Report of the
Comptroller and Auditor General of India

on

Public Sector Undertakings

for the year ended 31 March 2016

GOVERNMENT OF GUJARAT

(Report No. 1 of the year 2017)

TABLE OF CONTENTS

Preface

This Report deals with the results of audit of 86 Government Companies and four Statutory Corporations for the year ended 31 March 2016.

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 619 of the Companies Act, 1956 and Section 139 and 143 of the Companies Act, 2013.

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

CAG is the sole auditor for Gujarat State Road Transport Corporation, a Statutory Corporation, and Gujarat Electricity Regulatory Commission, a regulatory body. As per the State Financial Corporations (Amendment) Act, 2000, the CAG has the right to conduct the audit of accounts of Gujarat State Financial Corporation in addition to the audit conducted by the Chartered Accountants, appointed by the Corporation from the panel of auditors approved by the Reserve Bank of India. In respect of Gujarat State Warehousing Corporation, the CAG has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants, appointed by the State Government in consultation with the CAG. Audit of Gujarat Industrial Development Corporation is entrusted to the CAG under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and CAG is a sole Auditor.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the year 2015-16 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 31 March 2016 have also been included, wherever necessary.

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

Overview

1 Overview on the Functioning of State Public Sector Undertakings

Introduction

The State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. The SPSUs are established to carry out the activities of commercial nature keeping in view the welfare of people and also occupy an important place in the state economy. As on 31 March 2016, in Gujarat there were 72 Working SPSUs (68 Companies and four Statutory Corporations) and 14 non-working SPSUs. The working SPSUs registered a turnover of ₹ 1,11,036.50 crore as per their latest finalised accounts. The turnover was equal to 11.27 *per cent* of State's Gross Domestic Product for 2015-16.

Accountability framework

The Audit of financial statements of a Company in respect of financial years commencing on or after 1 April 2014 is governed by section 139 and 143 of the Companies Act, 2013. The financial statements of Government Companies are audited by Statutory Auditors who are appointed by the CAG as per the provisions of Section 139(5) or (7) of the Act. These financial statements are subject to supplementary audit by CAG within 60 days from the date of receipt of the audit report under the provisions of Section 143(6) of the Act. Audit of Statutory Corporations is governed by their respective legislations.

Investment in SPSUs

As on 31 March 2016, the investment (capital and long term loans) in 86 SPSUs was ₹ 1,29,178.86 crore. Out of the total investment, 99.38 *per cent* (₹ 1,28,378.33 crore) was in working SPSUs and remaining 0.62 *per cent* (₹ 800.53 crore) was in non-working SPSUs.

Arrears in finalisation of Accounts

Thirty six working SPSUs had arrears of 64 accounts as on 30 September 2016. The extent of arrears ranged from one to six years.

Performance of SPSUs

During the year 2015-16, as per their latest finalised accounts, out of 72 working SPSUs, 49 SPSUs earned profit of ₹ 2,854.27 crore and 14 SPSUs incurred loss of ₹ 1,221.15 crore. The major contributors to the profit were Gujarat State Petronet limited (₹ 667.86 crore), Gujarat Gas Limited (₹ 252.25 crore), Gujarat Mineral Development Corporation Limited (₹ 336.63 crore) and Gujarat Energy Transmission Corporation Limited (₹ 302.79 crore). Major loss making SPSUs were Gujarat State Petroleum Corporation Limited (₹ 875.00 crore), Gujarat State Road Transport Corporation (₹ 132.45 crore), Gujarat State Financial

Corporation (₹ 104.99 crore) and Gujarat Water Infrastructure Limited (₹ 91.37 crore).

Accounts Comments

Out of 67 accounts finalised during the period 2015-16, Statutory Auditors had given unqualified certificates for 46 accounts, qualified certificates for 20 accounts and disclaimer for one account. There were 28 instances of non-compliance to Accounting Standards in 14 accounts during 2015-16.

(Chapter 1)

2. Performance Audits relating to Government Companies

Performance Audits of '**Implementation of Re-structured Accelerated Power Development and Reforms Programme in Gujarat'** and **'Material Management of Power Distribution Companies'** was conducted.

Highlights of the performance audit of **Implementation of Re-structured Accelerated Power Development and Reforms Programme in Gujarat** by the Power Distribution Companies (DISCOMs), viz., Dakshin Gujarat Vij Company Limited, Madhya Gujarat Vij Company Limited, Paschim Gujarat Vij Company Limited and Uttar Gujarat Vij Company Limited are given below:

Government of India (GoI), Ministry of Power (MoP), launched the Restructured Accelerated Power Development and Reforms Programme (R-APDRP) in July 2008. The main objectives of the scheme were:

- **to reduce Aggregate Technical and Commercial (AT&C) losses to 15 *per cent* in power distribution companies on a sustainable basis; and**
- **to establish reliable and automated systems for collection of accurate baseline data and to adopt Information Technology (IT) for energy accounting/auditing and for billing.**

The scheme was to be implemented in two parts viz., Part A and Part B. Part A consisted of works for establishment of the baseline data and Part B consisted of distribution strengthening works. It also included establishment of Supervisory Control and Data Acquisition (SCADA) System.

The GoI (MoP) launched (December 2014) a new scheme titled Integrated Power Development Scheme (IPDS). The components of R-APDRP which remained incomplete (December 2014) were to be subsumed in the IPDS as a separate component.

The Performance Audit covers the implementation of the GoI assisted R-APDRP in Gujarat including the components subsumed in the IPDS. It covers the period from July 2008 to 31 March 2016.

In Gujarat the Part A works were taken up in 84 towns, all of which have been completed. The Third Party Independent Evaluating Agency (TPIEA) certification of these projects is pending. Similarly in respect of Part B works out of the 62 towns wherein the works were taken up, works in 60 towns have been completed, though TPIEA verification is pending. All the six SCADA works are in progress.

The Audit findings are enumerated below:

Implementation of SCADA projects was delayed right from the point of invitation of tender. A time period of eight months was taken for the invitation of tender after the date of approval of the Detailed Project Report (DPR). There was a further delay of 16 to 18 months in the award of work. The works are still in progress due to delay in execution by the contractor.

Disaster recovery site was changed from Pune to Ahmedabad. This was in spite of the fact that Gujarat State Disaster Management Authority had classified Ahmedabad as a severe intensity zone for earthquakes.

There was irregular inclusion of departmental overheads and supervision charges in DPR cost and final project cost of Part B projects not envisaged in the guidelines. This inclusion was to the extent of ₹ 61.78 crore. This will result in overdrawal of loan of ₹ 15.44 crore.

The Part B works were completed in 60 towns, out of which in 39 towns the targeted reduction of AT&C losses upto 15 *per cent* was achieved. The targeted reduction of AT&C losses was not achieved in 21 towns. In these 21 towns, the AT&C losses ranged from 15.31 to 46.17 *per cent* in 2015-16. Due to this, the DISCOMs lost an opportunity to save ₹ 60.71 crore in these 21 towns for the year 2015-16.

