in turn led to excess withdrawal of fund.

- In case of Gwalior-VIII project, as and when loan and equity amount was disbursed in Escrow Account, the Concessionaire transferred the same to another current account immediately and disbursed that amount for meeting project related expenses through that current account only. Thus, the Concessionaire bypassed the control mechanism of the Escrow Account.

The Company stated (September 2019) that the Concessionaire may open sub-accounts as per the provisions of the Escrow Agreement. The current account was a sub-account of the Escrow Account. Reply is not acceptable because as per Clause 4.1.1 of the Escrow Agreement, sub-account was to be used only for depositing the amounts, which are not due in any month, by appropriating from the Escrow Account. Hence, the current account maintained by the Concessionaire cannot be considered as sub-account as replied by the Company. Further, the current account which was stated as sub-account was opened (October 2012) prior to opening (November 2012) of Escrow Account.

Thus, instances of withdrawal of funds more than the physical progress of work, transferring the funds to current account immediately indicated impact of absence of control mechanism in the withdrawal of money from the Escrow Accounts.

- As per Common Loan Agreement, LIE was required to monitor and report the progress of the project to lender. In case of Gwalior-SH-2, Gwalior-IX and Gwalior-VIII terminated projects[112], LIEs had reported progress of 20.61 *per cent,* 50 *per cent* and 55 *per cent* respectively as against the IE (appointed by the Company) progress of 6.72 *per cent*, 27.71 *per cent* and 37.56 *per cent* respectively.

Reporting of higher progress than that of actual by LIE contributed to disbursement of higher loan amount to the Concessionaire. As a result, the Concessionaires of eight[113] projects withdrew ₹ 401.65 crore from financial institutions for incomplete works, which were declared by lenders as Non-Performing Assets due to non-repayment by Concessionaires. Besides, due to absence of prompt and efficient Escrow Account monitoring mechanism, the possibility of diversion of funds cannot be ruled out.

- In case of four[114] terminated projects, the Concessionaires/ lenders have appropriated ₹ 7.10 crore from Escrow Account towards payment to EPC contractors and lenders even after the termination of Concession Agreement in

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111 Lenders' Independent Engineer is appointed by lender to monitor and report physical progress of the project.
112 LIE records of other projects were not available with the Company.
113 Gwalior-SH-2, Gwalior-IX, Rewa-NH-75 (2), Rewa-NH-75 (1), Gwalior-VIII, SH-23, Jabalpur-VI and Sagar-SH-37.
114 Gwalior-SH-2, Gwalior-IX, Rewa-NH-75 (2) and Rewa-NH-75 (1).

contravention of Clause 31.4.1[115] (***Annexure-4.9***). The Company has not taken efforts to recover damages on account of delay in submission of Performance Security, Financial Closure, achievement of milestones and IE fees from Escrow Account as per Clause 31.4.1, as detailed in Table 4.1.8:

Table 4.1.8 Non-recovery of Company dues from Escrow account after termination

(₹ in crore)

Sl. No.	Name of project	Pending dues of the Company				Amount recoverable towards increase in Project Cost[116]	Total Amount	PS* Amount
		Delay in submission of PS*	Delay in FC#	Delay in achieving Milestone	IE fees			
1	Gwalior-SH-2	1.40	1.06	1.60	1.32	30.04	**35.42**	**7.00**
2	Gwalior-IX	1.59	1.55	4.74	2.62	66.29	**76.79**	**7.93**
3	Rewa-NH-75 (2)	3.21	6.52	20.26	2.29	193.85	**226.13**	**16.05**
4	Rewa-NH-75 (1)	2.58	6.14	37.61	3.58	68.29	**118.20**	**12.89**
Total		**8.78**	**15.27**	**64.21**	**9.81**	**358.47**	**449.41**	**43.87**

*** PS = Performance Security, # FC = Financial Closure**

The Company stated (September 2019) that recovery of damages by invocation of Performance Security was already done and there was no need to recover it from Escrow Account. It was further assured (November 2019) that in future it will develop a mechanism for monitoring of Escrow Accounts of Concessionaires.

The reply is not satisfactory as encashment of Performance Security was not adequate to recover all the dues of the Company including additional cost required to be incurred by the Company in awarding the balance work after termination. Further, during construction period, if the Company recover damages from Performance Security, the same was required to be replenished by the Concessionaire to its original level.

Short recovery of premium amount from the Concessionaires

4.1.27 According to Clause 26.2.1 of the Concession Agreement, during the concession period, the Concessionaire was required to pay yearly premium[117] to the Company. The premium shall be determined by increasing the amount of premium in the respective year by an additional 5 *per cent* as compared to the immediately preceding year. Further, as per Clause 47.5 of Concession Agreement, interest[118] was to be levied for delayed payments by the Concessionaire.

[115] Clause 31.4.1 specifies the order in which amount from Escrow Account will be appropriated after termination of Concession Agreement like all due taxes, 90 *per cent* of debt due, outstanding concession fee, all payment and damages certified by the Company, etc.

[116] Project cost was increased after re-awarding the balance works of terminated projects on EPC mode.

[117] As quoted by the Concessionaire at the time of tendering.

[118] At the rate equal to 5 *per cent* above the Bank Rate.

As on 31 March 2018, nine road projects[119] were executed by the Company on Toll premium mode. However, the four[120] Concessionaires had not paid premium since the beginning of projects amounting to ₹ 214.03 crore. Similarly, payment of premium by two[121] Concessionaires was in arrears of ₹ 4.53 crore. The reasons cited by the Concessionaires for non-payment of premium was insufficient collection of toll. Further, in case of Rewa-NH1 project, the Concessionaire made short payment of premium by ₹ 1.88 crore[122] than the due amount of premium. The Company accepted the short payment without recording any reasons.

In this regard, Audit observed that there was specific clause in the Concession Agreements, for verification of the toll revenue reported by the Concessionaires. However, the records relating to invoking that clause and conducting verification of reported insufficient toll revenue, was not found on record. Further, agenda prepared (December 2013) for Tender Committee suggested that additional Bank Guarantee of an amount equal to the due amount of premium should be obtained. However, the Company had not taken any initiative for inclusion of specific provisions in Concession Agreement for obtaining additional Bank Guarantee. Moreover, the Company had also not monitored Escrow Account for recovery of premium as discussed in *Paragraph 4.1.26*. As a result, the Company had to suffer loss on account of non-recovery of premium amount of ₹ 218.56 crore (as on 31 March 2018) from six Concessionaires and consequent loss of interest of ₹ 59.02[123] crore.

The Company stated (September 2019) that various notices were issued to the Concessionaires and further assured that in future, appropriate action would be taken as per the various provisions of the Concession Agreements. Reply is silent on the aspect of not securing premium revenue by obtaining Bank Guarantee of equivalent amount from the Concessionaire and reasons for non- verification of the reported toll revenue.

Non-recovery of Project Monitoring Fee, Establishment Charges and IE Fees

4.1.28 As per Clause 6.10.3, 7.3 and 25.4 of Concession Agreement, the Concessionaire was required to pay to the Company, one *per cent* of annual toll collected by him, as a Project Monitoring Fee till the end of concession period. Further, as per Clause 17.6 and Schedule-P of Concession Agreement, the Concessionaire shall pay to the Company one *per cent* of the toll collection towards its establishment expenses/ payment of IE fee for the operation period for each accounting year. This shall be due and payable within 30 days of end

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119 Lebad-Jaora (SH), Jaora-Nayagaon (SH), Indore-Ujjain (SH), Ujjain-UnhelJaora (SH), Lebad-Manpur (SH), Mhow-Ghatabillod (SH), Bhopal-Bypass (SH), Bina-Kurwai-Sironj (SH) and Rewa To Hanumana MP/ UP Border (NH).

120 Mahakaleshwar Tollways Pvt Ltd, M/s Essel Mhow Ghatabillod Toll Roads Ltd., M/s Transtroy Bhopal Bypass Pvt. Ltd., Hyderabad and Telecommunications Consultants India Limited.

121 M/s Topworth Tollways (Ujjain) Pvt. Ltd. Mumbai and Valecha LM Toll Pvt Ltd.

122 Concessionaire quoted annual premium of ₹ 3.60 crore. However, the Concessionaire paid less premium of ₹ 1.88 crore for the years 2015-18.

123 Bhopal Bypass- ₹ 28.98 crore and Mhow-Ghatabillod- ₹ 30.04 crore (as the major non-recovery of premium was towards these two projects, interest was calculated for these projects only).

of every financial year. Interest[124] was to be levied for delayed payments by the Concessionaire (Clause 47.5).

Audit observed that during 2013-18, an amount of ₹ 48.99 crore was recoverable from 36 Concessionaires, out of which the Company recovered only ₹ 45.62 crore that also with delays upto 335 days from the due date. Thus, at the end of the March 2018, an amount of ₹ 3.37 crore was pending as recoverable towards Project Monitoring Fee, Establishment Charges and IE Fees during operation period. The reasons for delayed/ non-recovery of dues were lack of regular pursuance, non-recovery from Escrow Account and absence of system in the Company for monitoring of recovery of Project Monitoring Fee, Establishment Charges and IE Fees from the Concessionaire.

Further, as per Schedule-P of Concession Agreement of Indore-SH1 and Rewa-SH4, the Company was required to limit IE fees to two *per cent* of their Project Cost. However, the Company wrongly incurred IE fees of ₹ 1.38 crore[125] and ₹ 3.01 crore[126] respectively in excess of limit of two *per cent*, which was not recovered from the Concessionaires inspite of its specific provision in the Concession Agreement. Hence, there was no system in place in the Company to ensure that expenditure towards IE fees does not exceed the prescribed limits.

The Company stated (September 2019) that regular monitoring is being done for recovery of dues by way of reminders and meetings. Further, it was stated that that Indore-SH1 and Rewa-SH4 projects were delayed and accordingly, services of IE were also extended, which resulted in exceeding the limit of two *per cent*. Reply is not acceptable as agreement with IE were held in advance for an amount higher than the ceiling of two *per cent*. Further, no such records of reminders and meetings with the Concessionaires for recovery of dues were produced to Audit.

Recommendation: The Company should fix responsibility for not monitoring Escrow Account operations and make efforts to include relevant clauses in Concession Agreements for proper monitoring of Escrow Account operations.

Monitoring and quality control

4.1.29 The fifth objective of this Performance Audit was to assess whether monitoring of the projects to achieve the intended objective was effective.

Audit observed that there was lack of effective mechanism in the Company for monitoring of BOT Projects. The instances of non-appointment of Safety Consultant, deficient construction quality and maintenance of roads, delayed appointment of IE and fixation of unrealistic targets for supervision of roads by the technical officers were noticed. Detailed audit observations are discussed below: -

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124 At the rate equal to 5 *per cent* above the Bank Rate.

125 Indore-SH1 = IE Fee incurred ₹ 5.92 crore less (Project Cost ₹ 227 crore x 2 *per cent*).

126 Rewa-SH4 = IE Fee incurred ₹ 5.45 crore less (Project Cost ₹ 121.77 crore x 2 *per cent*).

Lack of Institutional Mechanism for Monitoring of Projects

4.1.30 As per guidelines issued (August 2012) by the Planning Commission, GoI, for Institutional Mechanism for Monitoring of PPP Projects, for monitoring the performance of PPP Projects, in addition to the appointment of IE, PPP Projects Monitoring Unit (PMU) was to be established at the Company level and PPP Performance Review Unit (PRU) was to be established at the State Government level. Monitoring by the PMU should, *inter alia*, cover monitoring of compliance of the conditions of the Concession Agreement and adherence to the project time lines.

Audit observed that monitoring by the Company was being done by obtaining monthly progress reports of projects from IEs. Deficiencies noticed during execution and its rectification were also being watched through IE reports without verifying the same at Company/ GoMP level. However, the Company did not establish PMU at field as well as at the Company level and PRU at State Government level for monitoring of performance of BOT projects. Therefore, compliance of guidelines for Institutional Mechanism for Monitoring of BOT Projects was not assured.

As a result, issues of non-compliance of provisions of Concession Agreement i.e. non-imposition of damages for delay in achieving milestone *(Paragraph 4.1.15),* Financial Closure, submission of Performance Security *(Paragraph 4.1.19)*, excess drawals from Escrow Accounts (*Paragraph 4.1.26*), etc. were noticed as discussed in previous paragraphs. Besides, the Company could not ensure compliance of the provisions of Building and Other Construction Workers' Welfare Cess Act, 1996 viz. collection, remittance and assessment of Labour Cess, registration of establishments and beneficiaries, implementation of Welfare Schemes, facilities for Workers, etc. by the Concessionaire.

The Company stated (September 2019) that Guidelines are generic in nature and meant to assist the Project Authorities in evolving their own institutional mechanism. There is already a two-tier mechanism for monitoring PPP projects i.e. IE / Divisional Manager at field level and General Manager/ Chief Engineer (CE) at head office level. Reply is not convincing as Guidelines specifically provided for monitoring mechanism for ensuring compliance of the conditions of the Concession Agreement and adherence to the time lines. The project authority was to establish institutional arrangements for ensuring the same. However, neither IEs nor CEs followed the mechanism mentioned in the Guidelines resulting in inadequate monitoring and subsequent deficiencies.

Unrealistic targets for supervision of roads

4.1.31 The Company notified duties and responsibility of technical officers deployed at its Divisional Offices, which, *inter alia* included conducting weekly inspection (four days in a week on each road by Managers and two days in a week by AGMs), testing of roads and submission of reports and bills to Headquarters. As on 31 March 2018, nine Divisional Managers, 29 AGMs and 24 Managers were posted in Indore, Gwalior, Rewa, Ujjain, Narmadapuram, Jabalpur, Sagar, Chhindwara and Bhopal divisions.

Audit observed that at nine divisions, the targets fixed for supervision of roads by the technical officers were unrealistic. Length of roads to be monitored by each technical officer, ranged from 447 km (Chhindwara) to 2,997 km (Bhopal) per week for each AGM and 893 km (Chhindwara) to 5,993 km (Bhopal) per week for each Manager. The details are furnished in table 4.1.9:

Table 4.1.9 Length of roads to be monitored by each technical officer at divisions

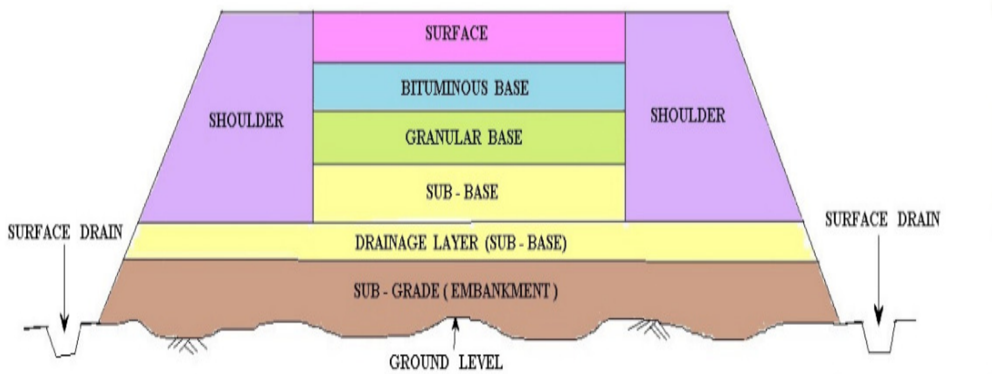
Sl. No.	Division	Length of roads (Kms)	No. of AGMs posted	No. of Managers posted	Weekly Length to be covered by each AGM (Kms)	Weekly Length to be covered by each Manager (Kms)
1	Indore	1,499	4	2	999	1,999
2	Gwalior	973	3	4	556	1,113
3	Rewa	1,234	3	2	987	1,975
4	Ujjain	2,192	3	3	1,461	2,923
5	Narmadapuram	626	2	1	835	1,669
6	Jabalpur	1,035	5	2	592	1,184
7	Sagar	2,712	4	3	1,550	3,099
8	Chhindwara	669	2	4	447	893
9	Bhopal	4,495	3	3	2,997	5,993

Thus, targets for supervision of roads by technical officers deployed at divisions were not in synchronisation with the actual manpower deployed.