Works like installation of High Voltage Distribution System, underground cables, static meters, junction boxes, armour cables etc., were not executed as envisaged in the project reports in five out of the 21 towns test-checked in Audit.

In Paschim Gujarat Vij Company Limited, there was a persistence of outages. This indicated the need for improving load management and maintenance of power lines to enhance the quality of service to the consumers.

(Chapter 2.1)

Highlights of the performance audit of **Material Management of Power Distribution Companies** viz., Dakshin Gujarat Vij Company Limited, Madhya Gujarat Vij Company Limited, Paschim Gujarat Vij Company Limited and Uttar Gujarat Vij Company Limited are given below:

Gujarat Electricity Board (GEB) was unbundled with effect from 1 April 2005 into seven separate companies. They had functional responsibility for generation, transmission, distribution and trading of electricity. The

distribution of electricity was vested with four Power Distribution Companies (DISCOMs). The DISCOMs were Dakshin Gujarat Vij Company Limited (DGVCL), Madhya Gujarat Vij Company Limited (MGVCL), Uttar Gujarat Vij Company Limited (UGVCL) and Paschim Gujarat Vij Company Limited (PGVCL). They catered to the consumers in south Gujarat, central Gujarat, north Gujarat and Saurashtra region respectively.

The creation and maintenance of the distribution network requires purchases of different kind of materials and their storage at convenient locations.

The present Performance Audit covers the period from 2011-12 to 2015-16. It includes assessment of material requirement, procurement of material and stores management by the DISCOMs. In the above performance audit we noticed aberrations mostly in respect of quantity allocation to new bidders, allocation to Gujarat based firms, guarantees taken and placement of repeat orders. This led to favouring ineligible bidders impacting ₹ 61.41 crore and additional expenditure of ₹ 3.39 crore

Our Audit findings are enumerated below:

The DISCOMs after unbundling continued to follow the Purchase Policy 2000 of the erstwhile GEB. Gujarat Urja Vikas Nigam Limited (GUVNL - holding Company) circulated (March 2011) Purchase Guidelines to all its subsidiary companies. This was to further streamline and amend existing purchase policies, procedures and practices being followed. We found that the above Purchase Policies had not been uniformly adopted by all the DISCOMs.

MGVCL, PGVCL and UGVCL placed Purchase Orders (POs) on new parties in excess of individual limits prescribed in the Purchase Policies. MGVCL, in violation of the Purchase Policy 2000, allotted quantity above the 10 *per cent* limit to new bidders in two tenders amounting to ₹ 13.65 crore. PGVCL in respect of ten tenders and UGVCL in respect of one tender allotted excess quantity to new bidders to the extent of ₹ 28.95 crore and ₹ 4.05 crore respectively.

MGVCL and UGVCL awarded POs worth ₹ 4.93 crore to new bidders though their rates were not lower than the lowest regular bidder. As per Purchase Policy 2000 and 2011 these bidders were not eligible for any allocation.

In accordance with the Purchase Policy 2011, 50 *per cent* of tendered quantity was to be allotted to Gujarat based firms. The final cost of the product quoted by the Gujarat based firms could not be more than 15 *per cent* of the cost quoted by the firms from outside Gujarat. PGVCL awarded a PO worth ₹ 3.62 crore to a Gujarat based firm in violation of this requirement.

The Purchase Policy 2011 stipulated a bank guarantee rate of five *per cent* for large units and for outside Gujarat based firms. It stipulated a lower rate of three *per cent* for Gujarat based Medium Small and Micro

Enterprises (MSME) units. In five tenders finalised by PGVCL and UGVCL, the bank guarantee rates for the warranty period were kept at two *per cent*. Thus, all the four DISCOMs under recovered bank guarantee to the extent of ₹ 6.21 crore in the 43 POs placed against the five tenders.

In two tenders finalised by DGVCL and PGVCL, the new bidders were allotted lesser than the allowable quantity of 10 *per cent*. These quantities were allotted to regular bidders at higher rates thereby incurring an avoidable expenditure of ₹ 3.27 crore.

(Chapter 2.2)

3. Compliance Audit Observations

Compliance audit observations included in this Report highlight deficiencies in the management of PSUs which resulted in serious financial implications.

Gist of the observations is given below:

Gujarat Mineral Development Corporation Limited sold land admeasuring 16,188 square meter at a price of ₹ 18.31 crore, which was ₹ 5.24 crore below the prevailing *jantri* valuation of the land.

(Paragraph 3.1)

Gujarat State Handloom and Handicrafts Development Corporation Limited showed poor operational performance of the Emporia as many of them could not achieve even 50 *per cent* of the sales targets set for them. The online sales through the e-Store web portal from June 2015 till April 2016 were also very low. The Company did not carry out any periodical analysis of the sales trend of e-Store nor did it evolve any business strategy for improving this business. The Company incurred financial losses in 14 out of 23 (61 *per cent*) Emporia. As envisaged in its objective, the Company could not create enough employment opportunities for the artisans.

(Paragraph 3.2)

Gujarat State Petroleum Corporation Limited incurred expenditure of ₹ 478.98 crore on KG-21 well drilled outside the template which remained idle. The Company incurred additional expenditure of ₹ 34.37 crore to remove the unaligned KG-21 conductor.

(Paragraph 3.3)

Sabarmati Gas Limited had accumulated doubtful dues of ₹ 4.72 crore in respect of a consumer due to inadequate monitoring and delayed remedial action.

(Paragraph 3.4)

The One Time Settlement (OTS) schemes for Board of Industrial and Financial Reconstruction/Gujarat Board of Industrial and Financial Reconstruction (BIFR/GBIFR) units formulated by the **Gujarat State Financial Corporation** did not have the checks and balances of the GoG scheme. None of the OTS schemes of the Corporation envisaged valuation of assets as a parameter for deciding the amount for OTS. It resulted in loss of potential recovery of ₹ 12.86 crore in four cases. The Corporation did not have clear cut guidelines laying down circumstances and conditions for grant of OTS for units under BIFR/GBIFR. It led to loss of potential revenue of ₹ 11.30 crore in four cases. In the recovery efforts of outstanding accounts, we noticed instances of lack of follow up of suits filed. There were instances of assets not being sold and personal guarantees not being invoked. Even after 14 years of recovery process, the Corporation still has an outstanding of ₹ 15,349.51 crore in respect of 5,520 loanee accounts.

(Paragraph 3.5)

Gujarat Industrial Development Corporation violated its approved policy for allotment of adjoining plots in an industrial estate resulting in short recovery of ₹ 3.41 crore from three allotees.

(Paragraph 3.6)

Chapter I

Functioning of State Public Sector Undertakings

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Functioning of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. The SPSUs are established to carry out activities of commercial nature keeping in view the welfare of the people. They occupy an important place in the State economy. As on 31 March 2016, in Gujarat there were 86 SPSUs. Of these, four[1] were listed on the stock exchange(s). During the year 2015-16, four SPSUs[2] were incorporated as Government Companies. One SPSU[3] came under the purview of the Comptroller and Auditor General of India (CAG) as per Section 139(5) of the Companies Act, 2013. Another SPSU, Naini Coal Company Limited became non operational during the year. The details of SPSUs in Gujarat as on 31 March 2016 are given in **Table 1.1**.