The Company accepted (November 2019) the fact and stated that the quantum of work will be re-assessed and manpower will be deputed accordingly.

Acceptance of sub-standard Quality of road construction

4.1.32 As per Clause 13.3.1 of Concession Agreement, IE was required to ensure that the road construction conform to the specifications and standards for quality assurance. The pavement consists of subgrade[127], sub base course[128], base course[129], wearing course[130] and seal coat.



Audit noted following instances of non-adherence to the quality parameters in case of four out of 28 projects from monthly inspection reports of IE and records of the Company:

[127] Subgrade is made of soil primary component of road.
[128] Sub base is laid over sub grade is made of boulders and moorum (granular material).
[129] Base course is laid over the sub base is made of either bituminous mix or granular material.
[130] Wearing course is made of bituminous material laid over the base course.

- In case of Nadigaon-Seondha MDR, moorum metal laid in the upper layer of Granular Sub Base (GSB) over lower layer (subgrade) was treated as lower layer (subgrade) due to its inferior quality (California Bearing Ratio) than the norms. It was further noticed that subsequently (August 2015) majority of the work done by the Concessionaire was damaged.

- In case of Garakota-Rehli-Devri MDR, the Concessionaire did not lay Concrete layer of sub base below concrete layer of Pavement where existing pavement in central portion was of Bituminous layer. The design of rigid pavement was also pending. Subsequently, open cracks in rigid pavement were observed at number of places. Further scrutiny revealed that oversize material than the requirement was used resulting in inadequate compaction of GSB layer. Dense Bituminous Macadam (DBM) layer was also not as per job mix formula recommended for DBM design. Wet Mixed Macadam (WMM) layer was laid with lesser thickness of 50 mm at km 40.180 and 100 mm at km 40.130 respectively against approved thickness of 250 mm, thus impacting the riding quality of road for users.

- IRC: SP 73 provided for construction of sub base (lower layer) by adopting cement treated soil sub base as GSB (upper layer). In case of Betul-Sarni-Parasia SH, the Concessionaire adopted 200 mm thick cement treated base course (upper layer) instead of sub base course erroneously for construction of 32 km length of road. As a result of using cement treated soil as a base course, cracks in surface of road were noticed.

The Company stated (May 2019) that the Concessionaire has chosen cement treated base design concept and as per Concession Agreement, he is responsible for maintaining project during operation period. The reply does not address issue relating to cracks in surface of road resulting in reduction in level of service to road users.

- In respect of Ratlam–Sailana–Banswada SH, Audit observed that the electrical poles which were to be erected at the extreme end of the road at Sarvan and Dhamnod bypass, were actually erected on the shoulder and road edge, which indicated that the utility shifting work was not properly executed and monitoring of BOT road projects was deficient to that extent.

The Company stated (September 2019) that the defect has been rectified before making payment. The reply is not acceptable as the defect continued even after completion (27 June 2015) of the project, which also shows deficient monitoring of execution of projects by the Company.

All the above instances indicated that the Company has accepted the sub-standard work. Thus, due to inadequate monitoring, the quality of road as per the Concession Agreement could not be ensured.

Acceptance of average quality surface of roads

4.1.33 Paragraph 5.4.3 of IRC-SP:73-2007 provides that the constructed roads should satisfy the standard of roughness[131] and should not be more than 2,000 mm per km for good quality of road. During the operation period, the roughness of surface of road should not exceed the values specified in the Schedule-K of Concession Agreement. Schedule-K of MCA specified

[131] Measured by calibrated Bump Integrator (BI).

roughness value of 2,750 mm per km. In case of deviations, the Concessionaire was required to restore the riding quality to 2,000 mm per km by renewal/ overlaying.

However, Audit noticed that in the Concession Agreements, the Company, without recording reasons, included the above norms of roughness upto 3,000 mm per km instead of 2,750 mm per km (as per MCA), which was applicable for average quality of roads instead of good quality.

Test-check of half yearly Bump Indicator (BI) reports (2016-18) of nine projects[132] (five MDRs and four SHs) revealed that roughness indices of seven[133] out of the above nine road projects were more than the prescribed limit of 2,750 mm per km. It was further noticed that in case of Indore-2 project, roughness indices reported in November 2016 were more than roughness indices of May 2016 indicating that the surface of road was deteriorating, and not being maintained by the Concessionaire as per norms during operation period. However, the Concessionaires did not overlay/ renew these roads during operation period.

Thus, due to inclusion of norms of roughness upto 3,000 mm per Km instead of 2,750 mm per Km, road users were compelled to use average quality of roads besides Concessionaires were allowed to forgo the liability of renewal/ overlay.

The Company stated (November 2019) that as per IRC norms the roughness of 2,000 mm per Km is for acceptance criteria for newly constructed flexible pavement and during operation period due to wear and tear over long period of uses, the norm of roughness value up to 3,000 mm per km. Reply is not acceptable as MCA specifically provided for maintaining roughness indices during operation period upto 2,750 mm per km for maintaining good quality of road which was not done.

Poor maintenance of road during operation period

4.1.34 As per Clause 17.2 of Concession Agreement, during the entire operation period, the Concessionaire was required to maintain the roads in accordance with the maintenance requirements set forth in Schedule-K of Concession Agreement. In case of defect or deficiency, the Concessionaire was required to repair/ rectify the same within specified time. During joint physical verification of nine[134] out of 16 completed road projects, following deficiencies in maintenance of roads as per requirements mentioned in Schedule-K were noticed.

- Potholes and cracks in more than five *per cent* of road surface in a stretch of one km were observed in four roads (Indore-1, Indore-SH1, Narmadapuram-SH1 and Rewa-NH1).

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132 Narmadapuram-SH1, Indore-5, Sagar-1, Sagar-SH2, Indore-2, Bhopal-1, Gwalior-SH1, Ujjain-SH2 and Gwalior-2. Records relating to BI tests of Indore-1, Rewa-NH1, Indore-SH1 and Rewa-SH4 projects were not made available.

133 Narmadapuram-SH1, Indore-5, Sagar-1, Sagar-SH2, Indore-2, Ujjain-SH2 and Gwalior-2.

134 Indore-1, Indore-SH1, Narmadapuram-SH1, Sagar-3, Sagar-1, Sagar-SH2, Rewa-NH1, Ujjain-SH3 and Gwalior-SH1.

- Debris from shoulders were not removed by the Concessionaires in seven roads (Indore-1, Indore-SH1, Narmadapuram-SH1, Sagar-SH2, Rewa-NH1, Ujjain-SH3 and Gwalior-SH1).
- Damage to profile, loss of retro-reflectivity of road side furniture was noticed besides poor visibility in the nine roads.
- Tree plantation and rest areas of the roads were not maintained as per requirement.
- Shoulders, side slopes, drains and culverts were not maintained as per requirement in case of all nine roads.
- Damage or deterioration in crash barriers in three roads (Indore-1, Indore-SH1 and Narmadapuram-SH1) was observed.

Hence, failure of the Company to effectively monitor maintenance of roads by the Concessionaire during operation period and to insist corrective action in time, as a result, users were compelled to use average quality of roads.

The Company stated (September 2019) that officials of the Company inspects the roads from time to time and discussed in project review meetings. Reply is not acceptable as inspite of inspection by the Company officials and project review meetings, deficiencies in maintenance of roads as per requirements mentioned in Schedule-K were noticed.

Non-appointment of Safety Consultant

4.1.35 Clause 18.1.2 of Concession Agreement provides for appointment of Safety Consultant by the Company, who was responsible for carrying out safety audit of the roads and ensure compliance with safety requirements. Costs and expenses on works and services arising out of Safety Requirements was to be met from a dedicated Safety Fund, which was operated by the Company in which 0.25 *per cent* of the Total Project Cost is deposited by the Concessionaire within 180 days of the Project Completion Date.

Audit observed that the Company has not conducted safety audit in respect of any of the BOT road projects selected for detailed scrutiny. Further, in case of eight projects[135], negative change of scope of ₹ 24.53 crore for reduction in item of works i.e. overlaying on existing pavement instead of reconstruction, widening of bridges/ slap culverts instead of their reconstruction and execution of roads in lesser width, etc. were approved by the Company without conducting Safety Audit.

Safety fund also cannot be considered as utilised optimally as upto 31 March 2018, the Company received an amount of ₹ 10.69 crore in Safety Fund, out of which only ₹ 6.23 crore was used and balance amount of ₹ 4.46 crore was lying unutilised.

Thus, due to non-appointment of Safety Consultant, Safety Audit was not conducted. Further, the Company allowed negative change of scope without assuring safety measures and as a result, the safety of road users was compromised to that extent.

[135] Gwalior-2, Sagar-SH2, Indore-SH1, Indore-1, Indore-2, Ujjain-SH2, Indore-3 and Bhopal-1.

The Company accepted (September 2019) that the process for appointment of Safety Consultant was under process and tenders will be invited shortly.

Delayed engagement of Independent Engineers

4.1.36 As per Concession Agreement, the Company was required to appoint Independent Engineer (IE) within 90 days from the date of the Concession Agreement (Clause 23.1). The role and functions of IE *inter alia* included review of the Drawings at planning stage of work, inspection and monitoring of work during construction, conduct tests on completion of construction and issue Completion Certificate (Schedule-Q).

However, it was noticed that in nine[136] out of 12 terminated projects and 11[137] out of 16 completed projects, the Company appointed IE with delays ranging from 13 days (Ujjain-SH3) to 681 days (SH-23). The reasons for delay in appointment of IE were delay in initiating tendering procedure and retendering for engagement of IE by the Company. Thus, delayed appointment of IE resulted in non-availing specialised services at planning stages of projects before start of execution of works. This has also contributed to irregular change in scope of work of ₹ 32.78 crore as discussed in *Paragraph 4.1.18*.

The Company stated (September 2019) that there was delay in achievement of Financial Closure by the Concessionaires, resulting in delay in declaration of Appointed Date and the Concessionaires did not start construction activity upto Appointed Date. Reply is not acceptable because as per Concession Agreement, IE was required to undertake a detailed review of the Drawings to be furnished by the Concessionaire even before Appointed Date. Moreover, in case of five projects[138], IEs were appointed by the Company even after the date of Financial Closure.

Non-issuance of Vesting Certificate

4.1.37 Clause 38 of Concession Agreement provided that upon termination of Concession Agreement, the Concessionaire shall comply with the Divestment requirements and IE shall verify the roads and defaults, if any, in the maintenance requirements, shall be cured by the Concessionaire. Further, it was provided that the Company shall issue a Vesting Certificate, which will lead to divestment of rights, title and interest of the Concessionaire in the project to the Company.

However, in none of the terminated projects, such verification/ testing was done by IE before termination and no Vesting Certificate was issued by the Company. As a result, in case of four[139] out of 12 terminated projects, the Company while completing the balance work through EPC contractors, paid

136 Gwalior-IX, Gwalior-SH-2, Gwalior-VIII, Jabalpur-VI, Rewa-NH-75 (1), Rewa-NH-75 (2), Sagar-SH-37, SH-23 and SH-54. Records of Chhindwara-MDR and Jabalpur-NH-12 projects were not made available to Audit.

137 Bhopal-1, Indore-2, Indore-5, Indore-SH1, Rewa-NH1, Rewa-SH4, Sagar-1, Sagar-3, Sagar-SH2, Ujjain-SH2 and Ujjain-SH3.

138 Gwalior-SH-2, Rewa-NH-75 (1), Sagar-SH-37, SH-23 and Indore-SH1.

139 Jabalpur-VI (₹ 8.29 crore), Rewa-SH4 (₹ 2.99 crore), Gwalior-IX (₹ 8.72 crore) and Gwalior-VIII (₹ 1.07 crore).

₹ 21.07 crore for the length of different layers of roads (ranging from 0.74 km to 9.83 km), which were reported[140] to be completed by the Concessionaires.

The Company stated (September 2019) that since, IE has evaluated the physical work done by the Concessionaire, there was no need to issue Vesting Certificate. The reply is not acceptable as there was no clause in the Concession Agreement for exemption from issuing Vesting Certificate.

Thus, due to non-issuance of the Vesting Certificates, the Company did not have evidence of divestment in case of any terminated project. This may also lead to future legal dispute arising out of disputes, if any, as to rights, title and interest in projects.

Recommendation: The Company should ensure that proper monitoring mechanism is put in place to monitor the progress of the projects and quality of road is executed as per provisions of the Concession Agreements and adherence of time lines prescribed therein.

Conclusion

- Records which formed the basis for selection of road projects for upgradation were not made available, hence, Audit could not assure that the planning for road projects were made after following due diligence.

- Selection of PPP mode was not decided on the basis of outcome of the feasibility studies, defeating objectives of conducting Feasibility Studies to that extent.

- The Company adopted deficient Feasibility Reports at their face value without carrying out their independent verification through respective Divisional Offices. As a result, the projects were delayed and project costs were increased.

- The Company did not adhere to RFQ provisions for selection of Concessionaires and EPC contractors and accepted formation of SPV with lower equity than the requirement. This contributed to slow execution of works. The Company terminated the Concession Agreements and awarded the balance works on EPC basis instead of BOT mode, defeating the objective of BOT.

- There were various procedural lapses on the part of the Company in retaining the deficient clause of 'Performance Security' resulting in non-recovery of damages for delay in submission of Performance Security and Financial Closure.

- The Company did not recover damages from the Concessionaires towards delay in achievement of project milestones.

- The Company did not adopt MCA for fixation of completion period, for which reasons were not on record. Had the Company adopted MCA for fixation of completion period, the Company could have saved bonus paid to the Concessionaires.

[140] As per the reports of IE.

- The Company made payment of change of scope to 11 Concessionaires for increase in items of works of roads and structures, though the items of works were already incorporated in detailed schedule of work of Concession Agreement.

- Provisional Completion Certificates of eight project were issued without ensuring completion of total length of carriageway, construction and widening of bridges, works of bituminous concrete, shoulders, etc.

- There was absence of prompt monitoring system in operation of Escrow Account and there were instances where LIEs have reported higher progress of work than as intimated by the IE. The Company did not obtain LIE reports and thus, failed to reconcile the differences between the them. This led to disbursement of higher loan amount to the Concessionaires, which subsequently resulted in Non-Performing Assets due to non-repayment of debt by the Concessionaires in respect of terminated projects.

- The Company did not establish Projects Monitoring Unit and Performance Review Unit at the Company/ State Government level, which affected prompt and effective monitoring of BOT road projects.

- Targets for supervision of roads by technical officers deployed at divisions were unrealistic and were not in synchronisation with the actual manpower deployed.

- Joint physical verifications of the nine roads revealed various deficiencies in the maintenance and quality parameters of roads.

CHAPTER 5

Chapter 5

Compliance Audit Observation relating to Public Sector Undertakings (other than Power Sector)

This Chapter includes important audit findings emerging from test check of transactions of the Public Sector Undertakings (other than Power Sector).

The Provident Investment Company Limited

5.1 Avoidable payment of interest

Non-filing of annual Income Tax return within due dates and shortfall in remittance of advance tax resulted in avoidable payment of interest of ₹ 1.14 crore

As per Section 208 of the Income Tax Act, 1961 (Act), advance tax is payable during a financial year, in every case, where the amount of such tax payable by the assesse during the year is rupees ten thousand[1] or more. Section 234B of the Act stipulates that where in any financial year, an assessee who is liable to pay advance tax under Section 208 failed to pay such tax or where the advance tax paid by such assesse is less than 90 *per cent* of the assessed tax, the assesse shall be liable to pay simple interest at the rate of one *per cent* for every month from the first day of April on the amount by which the advance tax paid fell short of the assessed tax.

Further, Section 234C of the Act provides that if an assessee fails to pay advance tax or the advance tax paid is less than 15 *per cent*, 45 *per cent*, 75 *per cent* and 100 *per cent* of the tax due till 15 June, 15 September, 15 December and 31 March respectively, the assesse shall be liable to pay simple interest at the rate of one *per cent* per month on the amount of the shortfall. In terms of the provision of Section 234A, in case the return of income for any assessment year is furnished after the due date, simple interest at the rate of one *per cent* for every month or part of a month is chargeable on

[1] Substituted for "five thousand" by the Finance Act, 2009 w.e.f 1.4.2009.

the amount of tax on the assessed income less advance tax paid and tax deducted/ collected at source.

Audit observed (July 2018) that The Provident Investment Company Limited (Company) had not paid the advance tax within the prescribed time and had also not filed their annual Income Tax Returns (ITRs) within due dates. Scrutiny of records indicated that the Company was irregular in filling ITRs and payment of advance tax at the stipulated percentages on the due dates. Due to delay in finalisation of Annual Accounts for the years 2007-08 to 2017-18, the company filed the ITRs for the Assessment Years (AYs) 2008-09 to 2018-19 by delay of 328 days to 548 days (***Annexure-5.1***). The Company paid ₹ 1.14 crore towards interest under Section 234A, 234B and 234C for AYs 2008-09 to 2018-19, which could have been avoided had the Company correctly assessed and paid the quarterly instalments of advance tax on the prescribed due dates.

In reply, the Finance Department stated (October 2018) that the present situation has arisen due to non-conduction of audit by the then Management in time. The present Management removed the services of the concerned employees from the Company (19 December 2017) and lodged FIR against them for criminal proceedings and also got vacated the residential accommodation provided to them.

The reply is not acceptable because as per Section 210/ 129 of the Companies Act, 1956/ 2013, it is duty of the Company to place the accounts in the Annual General Meeting of the shareholders within six months of the close of the financial year. Further, the Company could have estimated the tax liability for the respective years on the basis of the earnings of the Company.

(BIJIT KUMAR MUKHERJEE)
Accountant General
(Audit- II)
Madhya Pradesh

Bhopal
The : 15 July 2020

Countersigned

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

New Delhi
The : 22 July 2020

ANNEXURES

Annexure–1.1

(*Referred to in Paragraphs 1.8, 1.9 and 1.12*)

Summarised financial results of Power Sector Undertakings for the latest year for which accounts were finalised

(₹ in crore)

Sl. No.	Activity & Name of the Power Sector Undertaking	Period of accounts	Net profit/ loss before interest and tax	Net profit/ loss after interest & tax	Turn over	Paid up capital	Capital Employed [1]	Net Worth[2]	Accumulated Profit/ loss
1	2	3	4	5	6	7	8	9	10
A.	**Generation**								
1	Madhya Pradesh Power Generating Company Limited (MPPGCL)	2017-18	1,352.98	32.73	7,245.19	6,251.26	15,106.33	3,266.82	-2,961.89
	Sub-total		**1,352.98**	**32.73**	**7,245.19**	**6,251.26**	**15,106.33**	**3,266.82**	**-2,961.89**
B.	**Transmission**								
2	Madhya Pradesh Power Transmission Company Limited (MPPTCL)	2017-18	-235.06	32.48	2,793.99	2,988.69	4,955.74	2,754.52	-234.17
	Sub-total		**-235.06**	**32.48**	**2,793.99**	**2,988.69**	**4,955.74**	**2,754.52**	**-234.17**
C.	**Distribution**								
3	Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (MPPoKVVCL)	2017-18	-1,096.07	-2,190.46	9,059.22	5,446.36	1,164.92	-9,312.31	-14,758.67
4	Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (MPPaKVVCL)	2016-17	931.28	552.89	12,305.01	3,049.43	3,674.82	-6,216.16 [4]	-9,344.81
5	Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (MPMKVVCL)	2017-18	-1,518.21	-2,716.79	9,616.42	5,544.21	-1,628.30	-12,384.34	-17,928.55
	Sub-total		**-1,683.00**	**-4,354.36**	**30,980.65**	**14,040.00**	**3,211.44**	**-27,912.81**	**-42,032.03**
D.	**Others**								
6	Madhya Pradesh Urja Vikas Nigam Limited (MPUVNL)	2016-17	-	-	24.42	0.69	2.39	0.69	-
7	Madhya Pradesh Power Management Company Limited (MPPMCL)	2016-17	96.13	-	24,999.04	6,074.12	600.98	99.52	-
	Sub-total		**96.13**	**-**	**25,023.46**	**6,074.81**	**603.37**	**100.21**	**-**
	Total working (A+B+C+D)		**-468.95**	**-4,289.15**	**66,043.29**	**29,354.76**	**23,876.88**	**-21,791.26**	**-45,228.09**

Sl. No.	Activity & Name of the Power Sector Undertaking	Period of accounts	Net profit/ loss before interest and tax	Net profit/ loss after interest & tax	Turn over	Paid up capital	Capital Employed [1]	Net Worth[2]	Accumulated Profit/ loss
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
E.	**Not covered in this report**								
8	Dada Dhuni Wale Khandwa Power Limited (DDKPL)	2016-17	-2.23	-3.06	-	45.00	36.38	36.38	-8.62
9	Shahpura Thermal Power Company Limited (STPCL)	2017-18	0.01	-	-	0.05	4.53	0.08	0.03
10	Bansagar Thermal Power Company Limited (BTPCL)	2017-18	0.01	-	-	0.05	0.61	-2.88	-2.93
11	Shri Singaji Power Project Limited (SSPPL)	2017-18	-	-	-	0.05	0.04	0.04	-0.01
Sub-total			**-2.21**	**-3.06**	**-**	**45.15**	**41.56**	**33.62**	**-11.53**
Grand total (Working and Non-working)			**-471.16**	**-4,292.21**	**66,043.29**	**29,399.91**	**23,918.44**	**-21,757.64**	**-45,239.62**

[1] Capital employed is the sum total of Shareholder fund and Long Term Loans.

[2] Net worth is the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure.

[3] Paid up capital of ₹ 29,399.91 crore includes an amount of ₹ 5997.15 crore in holding companies at Sl. No. A1 and Sl. No. D7 which was given by the Government for their subsidiary/ associates/ joint venture companies at Sl No E8, E9, E10, E11, C3, C4, and C5. Therefore, the amount of ₹ 5997.15 crore has been excluded for calculation of net worth and capital employed.

[4] Includes ₹ 79.22 crore general reserves.

Annexure-1.2

(*Referred to in Paragraph 1.8*)

Paid-up Capital and Loans outstanding as on 31 March 2018 in respect of Government companies

(₹ in crore)

Sl. No.	Sector and Name of the Company	Paid-up Capital				Outstanding Loans			
		State Govt	Central Govt	Others	Total	State Govt	Central Govt	Others	Total
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)
A. WORKING GOVERNMENT COMPANIES									
1	Madhya Pradesh Urja Vikas Nigam Limited	0.69	0.00	0.00	0.69	0.00	0.00	0.00	0.00
2	Madhya Pradesh Power Transmission Company Limited	2,988.69	0.00	0.00	2,988.69	0.00	0.00	2,201.22	2,201.22
3	Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited	0.00	0.00	5,446.36	5,446.36	9,727.03	0.00	750.20	10,477.23
4	Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited	0.00	0.00	5,129.13	5,129.13	8,378.03	0.00	664.52	9,042.55
5	Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited	0.00	0.00	5,544.21	5,544.21	8,454.61	0.00	2,301.43	10,756.04
6	Madhya Pradesh Power Generating Company Limited	6,066.26	0.00	185.00	6,251.26	244.85	0.00	11,594.66	11,839.51
7	Madhya Pradesh Power Management Company Limited	10,412.07	0.00	0.00	10,412.07	0.00	0.00	20.58	20.58
	Total	**19,467.71**	**0.00**	**16,304.70**	**35,772.41**	**26,804.52**	**0.00**	**17,532.61**	**44,337.13**
B. NON-FUNCTIONAL GOVERNMENT COMPANIES NOT COVERED IN THIS REPORT									
8	Shahpura Thermal Power Company Limited	0.00	0.00	0.05	0.05	0.00	0.00	4.45	4.45
9	Bansagar Thermal Power Company Limited	0.00	0.00	0.05	0.05	3.49	0.00	0.00	3.49
10	Shri Singaji Power Project Limited	0.00	0.00	0.05	0.05	0.00	0.00	0.00	0.00
11	Dada Dhuni Wale Khandwa Power Limited	0.00	0.00	45.00	45.00	0.00	0.00	0.00	0.00
	Total	**0.00**	**0.00**	**45.15**	**45.15**	**3.49**	**0.00**	**4.45**	**7.94**
	Grand Total	**19,467.71**	**0.00**	**16,349.85**	**35,817.56**[1]	**26,808.01**	**0.00**	**17,537.06**	**44,345.07**

[1] This includes an amount of ₹ 10,335.10 crore in holding companies at Sl. No. A6 and A7 which was given by the Government for their subsidiary/ associates/ joint venture companies at Sl. No. A3, A4, A5, B8, B9, B10 and B11.

Annexure-3.1

(Referred to in Paragraphs 3.1, 3.12, 3.13 and 3.19)

Summarised financial results of State PSUs (other than Power Sector) covered in this report as per the latest finalised accounts

(₹ in crore)

Sl. No.	Sl. No.	Sector & Name of the PSU	Period of accounts	Year in which finalised	Net profit/ loss before interest & tax	Net profit/ loss after interest & tax	Turn over	Paid up capital	Capital employed	Net Worth	Accumulated Profit/ loss
1	2	3	4	5	6	7	8	9	10	11	12
I	**PSUs working in Monopolistic environment**										
A	**Government Companies**										
1	1	Madhya Pradesh Rajya Van Vikas Nigam Limited	2016-17	2017-18	80.78	63.05	82.16	39.32	320.87	320.87	281.55
2	2	Madhya Pradesh Jal Nigam Maryadit	2017-18	2018-19	-0.12	-0.12	0	100.00	105.31	105.31	5.31
3	3	Madhya Pradesh State Mining Corporation Limited	2016-17	2017-18	160.79	91.81	296.39	2.20	335.13	335.13	332.93
		Sub Total			**241.45**	**154.74**	**378.55**	**141.52**	**761.31**	**761.31**	**619.79**
II	**Centage/ Commission/ Interest etc. earning Companies**										
A	**Government Companies**										
4	1	Madhya Pradesh State Agro Industries Development Corporation Limited	2016-17	2018-19	60.48	33.53	1340.79	3.29	19.08	159.47	156.18
5	2	M.P. Urban Development Corporation Limited	2016-17	2018-19	-3.89	-2.82	0	1.00	-1.84	-1.84	-2.84
6	3	Madhya Pradesh Laghu Udyog Nigam Limited	2015-16	2018-19	34.06	20.31	150.62	2.83	135.51	120.80	117.97
7	4	Madhya Pradesh State Civil Supplies Corporation Limited	2016-17	2018-19	1268.24	-27.24	12796.07	8.47	155.15	49.13	40.66
8	5	Madhya Pradesh Public Health Services Corporation Limited	2017-18	2018-19	11.07	8.10	10.14	10.00	23.43	23.43	13.43
9	6	The Provident Investment Company Limited	2017-18	2018-19	-1.63	-1.66	1.12	0.50	25.21	19.40	18.90
10	7	Madhya Pradesh Road Development Corporation Limited	2016-17	2017-18	68.56	53.44	94.08	20.00	255.66	239.97	219.97
11	8	Madhya Pradesh State Electronics Development Corporation Limited	2016-17	2018-19	11.66	6.17	88.53	21.91	72.62	44.35	22.44