Table 1.1: Total number of SPSUs as on 31 March 2016

Type of SPSUs	Working SPSUs	Non-working SPSUs[4]	Total
Government Companies[5]	68	14	82
Statutory Corporations	4	--	4
Total	**72**	**14**	**86**

Source: Compiled from ***Annexure 2*** based on entrustment of Audit of SPSUs.

The working SPSUs registered a turnover of ₹ 1,11,036.50 crore as per their latest finalised accounts as on 30 September 2016. The turnover was equal to 11.27 *per cent* of State's Gross Domestic Product[6] (GSDP) for 2015-16. The working SPSUs earned aggregate profit of ₹ 1,633.12 crore as per their latest finalised accounts as on 30 September 2016. They had employed 1.12 lakh employees as on 31 March 2016.

As on 31 March 2016, there were 14 non-working SPSUs having investments of ₹ 800.53 crore. In eight SPSUs liquidation process had been started and in six SPSUs liquidation process was yet to start though they had ceased carrying out their operations. Government may take suitable decision for expediting the liquidation process in the eight Companies and take suitable decision as regards the remaining six non-working SPSUs.

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[1] Gujarat Gas Limited, Gujarat Mineral Development Corporation Limited, Gujarat State Petronet Limited and Gujarat State Financial Corporation.

[2] Gujarat Nomadic and Denotified Tribes Development Corporation, GSPC Offshore Limited, GSPC Energy Limited and Dholera Industrial City Development Limited were incorporated on 14 August 2015, 23 September 2015, 18 December 2015 and 28 January 2016 respectively.

[3] Narmada Clean Tech.

[4] Non-working SPSUs are those which have ceased to carry on their operations.

[5] Government Companies include other Companies referred to in Section 139(5) and 139(7) of the Companies Act 2013.

[6] The State's Gross Domestic Product for the year 2015-16 was ₹ 9,84,971 crore (Advance estimates) as per statements prepared under the Gujarat Fiscal Responsibility Act 2005, Budget Publication No. 30.

Accountability framework

1.2 Companies Act, 2013 governs the financial attest audit of a Company as on or after 1 April 2014. The audit of a Company in respect of financial years earlier than 1 April 2014 continued to be governed by the Companies Act, 1956.

According to Section 2(45) of the Companies Act, 2013 (the Act), a Government Company is one in which not less than 51 *per cent* of the paid up share capital is held by the Central and/ or State Government(s). This includes a subsidiary of a Government Company. The process of audit of Government Companies under the Act is governed by respective provisions of Sections 139 and 143 of the Act.

Statutory Audit

1.3 The financial statements of a Government Company (as defined in Section 2(45) of the Act) are audited by Statutory Auditors. These Statutory Auditors are appointed by the CAG as per the provisions of Section 139(5) or (7) of the Act. The financial statements of a Government Company are subject to supplementary audit to be conducted by the CAG. The supplementary audit is to be conducted within sixty days from the date of receipt of the Audit Report under the provisions of Section 143(6) of the Act.

The Statutory Auditors of any other Company (Other Company) owned or controlled, directly or indirectly, by the Central and/ or State Government(s) are also appointed by the CAG. This appointment is as per the provisions of Section 139(5) or (7) of the Act.

As per the provisions of Section 143(7) of the Act, the CAG, in case of any Company (Government Company or Other Company) covered under sub-Section (5) or sub-Section (7) of Section 139 of the Act, if considers necessary, by an order, cause test audit to be conducted of the accounts of such Company. The provisions of Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the conduct of such test audit.

Audit of Statutory Corporations is governed by their respective legislations. Out of the four Statutory Corporations, the CAG is the sole auditor for Gujarat Industrial Development Corporation and Gujarat State Road Transport Corporation. In respect of Gujarat State Warehousing Corporation and Gujarat State Financial Corporation, the primary audit is conducted by Chartered Accountants. The supplementary audit is conducted by the CAG.

Role of Government and Legislature

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

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSUs. 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 (SARs) in case of Statutory Corporations are to be placed before the Legislature under Section 395 of the Act 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.

Stake of Government of Gujarat

1.5 The State Government has huge financial stake in these SPSUs. This stake is of mainly three types:

- **Share Capital and Loans**- In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the SPSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the SPSUs as and when considered necessary.
- **Guarantees-** State Government also guarantees the repayment of loans with interest, availed by the SPSUs from Financial Institutions.

Investment in SPSUs

1.6 As on 31 March 2016, the investment (Capital and Long-term loans[7]) in 86 SPSUs was ₹ 1,29,178.86 crore[8] as given in **Table 1.2:**

Table 1.2: Total Investment in SPSUs

(₹ in crore)

Type of SPSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working SPSUs	75,901.04	46,780.68	**1,22,681.72**	2,198.02	3,498.59	**5,696.61**	1,28,378.33
Non-working SPSUs	87.62	712.91	**800.53**	0.00	0.00	**0.00**	800.53
Total	**75,988.66**	**47,493.59**	**1,23,482.25**	**2,198.02**	**3,498.59**	**5,696.61**	**1,29,178.86**

Source: Compiled based on information received from SPSUs.

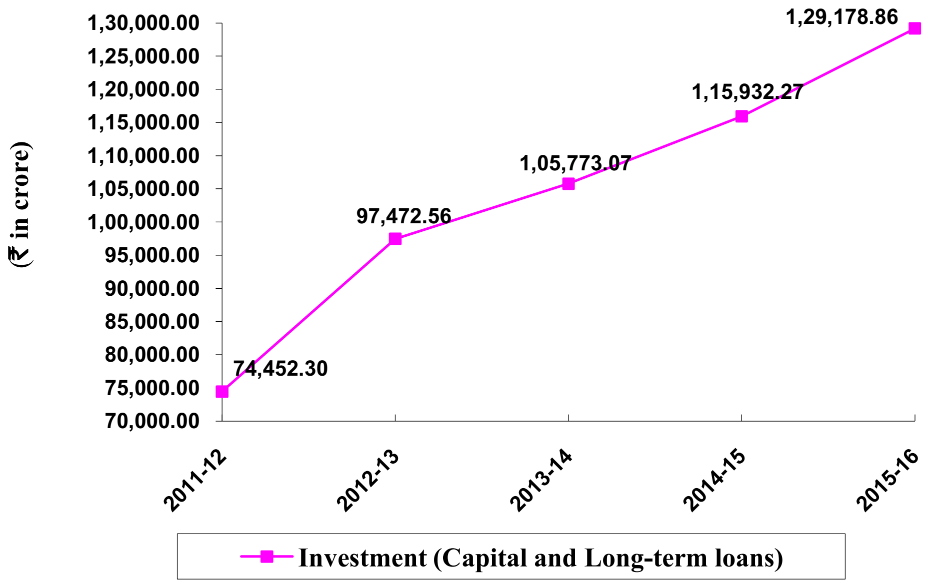
Out of the total investment of ₹ 1,29,178.86 crore in SPSUs as on 31 March 2016, 99.38 *per cent* was in working SPSUs. The remaining 0.62 *per cent* was in non-working SPSUs. This total investment consisted of 60.53 *per cent* towards capital and 39.47 *per cent* in long-term loans. The

[7] This represents loans from the Government and financial institutions.