Sl. No.	Sl. No.	Sector & Name of the PSU	Period of accounts	Year in which finalised	Net profit/ loss before interest & tax	Net profit/ loss after interest & tax	Turn over	Paid up capital	Capital employed	Net Worth	Accumulated Profit/ loss
1	2	3	4	5	6	7	8	9	10	11	12
12	9	M.P.Trade and Investment Facilitation Corporation Limited	2015-16	2017-18	0.59	0.40	0.13	0.80	1153.18	1.20	0.40
13	10	Madhya Pradesh Police Housing Corporation Limited	2015-16	2018-19	21.61	13.97	38.05	4.58	645.32	59.35	54.77
14	11	M.P. Audyogik Kendra Vikas Nigam (Bhopal) Limited	2017-18	2018-19	0	0	14.89	2.85	5.28	5.28	2.43
15	12	M.P. Audyogik Kendra Vikas Nigam(Indore) Limited	2017-18	2018-19	-4.03	-5.05	184.30	36.64	108.37	36.64	0
16	13	M.P. Audyogik Kendra Vikas Nigam (Jabalpur) Limited	2017-18	2018-19	0.97	0.97	0.11	4.33	13.39	13.39	9.06
17	14	M.P. Audyogik Kendra Vikas Nigam (Rewa) Limited	2017-18	2018-19	0.24	0	0.75	1.80	11.46	7.29	5.49
18	15	M.P. Audyogik Kendra Vikas Nigam (Ujjain) Limited	2017-18	2018-19	0	0	2.34	10.00	36.54	12.13	2.13
19	16	Industrial Infrastructure Development Corporation (Gwalior) M.P. Limited	2017-18	2018-19	0	0	0.61	2.25	33.75	7.13	4.88
20	17	DMIC Vikram Udyogpuri Limited	2017-18	2018-19	1.4	1.02	0	112.86	257.17	119.38	6.52
21	18	M.P. Audyogik Kendra Vikas Nigam (Sagar) Limited	2017-18	2018-19	0.88	0.37	1.62	5.50	13.11	6.85	1.35
22	19	DMIC Pithampur Jal Prabhandhan Limited	2017-18	2018-19	-0.14	-0.19	0	35.00	40.30	40.30	5.30
23	20	Pithampur Auto Cluster Limited	2017-18	2018-19	3.09	2.19	6.88	12.12	4.88	4.88	-7.24
24	21	Madhya Pradesh Plastic Park Development Corporation Limited	2016-17	2017-18	0	0	0	13.39	13.55	13.55	0.16
25	22	Madhya Pradesh Plastic City Development Corporation Gwalior Limited	2017-18	2018-19	0.09	-1.14	0	0.27	15.72	-0.92	-1.19
26	23	Sant Ravidas Madhya Pradesh Hastha Shilp Evam Hath Kargha Vikas Nigam Limited	2015-16	2017-18	0.10	0.10	32.14	1.26	4.10	3.97	2.71
27	24	Jabalpur Electronics Manufacturing Park Limited	2016-17	2017-18	0	0	0	0.05	28.10	23.40	23.35
28	25	Bhopal Electronics Manufacturing Park Limited	2016-17	2017-18	0	0	0	0.05	26.82	26.82	26.77
29	26	Ujjain Smart City Development Corporation Limited	2016-17	2017-18	0	0	0	0.10	0.10	0.10	0
30	27	Bhopal Smart City Development Corporation Limited	2016-17	2018-19	0	0	0	200.00	200.00	200.00	0

Sl. No.	Sl. No.	Sector & Name of the PSU	Period of accounts	Year in which finalised	Net profit/ loss before interest & tax	Net profit/ loss after interest & tax	Turn over	Paid up capital	Capital employed	Net Worth	Accumulated Profit/ loss
1	2	3	4	5	6	7	8	9	10	11	12
31	28	Gwalior Smart City Development Corporation Limited	2017-18	2018-19	0.03	0	0	200.00	200.00	200.00	0
32	29	Jabalpur Smart City Development Corporation Limited	2016-17	2017-18	0	0	0	50.10	56.51	56.51	6.41
33	30	Indore Smart City Development Corporation Limited	2016-17	2017-18	0	0.34	0.10	103.56	105.56	105.56	2.00
		Sub Total			**1473.38**	**102.81**	**14763.27**	**865.51**	**36.58.03**	**1597.52**	**732.01**
B	**Statutory Corporation**										
34	1	Madhya Pradesh Warehousing and Logistics Corporation	2017-18	2018-19	111.98	77.90	279.45	8.06	318.28	318.28	310.22
		Sub Total (Corporation)			**111.98**	**77.90**	**279.45**	**8.06**	**318.28**	**318.28**	**310.22**
III	**Competitive Environment Sector**										
A	**Government Companies**										
35	1	Madhya Pradesh State Tourism Development Corporation Limited	2015-16	2016-17	9.90	5.92	110.08	24.97	31.34	30.85	5.88
36	2	MP Jaypee Minerals Limited	2017-18	2018-19	0.11	0	0	61.22	20.71	-88.45	-149.67
37	3	Madhya Pradesh Hotel Corporation Limited	2017-18	2018-19	0.61	0.42	9.63	1.60	4.88	0.88	-0.72
		Sub Total			**10.62**	**6.34**	**119.71**	**87.79**	**56.93**	**-56.72**	**-144.51**
B	**Statutory Corporations**										
38	1	Madhya Pradesh Financial Corporation	2017-18	2018-19	73.70	-11.39	110.28	406.10	1173.36	418.19	12.09
		Sub Total			**73.70**	**-11.39**	**110.28**	**406.10**	**1173.36**	**418.19**	**12.09**
		Grand Total			**1911.13**	**330.40**	**15651.26**	**1508.98**	**5967.91**	**3038.58**	**1529.60**

Annexure -3.2

(Referred to in Paragraph 3.1)

Details of State PSUs (other than Power Sector) not covered in this Report

(₹ in crore)

Sl. No.	Sector & Name of the PSU	Period of accounts	Year in which finalised	Net profit/ loss after dividend, interest & tax	Turn over	Paid up capital
1	2	3	4	5	6	7
I.	**Functional PSUs with arrears of accounts for three or more years/ first accounts not received/ not due**					
	Government Companies					
1	Madhya Pradesh Pichhara Varg Tatha Alpsankhyak Vitta Evam Vikas Nigam Limited	2010-11	2018-19	0.74	2.36	8.55
2	Madhya Pradesh Adivasi Vitta Evam Vikas Nigam Limited	2003-04	2011-12	0	4.38	18.36
3	Madhya Pradesh State Industrial Development Corporation Limited	2014-15	2018-19	19.38	2.95	81.09
4	Singrauli Airport Company Limited	0	0	0	0	0
5	Madhya Pradesh Tourism Board	0	0	0	0	0
	Sub Total			**20.12**	**9.69**	**108.00**
II.	**Functional PSUs which had not commenced business**					
6	Narmada Basin Projects Company Limited	2017-18	2018-19	0.26	0	5.00
7	Madhya Pradesh Metro Rail Company Limited	2016-17	2018-19	-0.18	0	30.00
8	M.P. Venture Finance Limited	2015-16	2016-17	0	0	0.07
9	M.P. Venture Finance Trustee Limited	2016-17	2017-18	0	0	0.01
	Sub Total			**0.08**	**0**	**35.08**
III.	**Non-functional PSUs**					
A.	**Government Companies**					
10	Madhya Pradesh Rajya Setu Nirman Nigam Limited	1989-90	1993-94	0	0	5.00
11	Madhya Pradesh State Textile Corporation Limited	2011-12	2017-18	-3.94	0	6.86
12	MP AMRL (Semaria) Coal Company Limited	2017-18	2018-19	-0.01	0	1.00
13	MP AMRL (Morga) Coal Company Limited	2017-18	2018-19	-0.01	0	1.00
14	MP AMRL (Bicharpur) Coal Company Limited	2017-18	2018-19	0.07	0	1.00

Sl. No.	Sector & Name of the PSU	Period of accounts	Year in which finalised	Net profit/ loss after dividend, interest & tax	Turn over	Paid up capital
1	**2**	**3**	**4**	**5**	**6**	**7**
15	MP AMRL (Marki Barka) Coal Company Limited	2017-18	2018-19	-0.01	0	1.00
16	MP Jaypee Coal Limited	2017-18	2018-19	-3.90	0	10.00
17	MP Monnet Mining Company Limited	2017-18	2018-19	0	0	2.00
18	MP Jaypee Coal Fields Limited	2017-18	2018-19	0.01	0	10.00
19	M.P. Sainik Coal Mining Private Limited	2017-18	2018-19	-0.01	0	33.30
20	Madhya Pradesh & Maharashtra Minerals & Chemicals Limited	0	0	0	0	0
	Sub Total			**-7.80**	**0**	**71.16**
B.	**Statutory Corporation**					
21	Madhya Pradesh State Road Transport Corporation	2007-08	2008-09	0	210.05	141.81
	Sub Total			**0**	**210.05**	**141.81**
IV	**PSUs Under Liquidation**					
	Government Companies					
22	Madhya Pradesh Panchayati Raj Vitta Evam Gramin Vikas Nigam Limited	2005-06	2006-07	0	0	0.16
23	Madhya Pradesh Film Development Corporation Limited	2009-10	2010-11	0	0	1.04
24	Optel Telecommunication Limited	2009-10	2010-11	0	0	23.97
25	Madhya Pradesh Vidyut Yantra Limited	0	0	0	0	1.50
	Sub Total			**0**	**0**	**26.67**
	Total of all sectors			**12.40**	**219.74**	**382.72**

Annexure-3.3

(Referred to in Paragraph 3.3)

Statement showing position of equity and outstanding loans relating to State PSUs (other than Power Sector) as on 31 March 2018

(₹ in crore)

Sl. No.	Sector and Name of the PSU	Name of the Department	Month and year of incorporation	Equity at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoMP	GoI	Others	Total	GoMP	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
I.	**PSUs working in Monopolistic environment**										
Government Companies											
1	Madhya Pradesh Rajya Van Vikas Nigam Limited	Forest	24-Jul-75	37.93	1.39	0	39.32	0	0	0	0
2	Madhya Pradesh Jal Nigam Maryadit	Public Health Engineering Dept.	09-Jul-12	100.00	0	0	100.00	0	0	0	0
3	Madhya Pradesh State Mining Corporation Limited	Mineral Resources Department	19-Jan-62	2.20	0	0	2.20	0	0	0	0
	Sub Total			**140.13**	**1.39**	**0**	**141.52**	**0**	**0**	**0**	
II.	**Centage/ Commission/ Interest etc. earning Companies**										
Government Companies											
1	Madhya Pradesh State Agro Industries Development Corporation Limited	Fruit processing & Horticulture	21-Mar-69	2.09	1.20	0	3.29	0	0	0	0
2	M.P. Urban Development Corporation Limited	Department of urban development & housing	27-Apr-15	1.00	0	0	1.00	0	0	0	0
3	Madhya Pradesh Laghu Udyog Nigam Limited	Micro, Small and Medium Entrepreneur Dept.	28-Dec-61	2.68	0.15	0	2.83	0	0	0	0
4	Madhya Pradesh State Civil Supplies Corporation Limited	Food, Civil Supplies & Consumer Protection	03-Apr-74	8.47	0	0	8.47	98.28	0	7.74	106.02
5	Madhya Pradesh Public Health Services Corporation Limited	Department of Public Health & Family Welfare	06-Mar-14	10.00	0	0	10.00	0	0	0	0

Sl. No.	Sector and Name of the PSU	Name of the Department	Month and year of incorporation	Equity at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoMP	GoI	Others	Total	GoMP	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
6	The Provident Investment Company Limited	Finance	04-Feb-26	0.50	0	0	0.50	0	0	0	0
7	Madhya Pradesh Road Development Corporation Limited	PWD	14-Jul-04	20.00	0	0	20.00	0	0	0	**0**
8	Madhya Pradesh State Electronics Development Corporation Limited	Commerce & Industry	18-Nov-83	21.91	0	0	21.91	17.12	0	0	17.12
9	M.P.Trade and Investment Facilitation Corporation Limited	Department of Industry Policy & Investment Promotion	14-Feb-77	0.80	0	0	0.80	1666.98	0	0.25	1667.23
10	Madhya Pradesh Police Housing Corporation Limited	Home (Police)	31-Mar-81	4.58	0	0	4.58	0	0	577.86	577.86
11	M.P. Audyogik Kendra Vikas Nigam (Bhopal) Limited	Commerce & Industry	16-Oct-87	0	0	2.85	2.85	0	0	0	0
12	M.P. Audyogik Kendra Vikas Nigam(Indore) Limited	Commerce & Industry	16-Nov-81	0	0	36.64	36.64	0	0	71.73	71.73
13	M.P. Audyogik Kendra Vikas Nigam (Jabalpur) Limited	Commerce & Industry	16-Nov-81	0	0	4.33	4.33	0	0	0	0
14	M.P. Audyogik Kendra Vikas Nigam (Rewa) Limited	Commerce & Industry	16-Nov-81	0	0	1.80	1.80	0.71	0	3.46	4.17
15	M.P. Audyogik Kendra Vikas Nigam (Ujjain) Limited	Commerce & Industry	02-Sep-08	0	0	10.00	10.00	0	0	24.41	24.41
16	Industrial Infrastructure Development Corporation (Gwalior) M.P. Limited	Commerce & Industry	28-May-85	0	0	2.25	2.25	0	0	26.62	26.62
17	DMIC Vikram Udyogpuri Limited	Department of Industry Policy & Investment Promotion	18-Mar-10	0	0	112.86	112.86	0	0	137.79	137.79
18	M.P. Audyogik Kendra Vikas Nigam (Sagar) Limited	Commerce & Industry	14-Jun-12	0	0	5.50	5.50	0	0	6.26	6.26

Sl. No.	Sector and Name of the PSU	Name of the Department	Month and year of incorporation	Equity at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoMP	GoI	Others	Total	GoMP	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
19	DMIC Pithampur Jal Prabhandhan Limited	Industry policy & Investment Promotion Bhopal	27-Mar-14	0	0	35.00	35.00	0	0	0	0
20	Pithampur Auto Cluster Limited	Commerce & Industry	27-Dec-04	0	0	12.12	12.12	0	0	0	0
21	Madhya Pradesh Plastic Park Development Corporation Limited	Department of Industry Policy & Investment Promotion	01-Apr-13	0	0	13.40	13.40	0	0	19.00	19.00
22	Madhya Pradesh Plastic City Development Corporation Gwalior Limited	Department of Industry Policy & Investment Promotion	29-Jul-16	0	0	0.27	0.27	0	0	16.64	16.64
23	Sant Ravidas Madhya Pradesh Hastha Shilp Evam Hath Kargha Vikas Nigam Limited	Kutir evam Gramodyog Department	28-Nov-81	0.02	0.52	0.72	1.26	0	0	0	0
24	Jabalpur Electronics Manufacturing Park Limited	Department of Science & Technology	18-Jan-16	0	0	0	0	0	0	0	0
25	Bhopal Electronics Manufacturing Park Limited	Department of Science & Technology	18-Jan-16	0	0	0	0	0	0	0	0
26	Ujjain Smart City Development Corporation Limited	Urban Administrative Development	02-Nov-16	0	0	0.10	0.10	0	0	0	0
27	Bhopal Smart City Development Corporation Limited	Urban Administrative Development	14-Mar-16	0	0	200.00	200.00	0	0	0	0
28	Gwalior Smart City Development Corporation Limited	Urban Development	25-Oct-16	0	0	200.00	200.00	0	0	0	0
29	Jabalpur Smart City Development Corporation Limited	Urban Administrative Development	14-Mar-16	0	0	200.00	200.00	0	0	0	0
30	Indore Smart City Development Corporation Limited	Urban Administration & Development	11-Mar-16	0	0	200.00	200.00	0	0	0	0
	Sub Total			**72.05**	**1.87**	**1037.84**	**1111.76**	**1783.09**	**0**	**891.76**	**2674.84**