[8] This amount will not tally with ***Annexure 2*** which is based on latest finalised accounts whereas details of investment in SPSUs in the **Table 1.2** have been prepared from information furnished by the SPSUs, which includes additions subsequent to the last finalised accounts. Further, in respect of certain non-working SPSUs marked in ***Annexure 2*** the long term loan figures are not available as the last finalised accounts are very old.

investment has grown by 73.51 *per cent* from ₹ 74,452.30 crore in 2011-12 to ₹ 1,29,178.86 crore in 2015-16. This is shown in the **Chart 1.1**.

Chart 1.1: Total investment in SPSUs



1.7 The sector wise summary of investments in the SPSUs as on 31 March 2016 is given in **Table 1.3**:

Table 1.3: Total Investment in SPSUs

Name of the Sector	Government/ Other Companies[9]		Statutory Corporations	Total	Investment (₹ in crore)
	Working	Non-working			
Power	11	0	0	11	42,950.41
Manufacturing	8	8	0	16	19,259.29
Finance	13	3	1	17	3,741.08
Miscellaneous[10]	3	0	0	3	50,147.93
Service	18	0	1	19	9,374.21
Infrastructure	11	1	1	13	3,554.31
Agriculture & Allied	4	2	1	7	151.63
Total	**68**	**14**	**4**	**86**	**1,29,178.86**

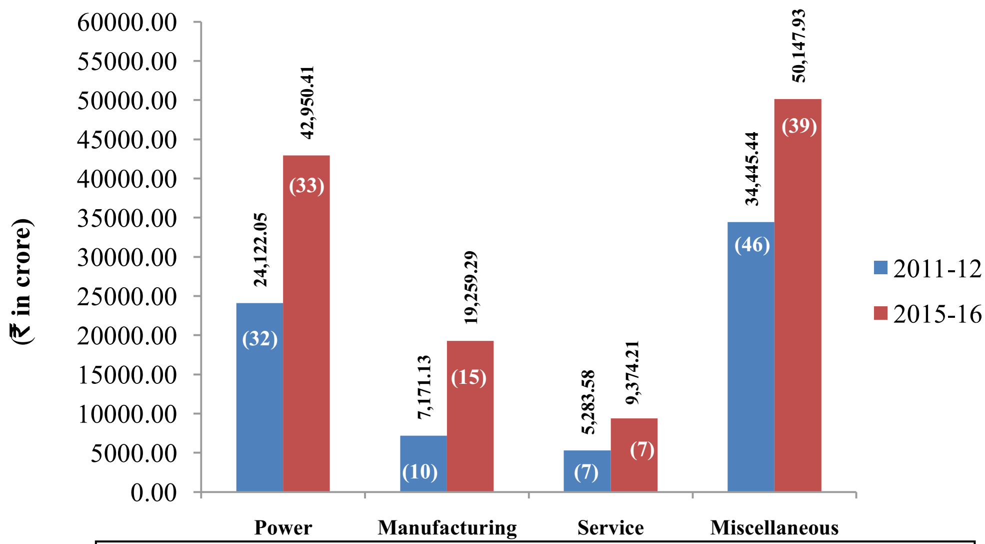
Source: Compiled based on information received from SPSUs.

The investment in four significant sectors and percentage thereof at the end of 31 March 2012 and 31 March 2016 are indicated in the **Chart 1.2**.

[9] 'Other Companies' as referred to under Section 139(5) and 139(7) of the Companies Act, 2013.

[10] This includes ₹ 49,988.74 crore in Sardar Sarovar Narmada Nigam Limited; ₹ 150.02 crore in Gujarat Water Infrastructure Limited and ₹ 9.17 crore in Gujarat Rural Industries Marketing Corporation Limited.

Chart 1.2: Sector wise investment in SPSUs



Figures in brackets show the percentage of investment in SPSUs

The thrust of SPSUs investment was mainly in the Miscellaneous Sector where 99.70 *per cent* investment was in Sardar Sarovar Narmada Nigam Limited. There was a growth of 45.59 *per cent* in this sector. The percentage of investment to total investment in the above sector was 39 *per cent* in 2015-16. The growth of investment in the Manufacturing Sector over the period was 168.57 *per cent* while that in the Power Sector was 78.05 *per cent*. A growth in investment of 77.42 *per cent* was observed in Service Sector.

Special support and returns during the year

1.8 The State Government provides financial support to SPSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans and grants/ subsidies in respect of SPSUs for three years ended 2015-16 are given in **Table 1.4**. The table also gives the details of waiver of loans and interest and guarantee issued during the above period. It also gives details of guarantee commitment outstanding as at the end of the respective years.

Table 1.4: Details regarding budgetary support to SPSUs

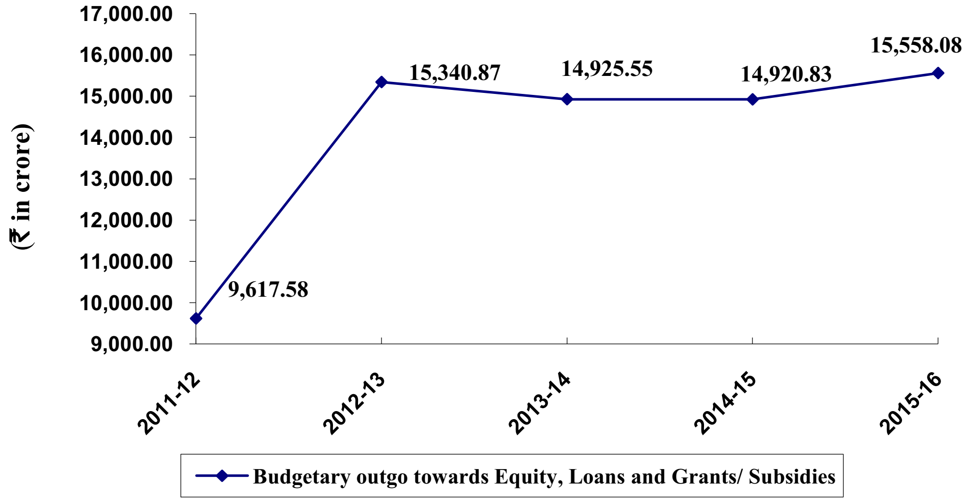
(Amount: ₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital outgo from budget	14	7,503.48	9	6,966.86	8	7,647.92
2.	Loans given from budget	4	279.10	2	201.50	3	362.50
3.	Grants/ Subsidy from budget	33	7,142.97	24	7,752.47	22	7,547.66
4.	**Total Outgo (1+2+3)**		**14,925.55**		**14,920.83**		**15,558.08**
5.	Waiver of loans and interest	--	--	--	--	-	-
6.	Guarantees issued	--	--	2	1,609.16	3	1,555.53
7.	Guarantee Commitment	6	2,239.79	4	1,652.82	5	1,548.46

Source: Compiled based on information received from SPSUs.

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the past five years are given in **Chart 1.3**:

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/ Subsidies



The budgetary outgo in the form of equity, loans and grants/ subsidies increased from ₹ 14,920.83 crore in 2014-15 to ₹ 15,558.08 crore in 2015-16. The outgo on account of grants/ subsidies decreased from ₹ 7,752.47 crore in 2014-15 to ₹ 7,547.66 crore in 2015-16.

In order to enable SPSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee under Gujarat State Guarantee Act, 1963. The guarantee given is subject to the limits prescribed by the Constitution of India, for which the guarantee fee is being charged. This fee varies from 0.25 to one *per cent* as decided by the State Government depending upon the loanees. The guarantee commitment decreased from ₹ 1,652.82 crore during 2014-15 to ₹ 1,548.46 crore during 2015-16. Further, eight SPSUs[11] paid guarantee fee[12] to the tune of ₹ 14.50 crore during 2015-16.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity, loans and guarantees outstanding as per the records of SPSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned SPSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2016 is given in **Table 1.5:**

[11] Gujarat State Electricity Corporation Limited, Gujarat Energy Transmission Corporation Limited, Dakshin Gujarat Vij Company Limited, Madhya Gujarat Vij Company Limited, Paschim Gujarat Vij Company Limited, Uttar Gujarat Vij Company Limited, Gujarat Urja Vikas Nigam Limited and Sardar Sarovar Narmada Nigam Limited.

[12] In case of subsidiaries of GUVNL, the details of Guarantee fees as allocated by the holding Company (GUVNL) have been considered.

Table 1.5: Equity, loans, guarantees outstanding as per Finance Accounts *vis-a-vis* records of SPSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
Equity	67,249.06	67,241.78	7.28
Loans	4,098.17	6,188.24	2,090.07
Guarantees	3,810.28	1,548.46	2,261.82

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

Audit observed (November 2016) that the differences occurred in the individual SPSU's figures adopted for the Audit Report (PSUs) 2015-16, Government of Gujarat (GoG) and the Finance Accounts for the year 2015-16 in a total of 53 SPSUs. The matter was brought (November 2016) to the notice of the Finance Department, concerned Administrative Departments and the respective SPSUs. The Government and the SPSUs should take concrete steps to reconcile the differences in a time bound manner.

Arrears in finalisation of accounts

1.10 The first annual general meeting (AGM) shall be held within a period of nine months from the date of closing of the first financial year of the Company. In any other case, the AGM should be held within a period of six months from the date of closing of the financial year in accordance with the provisions of Section 96(1) of the Act. Also, as per Section 129(2) of the Act, at every AGM of a Company, the Board of Directors of the Company shall lay before such meeting the financial statements for the financial year. Failure to do so may attract penal provisions under Section 99 and Section 129 (7) of the Act. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

The **Table 1.6** provides the details of progress made by working SPSUs in the finalisation of accounts as on 30 September 2016.

Table 1.6: Position relating to finalisation of accounts of working SPSUs

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Number of working SPSUs/ other Companies	66	69	72	68	72
2.	Number of accounts finalised during the year	58	71	65	56	72
3.	Number of accounts in arrears	47	42	50	61	64[13]
4.	Number of Working SPSUs with arrears in accounts	35	30	33	35	36
5.	Extent of arrears (numbers in years)	1 to 4	1 to 3	1 to 4	1 to 5	1 to 6

Source: Compiled based on accounts of working SPSUs received during the period October 2015 to September 2016.

[13] This includes arrears of six accounts in respect of Infrastructure Finance Company Gujarat Limited which was taken over by GIDC and five accounts each in respect of Gujarat Women Economic Development Corporation Limited and Gujarat Foundation for Mental Health and Allied Sciences.

It can be observed that the number of accounts in arrears has increased from 47 (2011-12) to 64 (2015-16). During the period October 2015 to September 2016, 58 working SPSUs have finalised their 72 accounts[14], out of which 31 were accounts in arrears.

During the year 2015-16, five accounts were finalised by four Statutory Corporations, of which three were accounts in arrears. Two Statutory Corporations[15] had finalised their Accounts for 2015-16 and two Statutory Corporations[16] had four accounts in arrears.

The Administrative Departments have the responsibility to oversee the activities of these entities. This ensures that the accounts are finalised and adopted by these SPSUs within the stipulated period. Though the concerned Departments were informed regularly (once in three months) there was no progress in the matter**.** In addition, the matter was taken up (October 2016) with the State Government for clearing the arrears of the accounts. However, no improvement has been noticed.

1.11 The State Government had invested ₹ 11,623.06 crore in 13 SPSUs {equity: ₹ 7,854.73 crore (6 SPSUs), loans: ₹ 457.50 crore (2 SPSUs) and grants ₹ 3,310.83 crore (12 SPSUs)} during the years for which accounts have not been finalised. This is detailed in ***Annexure 1***. In the absence of finalisation of accounts their audits could not be conducted. Resultantly, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not. In this manner, the Government's investment in such SPSUs remained outside the control of the State Legislature.

1.12 In addition to the above, as on 30 September 2016, there were arrears in finalisation of accounts by non-working SPSUs. Out of 14 non-working SPSUs, eight[17] were in the process of liquidation whose accounts were in arrears for nine to 21 years. Of the remaining six non-working SPSUs, only four SPSUs[18] had arrears of accounts as shown in **Table 1.7**:

14 Including six consolidated accounts of Gujarat Urja Vikas Nigam Limited, Gujarat Mineral Development Corporation Limited, Gujarat State Petronet Limited, Gujarat State Petroleum Corporation Limited, Gujarat Gas Limited and Gujarat State Investment Limited.

15 Gujarat State Financial Corporation and Gujarat Industrial Development Corporation

16 Gujarat State Warehousing Corporation and Gujarat State Road Transport Corporation.

17 Gujarat Small Industries Corporation Limited, Gujarat Leather Industries Limited, GSFS Capital and Securities Limited, Gujarat State Textile Corporation Limited, Gujarat Communications and Electronics Limited, Gujarat Fintex Limited, Gujarat Siltex Limited and Gujarat Texfab Limited.

18 Gujarat Fisheries Development Corporation Limited, Gujarat State Machine Tools Limited, Gujarat Trans Receivers Limited and Naini Coal Company Limited.

Table 1.7: Position relating to arrears of accounts in respect of non-working SPSUs

No. of non-working Companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
1[19]	1999-00 to 2015-16	17
1[20]	2012-13 to 2015-16	4
2[21]	2015-16	1

Source: Compiled based on accounts of non-working SPSUs received during the period October 2015 to September 2016.

Placement of Separate Audit Reports

1.13 The **Table 1.8** shows the status of placement of SARs issued by the CAG (up to 30 September 2016) on the accounts of Statutory Corporations in the Legislature.