Sl. No.	Sector and Name of the PSU	Name of the Department	Month and year of incorporation	Equity at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoMP	GoI	Others	Total	GoMP	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
Statutory Corporations											
1	Madhya Pradesh Warehousing and Logistics Corporation	Food, Civil Supplies & Consumer Protection	19-Feb-58	4.28	0	3.78	8.06	0	0	0	0
	Sub Total (Corporations)			**4.28**	**0**	**3.78**	**8.06**	**0**	**0**	**0**	**0**
	Total of Centage/ Commission/ Interest etc. earning Companies			**76.33**	**1.87**	**1041.82**	**1119.82**	**1783.09**	**0**	**891.76**	**2674.85**
III. Competitive Environment Sector											
Government Companies											
1	Madhya Pradesh State Tourism Development Corporation Limited	Tourism Department	24-May-78	113.97	0	0	113.97	0	0	0	0
2	MP Jaypee Minerals Limited	Mineral Resources Department	21-Feb-06	0	0	61.22	61.22	0	0	109.16	109.16
3	Madhya Pradesh Hotel Corporation Limited	Tourism Department	31-Jan-85	0	0	1.60	1.60	0	0	4.00	4.00
	Sub Total			**113.97**	**0**	**62.82**	**176.79**	**0**	**0**	**113.16**	**113.16**
	Other Government controlled companies										
	Nil										
Statutory Corporations											
1	Madhya Pradesh Financial Corporation	Finance	30-Jun-55	383.70	0	22.40	406.10	0	0	755.17	755.17
	Sub Total			**383.70**	**0**	**22.40**	**406.10**	**0**	**0**	**755.17**	**755.17**
	Total Competitive Environment Sector			**497.67**	**0**	**85.22**	**582.89**	**0**	**0**	**868.33**	**868.33**
	Grand Total			**714.13**	**3.26**	**1126.84**	**1844.23**	**1783.09**	**0**	**1760.09**	**3543.18**

Annexure- 3.4

(Referred to in Paragraph 3.7)

Statement showing difference between Finance Accounts of Government of Madhya Pradesh and Accounts of the State PSUs (other than Power Sector) in respect of balances of Equity, Loans and Guarantee as on 31 March 2018

(₹ in crore)

Sl. No.	Name of PSU	As per records of the State PSUs			As per Finance Accounts of Government of Madhya Pradesh			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
1	2	3	4	5	6	7	8	9	10	11
1	Madhya Pradesh State Agro Industries Development Corporation Limited	2.09	0.00	0.00	1.92	8.25	0.00	0.17	-8.25	0.00
2	Madhya Pradesh Rajya Van Vikas Nigam Limited	37.93	0.00	0.00	33.55	47.88	0.00	4.38	-47.88	0.00
3	M.P. Audyogik Kendra Vikas Nigam (Bhopal) Limited	0.00	0.00	0.00	1.50	0.00	0.00	-1.50	0.00	0.00
4	M.P. Audyogik Kendra Vikas Nigam(Indore) Limited	0.00	0.00	0.00	1.50	0.00	0.00	-1.50	0.00	0.00
5	M.P. Audyogik Kendra Vikas Nigam (Jabalpur) Limited	0.00	0.00	35.54	2.50	0.00	0.00	-2.50	0.00	35.54
6	M.P. Audyogik Kendra Vikas Nigam (Rewa) Limited	0.00	0.71	0.60	1.00	0.00	0.00	-1.00	0.71	0.60
7	Industrial Infrastructure Development Corporation (Gwalior) M.P. Limited	0.00	0.00	20.79	1.75	0.00	0.00	-1.75	0.00	20.79
8	M.P. Audyogik Kendra Vikas Nigam (Sagar) Limited	0.00	0.00	0.00	5.50	0.00	0.00	-5.50	0.00	0.00
9	Madhya Pradesh Adivasi Vitta Evam Vikas Nigam Limited	25.50	0.00	0.00	29.61	0.00	0.00	-4.11	0.00	0.00
10	The Provident Investment Company Limited	0.50	0.00	0.00	0.37	0.00	0.00	0.13	0.00	0.00
11	Madhya Pradesh State Industrial Development Corporation Limited	81.09	234.72	0.00	79.63	165.58	0.00	1.46	69.14	0.00

Sl. No.	Name of PSU	As per records of the State PSUs			As per Finance Accounts of Government of Madhya Pradesh			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
12	M.P. Venture Finance Trustee Limited	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00
13	Madhya Pradesh Police Housing Corporation Limited	4.58	0.00	0.00	4.00	38.32	0.00	0.58	-38.32	0.00
14	Madhya Pradesh Metro Rail Company Limited	30.00	0.00	0.00	0.00	0.00	0.00	30.00	0.00	0.00
15	M.P. Urban Development Co. Ltd.	1.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00
16	Narmada Basin Projects Company Limited	5.00	0.00	0.00	0.00	0.00	0.00	5.00	0.00	0.00
17	Madhya Pradesh State Electronics Development Corporation Limited	21.91	17.12	0.00	15.13	0.00	0.00	6.78	17.12	0.00
18	M.P.Trade and Investment Facilitation Corporation Limited	0.80	1151.98	417.33	0.45	1151.98	0.00	0.35	0.00	417.33
19	Madhya Pradesh State Tourism Development Corporation Limited	24.97	0.00	0.00	24.87	0.00	0.00	0.10	0.00	0.00
20	Madhya Pradesh Public Health Services Corporation Ltd	10.00	0.00	0.00	0.00	0.00	0.00	10.00	0.00	0.00
21	Madhya Pradesh Warehousing and Logistics Corporation	4.28	0.00	0.00	4.43	0.00	0.00	-0.15	0.00	0.00
22	Madhya Pradesh Financial Corporation	383.70	0.00	600.00	357.60	0.00	873.24	26.10	0.00	-273.24
23	Madhya Pradesh Pichhara Varg Tatha Alpsankhyak Vitta Evam Vikas Nigam Limited	0.00	0.00	0.00	0.00	0.58	0.00	0.00	-0.58	0.00
24	Sant Ravidas Madhya Pradesh Hastha Shilp Evam Hath Kargha Vikas Nigam Limited	0.00	0.13	0.00	0.00	0.00	0.00	0.00	0.13	0.00
25	Madhya Pradesh State Civil Supplies Corporation Limited	0.00	98.28	0.00	0.00	3.99	0.00	0.00	94.29	0.00
26	M.P. Audyogik Kendra Vikas Nigam (Ujjain) Limited	0.00	0.00	54.85	0.00	0.00	0.00	0.00	0.00	54.85
	Total	**633.36**	**1502.94**	**1,129.11**	**565.31**	**1,416.58**	**873.24**	**68.05**	**86.36**	**255.87**

Annexure–3.5

(*Referred to in paragraph 3.8.1*)

Statement showing position of State Government investment in State PSUs (other than Power Sector) accounts of which are in arrears during the period of arrears

(₹ in crore)

S. No.	Name of the PSU	Period upto which accounts finalized	Period for which accounts are in arrears	Paid up capital as per latest accounts finalised	Investment made by the State Government during the year for which Accounts are in arrears				
					Equity	Loans	Capital Grant	Subsidy	Total
1	2	3	4	5	6	7	8	9	10
Functional PSUs									
I. Arrears up to 2 Years									
1	Madhya Pradesh Rajya Van Vikas Nigam Limited	2016-17	2017-18	39.32	0.00	0.00	8.22	0.00	8.22
2	Ujjain Smart City Development Corporation Limited	2016-17	2017-18	0.10	0.00	0.00	96.00	0.00	96.00
3	Bhopal Smart City Development Corporation Limited	2016-17	2017-18	200.00	0.00	0.00	100.00	0.00	100.00
4	Indore Smart City Development Corporation Limited	2016-17	2017-18	200.00	0.00	0.00	1.00	0.00	1.00
5	Madhya Pradesh State Electronics Development Corporation Limited	2016-17	2017-18	21.91	0.00	0.00	0.00	117.09	117.09
6	Sant Ravidas Madhya Pradesh Hastha Shilp Evam Hath Kargha Vikas Nigam Limited	2015-16	2016-17	1.26	0.00	0.00	17.21	0.00	17.21
			2017-18		0.00	0.00	21.08	0.00	21.08
7	M.P.Trade and Investment Facilitation Corporation Limited	2015-16	2016-17	0.8	0.00	0.00	3.50	0.00	3.50
			2017-18		0.00	0.00	3.15	512.40	515.55
8	Madhya Pradesh State Tourism Development Corporation Limited	2015-16	2016-17	113.97	0.00	0.00	47.31	94.23	141.54
			2017-18		0.00	0.00	49.21	0.00	49.21
	Sub Total			**577.36**	**0.00**	**0.00**	**346.68**	**723.72**	**1,070.40**
II	**Arrears 3 Years or more**								
1	Madhya Pradesh State Industrial Development Corporation Limited	2014-15	Upto 2016-17	81.09	0.00	22.16	0.00	0.00	22.16
			2017-18		0.00	22.16	0.00	0.00	22.16
2	Madhya Pradesh Pichhara Varg Tatha Alpsankhyak Vitta Evam	2010-11	Upto	10.75	3.70	8.76	3.09	80.30	95.85

S. No.	Name of the PSU	Period upto which accounts finalized	Period for which accounts are in arrears	Paid up capital as per latest accounts finalised	Investment made by the State Government during the year for which Accounts are in arrears				
					Equity	Loans	Capital Grant	Subsidy	Total
1	2	3	4	5	6	7	8	9	10
	Vikas Nigam Limited		2016-17						
			2017-18		0.00	0.00	0.59	24.00	24.59
3	Madhya Pradesh Adivasi Vitta Evam Vikas Nigam Limited	2003-04	Upto 2016-17	36.18	6.33	0.00	21.77	98.50	126.60
			2017-18		0.00	0.00	3.68	66.50	70.18
	Sub Total				**10.03**	**53.08**	**29.13**	**269.30**	**361.54**
	Total				**10.03**	**53.08**	**375.81**	**993.02**	**1,431.94**

Annexure – 3.6

(Referred to in Paragraph 3.15)

Statement showing State Government funds infused in State PSUs (other than Power Sector) during the period from 2000-01 to 2017-18

(₹ in crore)

A. PSUs working in Monopolistic environment

Year	Madhya Pradesh Rajya Van Vikas Nigam Limited				Madhya Pradesh Jal Nigam Maryadit				Madhya Pradesh State Mining Corporation Limited			
	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants
2000-01	14.05	49.62	0	0	0	0	0	0	2.20	0	0	0
2001-02	-5.62	-20.12	0	0	0	0	0	0	0	0	0	0
2002-03	0	0	0	0	0	0	0	0	0	0	0	0
2003-04	29.50	-29.50	0	0	0	0	0	0	0	0	0	0
2004-05	0	0	0	0	0	0	0	0	0	0	0	0
2005-06	0	0	0	1.15	0	0	0	0	0	0	0	0
2006-07	0	0	0	4.94	0	0	0	0	0	0	0	0
2007-08	0	0	0	4.91	0	0	0	0	0	0	0	0
2008-09	0	0	0	4.63	0	0	0	0	0	0	0	0
2009-10	0	0	0	4.60	0	0	0	0	0	0	0	0
2010-11	0	0	0	0.45	0	0	0	0	0	0	0	0
2011-12	0	0	0	4.00	0	0	0	0	0	0	0	0
2012-13	0	0	0	26.05	0	0	0	0	0	0	0	0
2013-14	0	0	0	15.14	25.00	0	0	0	0	0	0	0
2014-15	0	0	0	3.94	15.00	0	0	0	0	0	0	0
2015-16	0	0	0	10.10	15.00	0	0	0	0	0	0	0
2016-17	0	0	0	15.00	0	0	0	0	0	0	0	0
2017-18	0	0	0	8.22	45.00	0	0	0	0	0	0	0

B. PSUs with assured income from centage, commission, revenue grants/ subsidies, etc.																
Year	Madhya Pradesh State Agro Industries Development Corporation Limited				Madhya Pradesh Metro Rail Company Limited				M.P. Urban Development Corporation Limited				Narmada Basin Projects Company Limited			
	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants
2000-01	2.09	1.97	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2001-02	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2002-03	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2003-04	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2004-05	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2005-06	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2006-07	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2007-08	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2008-09	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2009-10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2010-11	0	-1.97	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2011-12	0	7.59	0	0	0	0	0	0	0	0	0	0	5.00	0	0	0
2012-13	0	-7.59	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2013-14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2014-15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2015-16	0	0	0	0	20.00	0	0	0	1.00	0	0	0	0	0	0	0
2016-17	0	0	0	0	10.00	0	0	0	0	0	0	0	0	0	0	0
2017-18	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

B. PSUs with assured income from centage, commission, revenue grants/ subsidies, etc.																
Year	**Sant Ravidas Madhya Pradesh Hastha ShilpEvam Hath Kargha Vikas Nigam Limited**				**Madhya Pradesh Laghu Udyog Nigam Limited**				**Madhya Pradesh State Civil Supplies Corporation Limited**				**Madhya Pradesh Public Health Services Corporation Limited**			
	Equity	**Interest free Loans**	**Loans on which interest payment has been defaulted**	**Capital Grants**	**Equity**	**Interest free Loans**	**Loans on which interest payment has been defaulted**	**Capital Grants**	**Equity**	**Interest free Loans**	**Loans on which interest payment has been defaulted**	**Capital Grants**	**Equity**	**Interest free Loans**	**Loans on which interest payment has been defaulted**	**Capital Grants**
2000-01	0.02	0.34	0	0	2.68	0	0	0	12.00	3.67	0	0	0	0	0	0
2001-02	0	0	0	0	0	0	0	0	0	-3.51	0	0	0	0	0	0
2002-03	0	0	0	0	0	0	0	0	0	-0.16	0	0	0	0	0	0
2003-04	0	-0.28	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2004-05	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2005-06	0	0	0	0	0	0	0	0	-3.53	0	0	0	0	0	0	0
2006-07	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2007-08	0	0.07	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2008-09	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2009-10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2010-11	0	-0.13	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2011-12	0	0.35	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2012-13	0	-0.22	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2013-14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2014-15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2015-16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2016-17	0	-0.13	0	0	0	0	0	0	0	87.05	0	0	10	0	0	0
2017-18	0	0	0	0	0	0	0	0	0	11.23	0	0	0	0	0	0

B. PSUs with assured income from centage, commission, revenue grants/ subsidies, etc.																
	M.P. Audyogik Kendra Vikas Nigam (Rewa) Limited				The Provident Investment Company Limited				M.P. Venture Finance Limited				M.P. Venture Finance Trustee Limited			
Year	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants
2000-01	0	0.71	0	0	0.50	0	0	0	0	0	0	0	0	0	0	0
2001-02	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2002-03	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2003-04	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2004-05	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2005-06	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2006-07	0	0.38	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2007-08	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2008-09	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2009-10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2010-11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2011-12	0	1.51	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2012-13	0	-1.51	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2013-14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2014-15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2015-16	0	0	0	0	0	0	0	0	0.06	0	0	0	0.01	0	0	0
2016-17	0	0	0	0	0	0	0	0	0.20	0.50	0	0	0	0	0	0
2017-18	0	-0.38	0	0	0	0	0	0	0	0	0	0	0	0	0	0

B. PSUs with assured income from centage, commission, revenue grants/ subsidies, etc.																
Year	Madhya Pradesh Road Development Corporation Limited				Madhya Pradesh State Electronics Development Corporation Limited				M.P. Trade and Investment Facilitation Corporation Limited				Madhya Pradesh Warehousing and Logistics Corporation			
	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants
2000-01	0	0	0	0	21.91	0	0	0	0	0	0	0	4.80	0.46	0	0
2001-02	0	0	0	0	0	0	0	0	0	0	0	0	0	0.95	0	0
2002-03	0	0	0	0	0	0	0	0	0	0	0	0	-0.52	-0.09	0	0
2003-04	0	0	0	0	0	0	0	0	0	0	0	0	0	-1.32	0	0
2004-05	10.00	0	0	0	0	0	0	0	0.80	0	0	0	0	0	0	0
2005-06	10.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2006-07	-8.50	0	0	0	0	0	0	0	0	0	0	0	-3.28	0	0	0
2007-08	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2008-09	6.50	0	0	0	0	0	0	0	0	0	0	0	3.28	0	0	0
2009-10	1.00	0	0	0	0	17.12	0	0	0	0	0	0	0	0	0	0
2010-11	1.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2011-12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2012-13	0	0	0	0	0	0	0	0	0	0	0	0	0	82.21	0	0
2013-14	0	0	0	0	0	0	0	0	0	0	0	0	0	90.43	0	0
2014-15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2015-16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2016-17	0	0	0	0	0	0	0	0	0	1,416.98	0	0	0	90.94	0	0
2017-18	0	0	0	0	0	0	0	0	0	250.00	0	0	0	-263.58	0	0

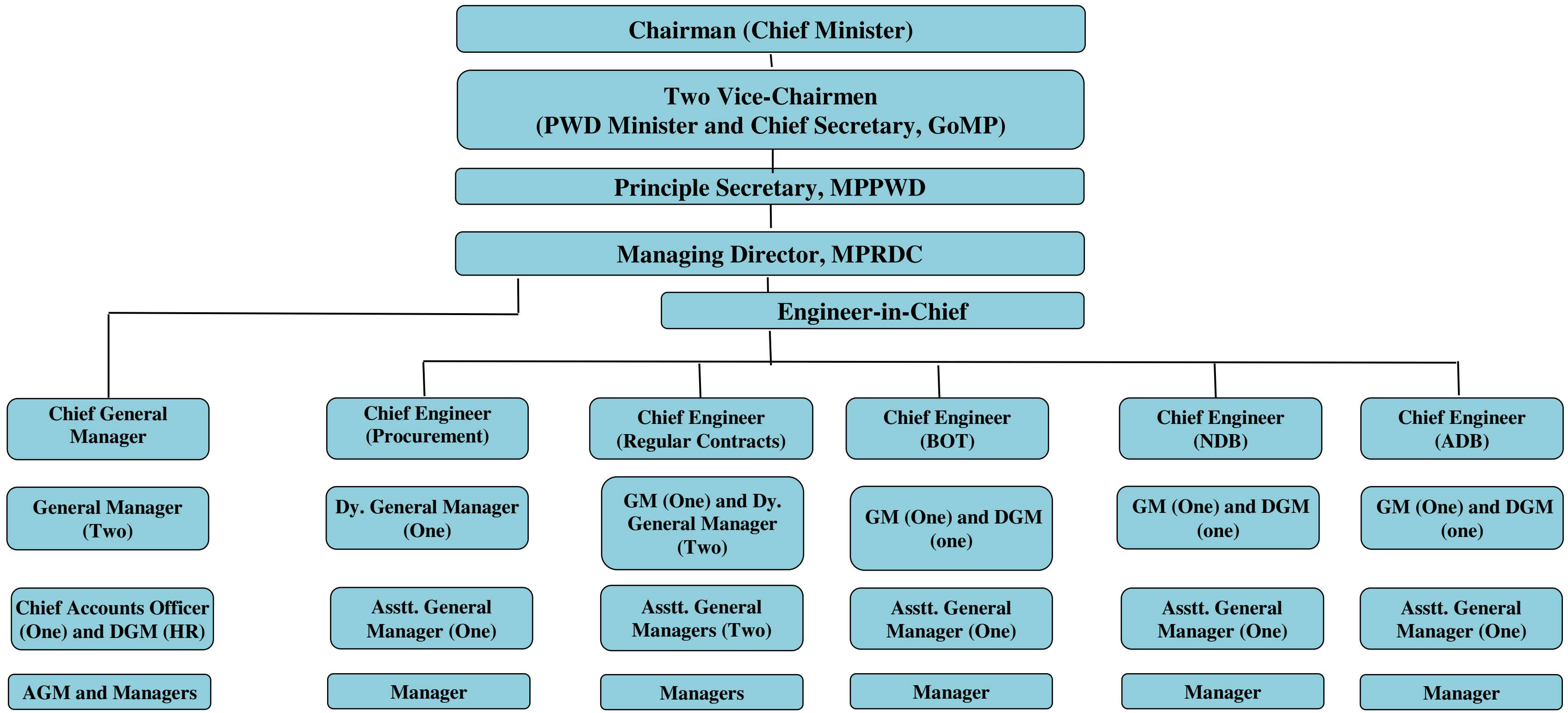
B. PSUs with assured income from centage, commission, revenue grants/ subsidies, etc.				
Year	**Madhya Pradesh Police Housing Corporation Limited**			
	Equity	**Interest free Loans**	**Loans on which interest payment has been defaulted**	**Capital Grants**
2000-01	6.00	0	0	0
2001-02	0	0	0	0
2002-03	0	0	0	0
2003-04	0	0	0	0
2004-05	0	0	0	0
2005-06	0	0	0	0
2006-07	-1.42	0	0	0
2007-08	0	0	0	0
2008-09	0	0	0	0
2009-10	0	0	0	0
2010-11	0	0	0	0
2011-12	0	0	0	0
2012-13	0	0	0	0
2013-14	0	0	0	0
2014-15	0	0	0	0
2015-16	0	0	0	0
2016-17	0	0	0	0
2017-18	0	0	0	0

C. PSUs working in Competitive environment								
Year	Madhya Pradesh State Tourism Development Corporation Limited				Madhya Pradesh Financial Corporation			
	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants
2000-01	23.47	0	0	0	62.54	3.47	0	0
2001-02	1.50	0	0	0	0	-1.74	0	0
2002-03	0	0	0	0	0	0	0	0
2003-04	0	0	0	0	-9.76	-0.30	0	0
2004-05	0	0	0	0	1.50	0	0	0
2005-06	0	0	0	0	5.42	58.57	0	0
2006-07	0	0	0	0	187.58	0	0	0
2007-08	0	0	0	0	65.00	-58.57	0	0
2008-09	0	0	0	0	6.42	0	0	0
2009-10	0	0	0	0	5.00	-1.43	0	0
2010-11	0	0	0	0	25.38	0	0	0
2011-12	0	0	0	10.69	5.00	0	0	0
2012-13	0	0	0	8.68	-15.38	0	0	0
2013-14	0	0	0	19.60	5.00	0	0	0
2014-15	0	0	0	18.34	5.00	0	0	0
2015-16	0	0	0	34.89	5.00	0	0	0
2016-17	0	0	0	64.63	5.00	0	0	0
2017-18	89.00	0	0	60.50	25.00	0	0	0

Annexure-4.1

Organisation setup of the Company

(Referred to in Paragraph 4.1.2)



Annexure-4.2

Details of road projects selected in this Performance Audit

(Referred to in Paragraph 4.1.5)

Status (Completed/ Terminated)	Mode + Type of road	Project Name given	Name of roads in project	Length (kms.)	Project Cost (₹ in crore)
Completed	BOT Annuity+MDR	Bhopal-1	Betul-Athner	34.50	83.92
			Harda-Chhipaner	29.30	
		Indore-3	Bamkhalfata-Dogawa-via-Borawa-Sarvardevla Road	23.67	103.43
			Beed-Mundi-Devala-Khutala-Atoot Nvda	28.38	
			Punasa-Mundi-Singhagi (Thermal Power Plant) Road & Singhaji Bridge Approach	13.30	
		Indore-5	Ashapur–Khalwa–Singhot	41.70	113.05
			Badwah-Katkut Road	23.60	
			Dariyapur–Jasondhi–Maharashtra Border	15.55	
		Sagar-1	Garakota-Rehli –Deori (MDR)	49.30	101.25
			Rehli-Gorjhamar	18.08	
	BOT Annuity+SH	Gwalior-SH1	Datia-Dinara	8.93	16.00
	BOT Toll +Annuity+MDR	Gwalior-2	Ashoknagar-Vidisha Road	35.68	87.06
		Indore-2	Mundi-Punasa-Sulgoan-Sanawad Road	67.63	124.77
		Sagar-3	Damoh-Patharia-Garhakota	40.50	71.88
	BOT Toll +Annuity+SH	Narmadapuram-SH1	Betul-Sarni-Parasia	124.10	238.00
		Sagar-SH2	Damoh-Katni	119.20	272.07
		Ujjain-SH2	Ratlam – Sailana –Banswada	43.60	118.00
		Ujjain-SH3	Ujjain Simhastha By Pass	14.37	98.26
	BOT+Toll+MDR	Indore-1	Manawar–Singhana kukshi Road	38.23	96.73
	BOT+Toll+NH	Rewa-NH1	Rewa To Hanumana MP/UP Border (NH-7)	89.30	736.70
	BOT+Toll+SH	Indore-SH1	Khandwa-Dedhtalai-Burhanpur Road	127.10	224.40
		Rewa-SH4	Satna–Majhgawan	40.00	105.00
	Sub-total	**16 Projects**	**22 roads**	**1,026.02**	**2,590.52**

Status (Completed/ Terminated)	Mode + Type of road	Project Name given	Name of roads in project	Length (kms.)	Project Cost (₹ in crore)
Terminated	BOT Annuity+MDR	Gwalior-IX	Ambah-Pinhat Road	23.12	158.79
			Nadigaon-Seondha Road	23.27	
			Satanbada-Narwar Road	25.54	
			Tekna-Manpur Rameshwar Road	19.41	
		Gwalior-VIII	Jawasa-Sunarpura	22.63	79.00
			Pawai-Prithvipura Road	23.20	
		Jabalpur-VI	Baikhedu-Saroud Road	12.69	130.55
			Bichiya-Shamnapur-Dindori Road	53.42	
			Dhaneta-Rakhi-Shahajpur Road	13.50	
			Suraiya-Simariya-Badhiyakheda-Padariya-Dhamni-Singori Road	13.22	
	BOT Annuity+SH	Sagar-SH-37	Tikamgarh-Orchha Road	9.34	47.56
	BOT Toll +Annuity+MDR	Chhindwara-MDR	Garra-Waraseoni	46.98	97.77
	BOT Toll +Annuity+SH	Gwalior-SH-2	Morena-Sabhalgarh Road	71.86	141.45
		Indore-SH-36	Sendhva-Khetiya Road	57.30	101.20
	BOT+Toll+NH	Jabalpur-NH-12	Jabalpur-Bhopal (NH-12) Road	294.20	2,485.96
		Rewa-NH-75 (1)	Bameetha-Panna-Nagod-Satna Road	97.60	244.39
		Rewa-NH-75 (2)	Satna-Bela (NH-75)	48.04	321.00
	BOT+Toll+SH	SH-23	Bhopal-Berasia-Sironj Road	106.90	176.00
		SH-54	Seoni-Katangi-Bonkatta to MH Border	73.20	152.55
	Sub-total	**12 Projects**	**19 roads**	**1,035.42**	**4,136.22**
Grand Total		**28 Projects**	**41 roads**	**2,061.44**	**6,726.74**

MDR = Major District Road, SH = State Highway, NH = National Highway

Annexure-4.3

Statement showing tendering and finalisation of Concession Agreement before submission of Final Feasibility Report by Feasibility Consultant

(Referred to in Paragraph 4.1.9)

Sl. No.	Name of Road	Length (in KM)	Feasibility Consultant						Developer/ Concessionaire			Early Tendering of work without final Feasibility Report (Days)	Early Signing of CA without final Feasibility Report (Days)	Feasibility Consultant Charges (in ₹)
			Name	Date of LOA	Date of Work Order	Due Date of Submission of Final Report	Date of Final Report	Delay in Feasibility Report (months)	Name	Date of NIT	Date of CA			
1	Ashapur Khalwa Singhot	41.7	SAI Consulting Engineers Pvt. Ltd.	19-08-2010	06-09-2010	03-02-2011	29-02-2012	13	D.P.Jain Dariyapur Jasondhi (Annuity) Road Projects Pvt. Ltd.	26-05-2011	17-01-2012	279	43	16,88,850
2	Dariyapur to Jasondhi	15.55	SAI Consulting Engineers Pvt. Ltd.	19-08-2010	06-09-2010	03-02-2011	29-02-2012	13				279	43	6,29,775
3	Badwah to Katekut	23.6	SAI Consulting Engineers Pvt. Ltd.	19-08-2010	06-09-2010	03-02-2011	29-02-2012	13				279	43	9,55,800
4	Manawar Singhana Kukshi	38.23	SAI Consulting Engineers Pvt. Ltd.	19-08-2010	06-09-2010	03-02-2011	27-03-2012	14	Manawar Kukshi Tollways Pvt. Ltd.	09-05-2011	14-03-2012	323	13	15,48,315
5	Mundi Punasa Sulgaon Sanawad	67.63	SAI Consulting Engineers Pvt. Ltd.	19-08-2010	06-09-2010	03-02-2011	29-02-2012	13	DBL Mundi Sanawad Tollways Limited	09-05-2011	05-12-2011	296	86	27,39,015
6	Ujjain Simhastha Bypass	14.3	SAI Consulting Engineers Pvt. Ltd.	19-08-2010	06-09-2010	03-02-2011	28-12-2012	23	Ujjayini Highways Pvt. Ltd.	29-11-2012	12-06-2013	29	-	5,39,825
7	Ashoknagar Vidisha	35.68	Lion Engineering Consultants	19-08-2010	14-09-2010	11-02-2011	16-02-2012	12	No bid received	09-05-2011	No bid received	283	No bid received	