Table 1.8: Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/ Present Status
1.	Gujarat State Warehousing Corporation	2011-12	2014-15	Accounts not finalised yet
			2013-14	09 May 2016
			2012-13	10 June 2015
2.	Gujarat State Financial Corporation	2014-15	2015-16	SAR under finalisation
3.	Gujarat Industrial Development Corporation	2014-15	2015-16	SAR under finalisation
4.	Gujarat State Road Transport Corporation	2011-12	2013-14 2012-13	SAR under finalisation

Source: Compiled based on information received from Statutory Corporations.

Impact of non-finalisation of accounts

1.14 As pointed out above (Paragraph 1.10 to 1.12**)**, the delay in finalisation of accounts violates the provisions of the relevant statutes. In addition, it contributes to the risk of fraud and leakage of public money. In view of the above state of arrears of accounts, the actual contribution of SPSUs to the GSDP for the year 2015-16 could not be ascertained. Also, their performance was not reported to the State Legislature.

It is therefore, recommended that:

- ***The Government may evolve a suitable mechanism to oversee and monitor the clearance of arrears and set targets for individual Companies.***
- ***The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.***

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[19] Gujarat Fisheries Development Corporation Limited.

[20] Naini Coal Company Limited

[21] Gujarat State Machine Tools Limited and Gujarat Trans Receivers Limited.

Similar recommendation had been made in the Audit Report (PSUs), GoG for the year 2014-15. No action, however, has been taken in this regard till date (December 2016).

Performance of SPSUs as per their latest finalised accounts

1.15 The financial position and working results of working SPSUs are detailed in ***Annexure 2***. The ratio of SPSUs' turnover to GSDP shows the extent of SPSUs' activities in the State economy. The details of working SPSUs' turnover *vis-a-vis* GSDP for a period of five years ending 2015-16 are given in **Table 1.9**:

Table 1.9: Details of working SPSU's turnover *vis-a vis* GSDP

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Turnover[22] (₹ in crore)	79,641.86	91,309.63	98,718.90	1,06,553.54	1,11,036.50
GSDP (₹ in crore)	6,05,456(P)	7,12,123(P)	8,06,745(P)	8,95,202(Q)	9,84,971(A)[23]
Percentage of Turnover to GSDP	13.15	12.82	12.24	11.90	11.27

Estimate: (P) = Provisional, (Q) = Quick and (A) = Advance

Source: Compiled based on Turnover figures of SPSUs and GSDP figures as per Government publication.

Evidently, the contribution of SPSUs to GSDP has been gradually decreasing. Out of the total turnover of ₹ 1,11,036.50 crore, ₹ 73,247.00 crore pertains to 35 working SPSUs who have finalised their accounts for the year 2015-16. The balance turnover of ₹ 37,789.50 crore was taken as per the latest finalised accounts of the other working SPSUs.

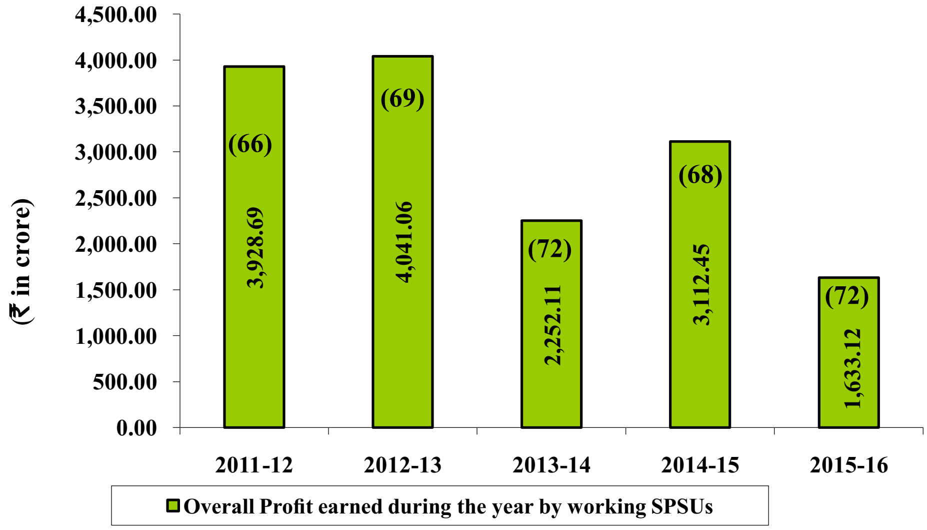
1.16 Overall profits[24] earned by working SPSUs during 2011-12 to 2015-16 are given in the **Chart 1.4:**

[22] Turnover of working SPSUs as per the latest finalised accounts as on 30 September 2016.

[23] As per Statements prepared under the Gujarat Fiscal Responsibility Act 2005, Budget Publication No. 30.

[24] Represents net profit before tax.

Chart 1.4: Profit/ Loss of working SPSUs



(Figures in brackets show the number of working SPSUs in respective years)

As per their latest finalised accounts, out of 72 working SPSUs, 49 SPSUs earned profit of ₹ 2,854.27 crore and 14 SPSUs incurred loss of ₹1,221.15 crore. Two Companies[25] were under construction. Three Companies[26] had not finalised their first accounts. One[27] Company's excess income was transferred to non-plan grants. One Company[28] had transferred excess of expenditure over income to works completed. One[29] Company had set-off expenditure incurred from grant income. One PSU[30] had no profit or loss.

The major profit making Companies/ Corporations were:

- Gujarat State Petronet Limited (₹ 667.86 crore),
- Gujarat Gas Limited (₹ 252.25 crore),
- Gujarat Mineral Development Corporation Limited (₹ 336.63 crore),
- Gujarat Energy Transmission Corporation Limited (₹ 302.79 crore).

Heavy losses were incurred by:

- Gujarat State Petroleum Corporation Limited (₹ 875.00 crore),
- Gujarat State Road Transport Corporation (₹ 132.45 crore),
- Gujarat State Financial Corporation (₹ 104.99 crore),
- Gujarat Water Infrastructure Limited (₹ 91.37 crore).

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[25] GSPC LNG Limited and Sardar Sarovar Narmada Nigam Limited (Sl. No. A-33 and A-67 of ***Annexure 2*** respectively).

[26] Gujarat Scheduled Caste Most Backward Development Corporation, Gujarat Nomadic and Denotified Tribes Development Corporation, Dholera Industrial City Development Limited (Sl. No. A-16, A-17 and A-28 of ***Annexure 2***).

[27] Gujarat Women Economic Development Corporation Limited (Sl. No. A-8 of ***Annexure 2***).

[28] Gujarat State Police Housing Corporation Limited (Sl. No. A-20 of ***Annexure 2***).

[29] Gujarat Foundation for Mental Health and Allied Sciences (Sl. No. A-56 of ***Annexure 2***).

[30] Gujarat State Aviation Infrastructure Company Limited (Sl. No. A-26 of ***Annexure 2***)

1.17 Some other key parameters of SPSUs are given in **Table 1.10**.

Table 1.10: Key Parameters of SPSUs

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Return on Capital Employed (*per cent*)	6.97	6.40	5.00	5.56	4.27
Debt	30,253.60	44,835.60	45,711.93	42,509.05	45,327.85[31]
Turnover[32]	79,641.86	91,309.63	98,718.90	1,06,553.54	1,11,036.50
Debt/ Turnover Ratio	0.38:1	0.49:1	0.46:1	0.40:1	0.41:1
Interest Payments	2,935.83	3,390.99	4,214.21	4,949.38	4,912.24
Accumulated Profits/ (Losses)[33]	1,693.73	2,865.09	3,805.28	3,721.00	3,863.94

(Above figures pertain to all SPSUs except for turnover which is for working SPSUs).

Source: Compiled from the information included in Audit Report (PSU), GoG of respective years and in ***Annexure 2***.

The turnover of SPSUs had increased gradually from ₹ 79,641.86 crore in 2011-12 to ₹ 1,11,036.50 crore in 2015-16. Simultaneously, the debts also increased from ₹ 30,253.60 crore in 2011-12 to ₹ 45,327.85 crore in 2015-16. The debt-turnover ratio which increased during 2012-13 as compared to other years has decreased in subsequent years and stood at 0.41:1 in 2015-16. This was because of significant increase in the turnover. Accumulated profits of ₹ 1,693.73 crore in 2011-12 have increased to ₹ 3,863.94 crore in 2015-16.

A sector wise analysis of these parameters revealed that the turnover increase was contributed mainly by the Power Sector (₹ 23,448.15 crore) and Service Sector (₹ 5,163.16 crore). The increase in debts was mainly in the Manufacture Sector (₹ 10,462.61 crore) and Power Sector (₹ 4,084.51 crore). The Debt to Turnover ratio reduced in the Finance, Power, Services and Miscellaneous Sector whereas it increased in the Agriculture and Allied, Infrastructure and Manufacture Sector. Therefore the overall Debt to Turnover ratio marginally increased from 0.38 to 0.41. The net increase in Accumulated profits was mainly contributed by Infrastructure, Power and Service Sector.

1.18 The State Government had not formulated any dividend policy under which all SPSUs are required to pay a minimum return on paid-up share capital contributed by the State Government. As per their latest finalised accounts, out of 72 working SPSUs, 49 SPSUs earned profit of ₹ 2,854.27 crore. However only eight SPSUs declared dividend of ₹ 237.67 crore of which the State Government's share was ₹ 94.21 crore.

The State Government may consider formulation of a dividend Policy regarding payment of reasonable return from the profit earning SPSUs on the paid up share capital contribution by the State Government.

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[31] This represents the long term loans as per the latest finalised accounts reflected in ***Annexure 2*** of all SPSUs.

[32] Turnover of working SPSUs as per the latest finalised accounts as on 30 September 2016.

[33] Includes accumulated balance of profit or loss as per the finalised accounts and excludes General/ Capital/ Other Reserves, etc.

Similar recommendation had been made in the Audit Report (PSUs), GoG for the year 2013-14 and 2014-15. No action, however, has been taken in this regard till date (December 2016).

Winding up of non-working SPSUs

1.19 There were 14 non-working SPSUs as on 31 March 2016. Of these, eight SPSUs have commenced the liquidation process. The number of non-working Companies at the end of each year during the past five years is given in **Table 1.11**.

Table 1.11: Non-working SPSUs

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
No. of Non-working Companies	12	12	12	13	14
No. of Non-working Corporations	--	--	--	--	--
Total	12	12	12	13	14

Source: Compiled from the information included in Audit Report (PSU), GoG of respective years and in ***Annexure 2***.

We observed that none of the non-working SPSUs are engaged in any activity. All of them are either under liquidation or have been declared closed/ ceased carrying out its operations wherein liquidation process is pending. They are not contributing to the State economy, hence the State Government should expedite their final closure. During 2015-16, two[34] out of 14 non-working SPSUs incurred an expenditure of ₹ 1.33 crore towards establishment. This expenditure was met from interest income (₹ 0.25 crore) received on their investments and from borrowing (₹ 1.08 crore). Other 12 SPSUs did not furnish their accounts.

1.20 The stages of closure in respect of non-working SPSUs as on 30 September 2016 are given in **Table 1.12**.

Table 1.12: Closure of Non-working SPSUs

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working SPSUs	14	--	14
2.	Of (1) above, the No. under:			
(a)	Liquidation by Court (liquidator appointed)	6	--	6
(b)	Voluntary winding up (liquidator appointed)[35]	2	--	2
(c)	Closure, i.e., closing orders or instructions issued/ Ceased carrying its operations, but liquidation process not yet started.	6	--	6

Source: Compiled from details received from SPSUs.

[34] Gujarat Dairy Development Corporation Limited and Gujarat State Construction Corporation Limited.

[35] Gujarat Small Industries Corporation Limited and GSFS Capital and Securities Limited.

The Companies which have taken the route of winding up by Court order are under liquidation for a period ranging from 1 year to 21 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously.

The State Government may take a decision regarding winding up of six non-working SPSUs where no decision about their continuation or otherwise has been taken after they became non-working.

Similar recommendation had been made in the Audit Report (PSUs), GoG for the year 2013-14 and 2014-15. No action, however, has been taken in this regard till date (December 2016).

Accounts Comments

1.21 Fifty four working Companies forwarded their 67 audited accounts to us during the period October 2015 to September 2016. Of the 67 accounts of 54 Companies, 48 accounts were selected for supplementary audit. The comments in the Audit Report of Statutory Auditors appointed by the CAG and the supplementary audit of the CAG mention the significant observations on the financial statements. These indicate the quality of financial statements and highlight the areas which need improvement. The details of aggregate money value of comments[36] of Statutory Auditors and the CAG for the last three years are given in **Table 1.13**:

Table 1.13: Impact of audit comments on the accounts of working Companies

(Amount: ₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	0.23	8	251.06	5	250.78
2.	Increase in loss	3	34.99	1	152.55	2	1,070.18
3.	Non-disclosure of material facts	2	277.78	1	115.20	1	130.54
4.	Errors of classification	8	25,512.22	6	1,784.86	6	29,721.92[37]

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

Cases of decrease in profits and increase in losses increased from ₹ 0.23 crore and ₹ 34.99 crore in 2013-14 to ₹ 250.78 crore and ₹ 1,070.18 crore in 2015-16 respectively.

During the year, the Statutory Auditors had given unqualified certificates to 46 SPSU accounts and qualified certificates to 20 SPSU accounts. They have

[36] For the purpose of CAG comments only those comments actually issued during October 2015 to September 2016 have been considered including accounts received in the previous period for which comments were issued in the current period.

[37] The above includes ₹ 29,238.48 crore for Sardar Sarovar Narmada Nigam Limited qualified by the Statutory Auditor in his audit report due to non capitalisation of work in progress by the Company.

also provided disclaimer certificate[38] for one account. The compliance of Companies with the Accounting Standards remained deficient as there were 28 instances of non-compliance in 14 accounts during the year.