Sl. No.	Name of Road	Length (in KM)	Feasibility Consultant						Developer/ Concessionaire			Early Tendering of work without final Feasibility Report (Days)	Early Signing of CA without final Feasibility Report (Days)	Feasibility Consultant Charges (in ₹)
			Name	Date of LOA	Date of Work Order	Due Date of Submission of Final Report	Date of Final Report	Delay in Feasibility Report (months)	Name	Date of NIT	Date of CA			
						11-02-2011		12	DBL Ashoknagar Vidisha Tollway Ltd.	06-04-2012	22-03-2013	-	-	11,77,440
8	Ambah Pinhat	23.12	Lion Engineering Consultants	19-08-2010	14-09-2010	11-02-2011	16-02-2012	12	Concast Ambah Road Projects Pvt. Ltd.	31-05-2011	27-01-2012	261	20	7,62,960
9	Tekna Manpur Rameshwar	19.41	Lion Engineering Consultants	19-08-2010	14-09-2010	11-02-2011	16-02-2012	12				261	20	6,40,530
10	Nadigaon to Seondha	23.27	Lion Engineering Consultants	19-08-2010	14-09-2010	11-02-2011	16-02-2012	12				261	20	7,67,910
11	Narwar to Satanbada	25.54	Lion Engineering Consultants	19-08-2010	14-09-2010	11-02-2011	16-02-2012	12				261	20	8,42,820
12	Datia Dinara	8.38	Lion Engineering Consultants	19-08-2010	14-09-2010	11-02-2011	30-05-2012	16	Dinara Datia DPJ Pathways Pvt. Ltd.	11-08-2011	09-05-2012	293	21	2,76,540
13	Jawasa to Sunarpura	22.63	Lion Engineering Consultants	19-08-2010	29-03-2011	26-08-2011	16-02-2012	6	Concast Jawasa Road Projects Pvt. Ltd.	31-05-2011	17-01-2012	261	30	7,46,790
14	Pavai to Prithvipura	22.34	Lion Engineering Consultants	19-08-2010	29-03-2011	26-08-2011	16-02-2012	6				261	30	7,37,220
15	Morena Sabalgarh	71.86	Lion Engineering Consultants	19-08-2010	29-08-2011	26-01-2012	30-05-2012	4	Concast Morena Road Projects Pvt. Ltd.	29-02-2012	15-10-2012	91	-	23,71,380
16	Pathariya-Gadakota Rehli Devri	72	L.N.Malviya - IDC JV	19-08-2010	06-09-2010	03-02-2011	01-01-2012	11	Bansal Pathways Pvt. Ltd.	26-05-2011	05-12-2011	220	27	15,12,000

Sl. No.	Name of Road	Length (in KM)	Feasibility Consultant						Developer/ Concessionaire			Early Tendering of work without final Feasibility Report (Days)	Early Signing of CA without final Feasibility Report (Days)	Feasibility Consultant Charges (in ₹)
			Name	Date of LOA	Date of Work Order	Due Date of Submission of Final Report	Date of Final Report	Delay in Feasibility Report (months)	Name	Date of NIT	Date of CA			
17	Rehli-Gorjhamar	22	L.N.Malviya - IDC JV	19-08-2010	06-09-2010	03-02-2011	01-01-2012	11				220	27	4,62,000
18	Damoh Pathariya Garahkota	27	L.N.Malviya - IDC JV	19-08-2010	06-09-2010	03-02-2011	01-01-2012	11	Concast Damoh Road Project Pvt Ltd.	18-05-2011	08-12-2011	228	24	5,67,000
19	Dhaneta Rakhi Shahajpur Road	13.5	Lion Engineering Consultants	19-08-2010	08-11-2010	07-04-2011	15-03-2012	11	Concast Dhaneta Road Project Private Limited	31-05-2011	22-12-2011	289	84	2,70,000
20	Baikhedu Saroud	12.69	Lion Engineering Consultants	19-08-2010	08-11-2010	07-04-2011	15-03-2012	11				289	84	2,53,800
21	Suraiya Simariya Badhiyakheda Padariya Dhamni Singori	13.22	Lion Engineering Consultants	19-08-2010	08-11-2010	07-04-2011	15-03-2012	11				289	84	2,64,400
22	Bichiya Shamnapur Dindori	53.42	Lion Engineering Consultants	19-08-2010	10-09-2010	07-02-2011	15-03-2012	13				289	84	10,68,400
23	Garra Waraseoni	47	Lion Engineering Consultants	19-08-2010	15-12-2011	13-05-2012	25-10-2012	6	MBL (MP) Road Nirman Company Ltd	17-09-2012	22-03-2013	38	-	9,40,000
24	Seoni Katangi Bankatta to MH Border	75.6	Lion Engineering Consultants	19-08-2010	10-09-2010	07-02-2011	15-03-2012	13	MBL Highway Company Limited	08-03-2011	09-09-2011	373	188	15,12,000
TOTAL		**789.67**												**2,32,74,770**

Annexure-4.4

Differences in the data furnished to SLEC and included in final Feasibility Reports

(Referred to in Paragraph 4.1.9)

Name of Project/ road	Parameter	Data furnished to SLEC	Data included in Feasibility Reports
Indore-2/ Mundi Punasa Sanawad	**Traffic**		
	Car	343	419
	Mini Bus/ LCV	137	166
	Bus	38	0
	2 Axle	99	70
	3 Axle/ MAV	56	22
	Financial Parameter		
	Average DSCR	2.15	1.72
	Post Tax IRR	13.17 *per cent*	15.03 *per cent*
	Equity IRR	13.47 *per cent*	19.69 *per cent*
	NPV	₹ 211.56 crore	₹ 145.19 crore
	Annuity	₹ 20.13 crore	₹ 23.30 crore
Sagar-3/ Damoh Pathariya Garahkota	Average DSCR	2.19	1.95
	Post Tax IRR	13.19 *per cent*	14.08 *per cent*
	Equity IRR	13.52 *per cent*	17.22 *per cent*
	NPV	₹ 122.89 crore	₹ 7.02 crore
	Annuity	₹ 8.13 crore	₹ 8.30 crore
Sagar-1/ Rehli-Gorjhamar	Average DSCR	2.06	1.83
	Post Tax IRR	12.90 *per cent*	14.21 *per cent*
	Equity IRR	12.93 *per cent*	18.17 *per cent*
	NPV	₹ 45.21 crore	₹ 2.76 crore
	Annuity	₹ 6.14 crore	₹ 4.80 Crore
SH-54/ Seoni Katangi	VGF	35 *per cent*	27 *per cent*
Gwalior-2/ Ashoknagar Vidisha	Concession Period	30 Years	15 Years
	Post Tax IRR	4.87 *per cent*	13.94 *per cent*
	Equity IRR	2.92 *per cent*	14.75 *per cent*
	No bids were received on Toll mode, further SLEC approved (25 April 2012) revised proposal for implementing project on BOT (Toll + Annuity) Mode.		
Ujjain-SH2/ Ratlam–Sailana–Banswada	Mode	Toll + VGF	Toll + Annuity
	No bids were received on Toll mode, further SLEC approved (8 February 2013) revised proposal for implementing project on BOT (Toll + Annuity) Mode.		
Indore-5/ Dariyapur Jasondi	Average DSCR	2.06	1.68
	Post Tax IRR	12.90 *per cent*	15.39 *per cent*
	Equity IRR	12.93 *per cent*	20.66 *per cent*
	NPV	₹ 33.53 crore	₹ 3.32 crore
	Annuity	₹ 4.55 crore	₹ 4.20 crore
Rewa-NH-75 (1)/ Bameetha-Panna-Nagod-Satna	The project was not viable on BOT (Toll) according to Feasibility Report but same was submitted to GoI for implementing under BOT (Toll). Subsequently, project was terminated after entering into CA.		

Annexure-4.5

Increase in project cost in respect of projects terminated on BOT mode and re-awarded on EPC mode

(Referred to in Paragraphs 4.1.12 and 4.1.19C)

Sl. No.	Name of Project	Date of agreement	Date of termination	Project cost (₹ in crore)	Physical progress at the time of termination (in *per cent*)	Financial progress at the time of termination (₹ in crore)	EPC cost of remaining works (₹ in crore)	Total actual cost (₹ in crore)	Increase in Project Cost (₹ in crore)	Non-Performing Assets declared (₹ in crore)	Non-receipt of Annual Grant[1] (₹ in crore)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(7)+(8)	(10)=(9)-(6)	(11)	(12)
1	Gwalior-IX	27/01/2012	09/04/2015	158.79	27.71	98.86	126.22	225.08	66.29	54.28	-
2	Chhindwara-MDR	22/03/2013	18/11/2016	97.77	20.40	19.94	82.29	102.23	4.46	0	-
3	Jabalpur-NH-12	24/02/2012	04/04/2015	2485.96	0.00	0	2896.28	2896.28	410.32	0	397.75
4	Rewa-NH-75 (1)	20/01/2012	17/01/2018	244.39	49.80	157.49	155.19	312.68	68.29	153.16	34.80
5	Jabalpur-VI	22/12/2011	09/04/2015	130.00	56.00	77.56	88.25	165.81	35.81	50.40	-
6	Sagar-SH-37	05/11/2011	13/02/2013	47.56	30.70	14.60	Not re-awarded			14.60	
7	SH-23	14/08/2012	21/01/2016	176.00	12.95	70.25	180.70	250.95	74.95	21.30	-
8	Gwalior-SH-2	15/10/2012	06/04/2015	141.45	6.72	55.34	116.15	171.49	30.04	34.28	-
9	Rewa-NH-75 (2)	09/05/2012	01/05/2017	321.00	33.56	196.80	318.05	514.85	193.85	24.72	46.55
10	SH-54	09/09/2011	18/11/2016	152.55	56.00	85.72	89.55	175.27	22.72	0	-
11	Indore-SH-36	13/07/2012	16/03/2015	101.20	12.46	6.38	113.11	119.49	18.29	0	-
12	Gwalior-VIII	17/01/2012	09/04/2015	79.00	37.56	47.65	48.81	96.46	17.46	48.91	-
Total				**4136.22**		**830.59**	**4214.6**	**5030.59**	**942.48**	**401.65**	**479.10**

[1] Receivable by the Company from GoI in case of National Highways

Annexure-4.6

Statement showing Damages for not achieving project milestones in time

(Referred to in Paragraph 4.1.15)

Sl. No.	Name of project	PS[2] Amount (₹ in crore)	CA[3] Date	Appointed date	Date of termination	Milestone	Due Date of Milestone	Due Date after 90 days cure period	Date of achievement/ termination	Delay in days	Total amount of penalty (in ₹)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(8) + 90 days	(10)	(11)= (10)-(9)	(12)=(3) x 0.10 *per cent* x (11)
Terminated projects											
1	Chhindwara-MDR	4.69	22/03/2013	25/09/2013	18/11/2016	First	23/03/2014	21/06/2014	22/12/2015	549	2,57,48,100
						Second	24/09/2014	23/12/2014	18/11/2016	696	3,26,42,400
						Third	17/05/2015	15/08/2015	18/11/2016	461	2,16,20,900
						Completion	24/09/2015	23/12/2015	18/11/2016	331	33,34,800
Total											**8,33,46,200**
2	Jabalpur-VI	6.5	22/12/2011	03/08/2012	09/04/2015	First	29/01/2013	29/04/2013	15/05/2013	16	10,40,000
						Second	02/08/2013	31/10/2013	31/05/2014	212	1,37,80,000
						Third	25/03/2014	23/06/2014	09/04/2015	290	1,88,50,000
						Completion	02/08/2014	31/10/2014	09/04/2015	160	33,34,800
Total											**3,70,04,800**
3	Gwalior-VIII	3.97	17/01/2012	18/10/2012	09/04/2015	First	15/04/2013	14/07/2013	15/01/2014	185	73,44,500
						Second	17/10/2013	15/01/2014	27/07/2014	193	76,62,100
						Third	09/06/2014	07/09/2014	09/04/2015	214	84,95,800
						Completion	17/10/2014	15/01/2015	09/04/2015	84	33,34,800
Total											**2,68,37,200**
4	Gwalior-SH-2	7	15/10/2012	26/08/2013	06/04/2015	First	21/02/2014	22/05/2014	25/08/2014	95	66,50,000
						Second	25/08/2014	23/11/2014	06/04/2015	134	93,80,000
						Third	17/04/2015	16/07/2015	Not due	0	0
						Completion	25/08/2015	23/11/2015	Not due	0	0
Total											**1,60,30,000**

2 Performance Security
3 Concession Agreement

Sl. No.	Name of project	PS[2] Amount (₹ in crore)	CA[3] Date	Appointed date	Date of termination	Milestone	Due Date of Milestone	Due Date after 90 days cure period	Date of achievement/ termination	Delay in days	Total amount of penalty (in ₹)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(8) + 90 days	(10)	(11)= (10)-(9)	(12)=(3) x 0.10 *per cent* x (11)
5	SH-54	7.63	09/09/2011	21/02/2012	18/11/2016	First	18/08/2012	16/11/2012	30/09/2014	683	5,21,12,900
						Second	19/02/2013	20/05/2013	31/03/2016	1046	7,98,09,800
						Third	12/10/2013	10/01/2014	18/11/2016	1043	7,95,80,900
						Completion	19/02/2014	20/05/2014	18/11/2016	913	6,96,61,900
Total											**28,11,65,500**
6	Rewa-NH-75 (2)	16.05	09/05/2012	13/08/2013	29/05/2017	First	08/02/2014	09/05/2014	05/05/2014	0	0
						Second	12/08/2014	10/11/2014	07/11/2014	0	0
						Third	04/04/2015	03/07/2015	29/05/2017	696	11,17,08,000
						Completion	12/08/2015	10/11/2015	29/05/2017	566	9,08,43,000
Total											**20,25,51,000**
7	Gwalior-IX	7.93	27/01/2012	29/12/2012	09/04/2015	First	26/06/2013	24/09/2013	30/11/2013	67	53,13,100
						Second	28/12/2013	28/03/2014	09/04/2015	377	2,98,96,100
						Third	20/08/2014	18/11/2014	09/04/2015	142	1,12,60,600
						Completion	28/12/2014	28/03/2015	09/04/2015	12	9,51,600
Total											**4,74,21,400**
8	Rewa-NH-75 (1)	12.89	21/01/2012	11/05/2013	17/01/2018	First	06/11/2013	04/02/2014	10/05/2014	95	1,22,45,500
						Second	10/05/2014	08/08/2014	31/01/2017	907	11,69,12,300
						Third	31/12/2014	31/03/2015	17/01/2018	1023	13,18,64,700
						Completion	10/05/2015	08/08/2015	17/01/2018	893	11,51,07,700
Total											**37,61,30,200**
9	Indore-SH-36	5.06	13/07/2012	07/09/2013	16/03/2015	First	05/03/2014	03/06/2014	16/03/2015	286	1,44,71,600
						Second	06/09/2014	05/12/2014	16/03/2015	101	51,10,600
						Third	29/04/2015	28/07/2015			0
						Completion	06/09/2015	05/12/2015			0
Total											**1,95,82,200**

Sl. No.	Name of project	PS[2] Amount (₹ in crore)	CA[3] Date	Appointed date	Date of termination	Milestone	Due Date of Milestone	Due Date after 90 days cure period	Date of achievement/ termination	Delay in days	Total amount of penalty (in ₹)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(8) + 90 days	(10)	(11)= (10)-(9)	(12)=(3) x 0.10 *per cent* x (11)
Completed Projects											
10	Rewa-SH4	6.09	06/05/2010	05/01/2011	05/05/2015	First	03/07/2011	01/10/2011	16/02/2012	138	84,04,200
						Second	04/01/2012	03/04/2012	30/11/2012	241	1,46,76,900
						Third	26/08/2012	24/11/2012	05/05/2015	892	5,43,22,800
						Completion	03/01/2013	03/04/2013	05/05/2015	762	4,64,05,800
Total											**12,38,09,700**
11	Sagar-3	3.5	08/12/2011	04/06/2012	Completed	First	30/11/2012	28/02/2013	28/02/2013	0	0
						Second	03/06/2013	01/09/2013	31/12/2013	121	42,95,500
						Third	24/01/2014	24/04/2014	22/05/2015	393	1,39,51,500
						Completion	03/06/2014	01/09/2014	31/12/2018	1582	5,61,61,000
Total											**7,44,08,000**
12	Indore-SH1	11.35	28/07/2011	20/04/2012	Completed	First	16/10/2012	14/01/2013	14/01/2013	0	,0
						Second	19/04/2013	18/07/2013	12/11/2013	117	1,32,79,500
						Third	10/12/2013	10/03/2014	28/02/2015	355	4,02,92,500
						Completion	19/04/2014	18/07/2014	31/03/2016	622	7,05,97,000
Total											**12,41,69,000**

Annexure-4.7

Delay in obtaining forest clearance

(Referred to in Paragraph 4.1.20)

Name of Project/ Road/ Date of agreement	Audit Observation with reason	Reply of the Company	Further Audit comment
Gwalior-IX/ Satanwara Narwar (MDR)/ 27 January 2012	CA contained details of land use along the nine kms reach of road as forest area, but proposal for permission for widening of road to 10.00 meter in Madhav National Park submitted by the DM, MPRDC, Gwalior contained incomplete information (April 2013) such as details of area required not furnished, incomplete checklist etc. Revised proposal for widening was submitted (June 2013) by the Company after complying with deficiencies. Standing Committee of National Board for Wild Life (NBWL) recommended (August 2014) the proposal subject to only repair of existing top width of the road (3.05 meter) and the Concessionaire constructed road accordingly.	Reply is yet to be received	This also contributed in creation of black spot[4] on road passing through forest area due to inadequate width.
Rewa-NH-75 (1)/Bameetha-Panna-Nagod-Satna (NH)/ 20 January 2012	The Company was entrusted with the work of the project by MoRTH in August 2009. However, DM, MPRDC, Rewa applied (April 2011) for permission for upgradation and widening of road in 31.200 hectare (13 km) in Panna Tiger Reserve with delay of 19 months. The reasons for delay were non-submission of proposal in the prescribed format of GoI and delay in obtaining map of road passing through Panna Tiger Reserve from Forest Department. Subsequently, the proposals of the Company remained incomplete for want of additional information like, details of proposed underpasses, culverts, tunnel, fly over, information in prescribed format, etc. Final approval for widening of road was accorded by Supreme Court of India on 06 January 2014. This also contributed to slow progress of work and subsequent termination of project.	The Company has obtained final permission on 16 December 2014 and agreement was terminated on 17 January 2018 hence there is no reason to delay the project for forest clearance.	The reply is not acceptable as permission was not obtained prior to appointment date of 11 may 2013, indicating that forest clearance was also a factor for delay and subsequent termination of project.
Sagar-SH-37/ Tikamgarh-Orchha (SH)/ 05 November 2011	Proposal for permission for repair and maintenance of road in Orchha Sanctuary was submitted (March 2009) by DM, MPRDC, Sagar and Standing Committee of NBWL accorded (October 2010) permission with the condition that no new road would be constructed and commented that justification for requirement of upgradation of road would also be required. However, the Company continued with the existing proposal of repair and maintenance only but executed CA for upgradation and widening of road. As a result, during construction period machinery and equipment mobilized by the EPC contractor for construction work but same was seized by the forest Department for want of forest permission and work was held up. The Company terminated (February 2013) the CA and the lender substituted the Concessionaire. The project cost of ₹ 47.56 crore was raised to ₹ 72.60 crore by the later Concessionaire mainly due to inclusion of buy back cost of ₹ 14.60 crore. The substituted Concessionaire also could not revive the project. The work remained incomplete till November 2018 resulting in time overrun of more than three years.	Reply is yet to be received	Not applicable

4 prone to road accident

Name of Project/ Road/ Date of agreement	Audit Observation with reason	Reply of the Company	Further Audit comment
Bhopal-1/ Betul Athner (MDR)/ 04 January 2012	As per the Concession Agreement, entire road including forest area of 4.60 kms was to be upgraded to 10 meter width (5.50 meter carriageway and 2.25 meter shoulders both sides). Though, available Right of Way in forest area was in the range of 9.30 meter to 18.50 meter, the Company has not approached the Forest department with clarification that separate permission for execution of work in existing RoW in forest area in not required as per GoMP instructions (November 2006). Hence, Forest department granted (December 2012) permission for upgradation of road in forest area in 6.0 meter width only that also with a condition that widening of the road will not be done without prior permission from Central Government under Forest Conservation Act, 1980. Subsequently also, the Company neither clarified the Forest Department about GoMP instructions nor made any efforts for obtaining permission for widening of road from Central Government. As a result, single lane (3.75 meter carriageway) road was constructed in forest area as against the proposed construction of intermediate lane (5.50 meter carriageway).	Reply is yet to be received	Not applicable
Indore-SH1/ Khandwa Dedtalai Burhanpur (SH)/ 28 July 2011	DM, MPRDC, Indore applied (May 2009) for permission of upgradation/ reconstruction of road in forest area of 6.00 Kms on existing Right of Way. However, the permission was accorded (February 2010) with a condition that upgradation will be done in 3.85 meters width only and no widening will be done without permission of Central Government. The Company executed agreement for widening of road. The company clarified (December 2012) to Forest department that separate permission for execution of work in existing RoW in forest area in not required as per GoMP instructions (November 2006) However, Forest Department stopped (February 2013) the construction work. Forest department again revised (February 2013) the permission for 3.5 meter from center i.e. upto 7.0 meter width Thus, delay in perusal by the Company has contributed to delay in obtaining forest permission.	The Company stated (July 2019) that permission for road construction in forest area was given (February 2010) before Appointed Date.	The reply is not acceptable as the permission was accorded for upgradation in 3.85 meter width only instead of 7.0 meter till February 2013 due to not clarifying before appointment date.

Annexure-4.8

Delay in handing over Right of way

(Referred to in Paragraph 4.1.20)

Name of Road and date of agreement	Audit Observation with reason	Reply of the Company	Further Audit Comment
Indore-SH1/ 28 July 2011	Feasibility report and SLEC proposal did not stipulate details of land to be acquired for the project. However, at the time of joint visit (03 January 2012), the Concessionaire observed (February 2012) that 58.13 hectare of land is needed to be acquired for completing the work and requested the Company to provide Right of Way for the same. However, the Company lacked in providing required land to the Concessionaire in time and provided only 79.08 *per cent* of land upto appointed date due to encroachments, temples, water pipelines poles etc on the proposed road. DM, MPRDC, Indore has taken-up (March 2014) the matter with State Administration for land acquisition, removing encroachments, shifting of temples, tree cutting etc in 3.760 kms of Khandwa city area with delay of 32 months from the date of CA. As a result, required Right of Way could not be provided to the Concessionaire and the Company had taken (March 2014) decision to construct narrower road in 3.760 kms.	The Company stated (July 2019) that the project site has been handed over to the Concessionaire before Appointed Date.	Reply is not acceptable as the Company had not provided required Right of Way of required width to the concessionaire for which negative change of scope was also approved. The completion of the work was also delayed by 23 months.
Rewa-NH1/ 25 January 2012	Though, DM, MPRDC, Rewa initiated (March 2011) procedure for land acquisition in 89.30 kms in time, 307 obstructions in road construction were reported (September 2013) by IE. As a result, publication of notification for land acquisition was delayed upto January 2014 and April 2016. Even after that the details of land included in notification did not match with the details of state land records. Further, notification for additional land requirement of 5.99 hectare was also issued in October 2018. As a result, the Company failed to provide the 80 *per cent* private land even after appointed date (20 February 2013). Up to scheduled completion period (20 February 2015) Concessionaire could achieve 55 *per cent* physical progress (49.63 KM) out of entire road length (89.30 KM) for which provisional completion certificate was issued by the IE on 07 February 2015. In rest 39.60 km, Concessionaire could not achieve the desired progress due to non-availability of land. The work was delayed by one year.	No specific reply was furnished by the Company.	Not applicable
Indore-2/ 05 December 2011	DM, MPRDC, Indore requested (March 2012) to Public Works Department (PWD), Khandwa for handing over of Mundi-Punasa road (23 KMs) and to Narmada Hydroelectric Development Corporation Limited (NHDCL) for Punasa-Sulgaon-Sanawad road (40 KMs) after executing Concession Agreement. Mundi-Punasa road from PWD, Khandwa and Punasa-Sulgaon-Sanawad road from NHDCL were handed over in April 2012 and August 2012 respectively after Appointed Date (19 March 2012). Hence, the Company failed in taking over roads from other agencies in time, which resulted in subsequent delay in handing over of roads to the Concessionaire. After a dispute between the Company and the Concessionaire, Arbitral Tribunal re-fixed (November 2015) appointed date as 31 August 2012 and directed the Company to pay damages for delay in handing over of site and interest thereon. The Concessionaire demanded	Reply of the company is yet to be received.	Not applicable

Name of Road and date of agreement	Audit Observation with reason	Reply of the Company	Further Audit Comment
	(January 2016) from the Company damages of ₹ 1.22 crore for delay in handing over site, additional Early Completion Bonus of ₹ 7.50 crore due to shifting of appointed date and ₹ 1.25 crore interest thereon. Though, based on the application (January 2016) of the Company, stay has been granted by Additional District Judge, Bhopal; final decision on the issue of which is pending as on date (March 2019).		
Ujjain-SH3/ 12 June 2013	DM, MPRDC, Ujjain initially proposed (April 2013 and June 2013) for acquisition of 66.388 hectare land, however, it revised the land requirement to 43.091 hectare in February 2014 and to 42.978 hectares in June 2014. Finally award for land acquisition of 36.010 Hectare was issued. Thus, the Company had revised proposal of Land Acquisition multiple times, which indicated that the survey of land by the Company was not adequate. As a result, the Company could not hand over required land to the Concessionaire on scheduled time, which has further resulted in refixation of Appointed Date by the Company from 02 February 2014 to 05 May 2014 and consequent avoidable payment of early completion bonus of 92 days amounting to ₹ 2.97 crore.	The Company stated (May 2019) that early completion of the work by the Concessionaire and relaxation of appointment date are unrelated issues. It was further stated (September 2019) that Bonus has been given as per provisions of Concession Agreement.	Reply is not acceptable as the Company itself had accepted that the Concessionaire had commenced the work before handing over of land, therefore, it was also a factor for early completion bonus.
Rewa-SH4/ 06 May 2010	Divisional Manager, Rewa submitted (June 2013) proposal for requirement of additional land to Collector, Satna after three years from the date of Concession Agreement. Final notification for award of land was issued in December 2013. Meanwhile, the Concessionaire completed (June 2013) Satna- Majhgawan portion of road (overall 54 *per cent* physical progress) and stopped all the construction activities on the project in November 2013 citing issues with its EPC contractor and insufficient Right of Way. Accordingly, the Company terminated (May 2015) the balance project of Majhgawan-Chitrakoot in which works valuing to ₹ 56.05 crore were pending. The balance work was awarded (August 2015) on EPC mode at a cost of ₹ 61.88 crore scheduled to be completed in September 2017. This has contributed in increase in project cost by ₹ 5.83 crore besides utilisation of government funds for completion of project. The work is still in progress (February 2019).	Reply of the company is yet to be received.	Not applicable

Annexure-4.9

Withdrawal of fund from the Escrow Account in case of terminated projects

(Referred to in Paragraph 4.1.26)

Sl. No.	Name of the project	Project Cost as per Financing Agreement (₹ in crore)	Date of termination	Physical Progress at the time of termination (in *per cent*)	Financial Progress at the time of termination (₹ in crore)	Amount withdrawn from Escrow Account till termination (₹ in crore)	Excess Withdrawal of fund (₹ in crore)	Withdrawal of fund after termination (₹ in crore)
1	Gwalior-SH-2	165.75	06/04/2015	6.72	11.13	79.12	67.99	3.98
2	Gwalior-IX	158.79	09/04/2015	27.71	44.00	96.16	52.16	2.75
3	Rewa-NH-75 (2)	483.03	29/05/2017	33.56	162.10	184.95	22.85	0.28
4	Rewa-NH-75 (1)	244.38	17/01/2018	49.80	121.70	225.15	103.45	0.09
5	Gwalior-VIII	74.77	09/04/2015	37.56	28.08	57.02	28.94	-
6	SH-54	211.60	18/11/2016	56.00	118.50	175.30	56.80	-
Total							**332.19**	**7.10**

Annexure 5.1

(*Referred to in Paragraph 5.1*)

Statement showing details of payment of interest due to late filing of income tax returns for the assessment years 2008-09 to 2018-19

Assessment Year	Date of filing of Original return	Due date of filing	Delay in filing of original returns (in days)	Under Section 234A	Under Section 234B	Under Section 234C	Amount of Interest Paid (in ₹)
2008-09	24-Aug-2009	30-Sep-2008	328	1,42,263.00	2,19,861.00	1,32,354.00	4,94,478.00
2009-10	09-Mar-2011	30-Sep-2009	525	45,270.00	60,360.00	12,697.00	1,18,327.00
2010-11	29-Mar-2012	30-Sep-2010	546	11,20,158.00	14,93,544.00	78,220.00	26,91,922.00
2011-12	30-Mar-2013	30-Sep-2011	547	15,94,296.00	21,43,464.00	4,47,288.00	41,85,048.00
2012-13	29-Mar-2014	30-Sep-2012	546	13,27,932.00	14,97,925.00	3,72,559.00	31,98,416.00
2013-14	12-Dec-2014	30-Sep-2013	438	22,092.00	27,672.00	7,971.00	57,735.00
2014-15	31-Mar-2016	30-Sep-2014	548	0.00	0.00	99,351.00	99,351.00
2015-16	29-Mar-2017	30-Sep-2015	546	2,15,424.00	3,04,128.00	63,993.00	5,83,545.00
2016-17	23-Mar-2018	30-Sep-2016	541	0.00	0.00	0.00	0.00
2017-18[1]	--	30-Sep-2017	--	0.00	0.00	15,573.00	15,573.00
2018-19	27-Mar-2019	30-Sep-2018	544	0.00	0.00	0.00	0.00
Total				**44,67,435.00**	**57,46,954.00**	**12,30,006.00**	**1,14,44,395.00**

[1] PICL did not file ITR for AY 2017-18 within stipulated time period and requested (02 August 2018) IT Department for condonation of delay in filing ITR on account of complete change in Management, pending compliance of PICL audit for FY 2016-17, which has become time barred and submitted ITR for AY 2017-18 in physical form, which was not accepted by IT Dept. and later above request was rejected (26 April 2019). As such, figures has been considered from physical ITR-6 of AY 2018-19.

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