1.22 Similarly, four working Statutory Corporations[39] forwarded five accounts to us during the year 2015-16. Of these, three accounts of two Statutory Corporations were for sole audit by the CAG. The remaining two accounts were for supplementary audit by us. The comments in the Audit Report of Statutory Auditors and the sole/ supplementary audit of the CAG mention the significant observations on the financial statements of the Statutory Corporations. These indicate the quality of financial statements and highlight the areas which need improvement. The details of aggregate money value of comments of Statutory Auditors and the CAG are given in **Table 1.14**:

Table 1.14: Impact of audit comments on the accounts of Statutory Corporations

(Amount: ₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	0	0.00	1	0.29	1	0.75
2.	Increase in loss	1	20.40	2	99.73	1	520.83
3.	Non-disclosure of material facts	1	844.65	2	976.96	2	1,659.52
4.	Errors of classification	1	80.99	1	3.48	1	220.59

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

It is observed from the above that the money value objection for non-disclosure of material facts increased from ₹ 844.65 crore in 2013-14 to ₹ 1,659.52 crore in 2015-16. Similarly, the cases of errors of classification increased from ₹ 80.99 crore in 2013-14 to ₹ 220.59 crore in 2015-16

During the year, one qualified certificate and one unqualified certificate was given by Statutory Auditors in respect of two accounts of Statutory Corporations.

Response of the Government to Audit

Performance Audits and Paragraphs

1.23 Two performance audit reports and six audit paragraphs are included in this Report of the CAG of India for the year ended 31 March 2016. These were issued to the Management of SPSUs and the Additional Chief Secretaries/ Principal Secretaries of the respective Departments with request to furnish replies within six weeks. The reply in respect of one compliance audit

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[38] A disclaimer certificate means the auditors are unable to form an opinion on accounts of a Company.

[39] Gujarat State Warehousing Corporation, Gujarat State Road Transport Corporation, Gujarat Industrial Development Corporation and Gujarat State Financial Corporation.

paragraph was awaited (December 2016) from the Management of the concerned SPSU. The replies in respect of both the Performance Audits and three compliance audit paragraphs were awaited (December 2016) from the State Government.

Follow-up action on Audit Reports

Replies outstanding

1.24 The Report of the CAG of India represents the culmination of audit scrutiny. It is therefore necessary that it elicits appropriate and timely response from the executive. All the administrative departments of SPSUs need to submit the explanatory notes indicating the corrective/ remedial action taken or proposed to be taken on paragraphs and performance audits included in the Audit Reports. As per Rule 7 of the Rules of Procedure (Internal Working) of the Committee on Public Undertakings (COPU), Gujarat Legislative Assembly, the same needs to be done within three months of the presentation of the Audit Report to the Legislature.

Table 1.15: Explanatory notes not received as on 30 September 2016

Year of the Audit Report (Commercial/ PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2011-12	2 April 2013	2	10	0	3
2012-13	25 July 2014	1	13	0	0
2013-14	31 March 2015	3	9	1	4
2014-15	31 March 2016	2	8	2	5
Total		**8**	**40**	**3**	**12**

Source: Compiled based on explanatory notes received from respective Departments of GoG.

As seen from **Table 1.15,** out of 48 Paragraphs/ Performance Audits, explanatory notes to 15 Paragraphs/ Performance Audits in respect of six[40] Departments were awaited (September 2016).

Discussion of Audit Reports by the COPU

1.25 The status as on 30 September 2016 of Performance Audits and paragraphs that appeared in Audit Reports (SPSUs) and discussed by the COPU is as given in **Table 1.16**:

[40] Ports and Transport Department, Energy and Petrochemicals Department, Health and Family Welfare Department, Industries and Mines Department, Urban Housing and Development Department and Narmada, Water Resources, Water supply and Kalpsar Department

Table 1.16: Performance Audits/ Paragraphs appeared in Audit Reports *vis a vis* discussed as on 30 September 2016

Period of Audit Report	Number of review/ paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Pas	Paragraphs	PAs	Paragraphs
2011-12	2	10	1	2
2012-13	1	13	0	0
2013-14	3	9	0	0
2014-15	2	8	0	0
Total	**8**	**40**	**1**	**2**

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

Compliance to Reports of the COPU

1.26 Action Taken Notes (ATN) on three paragraphs[41] pertaining to two Reports of the COPU had not been received (September 2016). These Reports of the COPU were presented to the State Legislature between August 2015 and March 2016. The details are provided in **Table 1.17**:

Table 1.17: Compliance to Reports of the COPU

Report of COPU	Total no. of recommendations in the COPU Report	No. of recommendations for which ATNs not received
4th Report of 13th Assembly	2	2
5th Report of 13th Assembly	3	3
Total	**5**	**5**

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

These Reports of the COPU contained recommendations in respect of paragraphs pertaining to two departments[42], which appeared in the Reports of the CAG of India for the years 2004-05 to 2007-08.

It is recommended that the State Government may ensure: (a) sending of replies to Draft Paragraphs/ Performance audits/ Explanatory Notes/ and ATNs on the recommendations of the COPU as per the prescribed time schedule, and (b) recovery of loss/ outstanding advances/ overpayments within the prescribed period.

Similar recommendation had been made in the Audit Report (PSUs), GoG for the year 2014-15. The replies may be expedited.

Coverage of this Report

1.27 This Report contains six paragraphs and two Performance Audits involving financial effect of ₹ 738.95 crore.

[41] In the COPU's 5th Report of 13th Assembly, three recommendations were made on one paragraph and in the 4th Report of 13th Assembly, two recommendations were made on two paragraphs.

[42] Ports and Transport Department and Industries and Mines Department.

Chapter II

Performance Audits relating to Government Companies

Chapter II

Performance Audits relating to Government Companies

Dakshin Gujarat Vij Company Limited, Madhya Gujarat Vij Company Limited, Paschim Gujarat Vij Company Limited and Uttar Gujarat Vij Company Limited

2.1 Implementation of Re-structured Accelerated Power Development and Reforms Programme in Gujarat

Executive Summary

Introduction

Government of India (GoI), Ministry of Power (MoP), launched Restructured Accelerated Power Development and Reforms Programme (R-APDRP) in July 2008. The main objectives of the scheme were:

(i) to reduce Aggregate Technical and Commercial (AT&C) losses to 15 *per cent* in power distribution companies on a sustainable basis and

(ii) to establish reliable and automated systems for collection of accurate baseline data and to adopt Information Technology (IT) for energy accounting/ auditing and for billing.

The scheme covered urban areas with a population of more than 30,000 as per census 2001. The scheme was to be implemented in two parts viz., Part A and Part B. Part A consisted of works for establishment of the baseline data and Part B consisted of distribution strengthening works. The scheme also included Supervisory Control and Data Acquisition (SCADA) System. This was meant for big towns with a population of more than four lakh and annual input energy of 350 million units. The GoI (MoP) launched (December 2014) a new scheme titled Integrated Power Development Scheme (IPDS). All the components of R-APDRP which remained incomplete (December 2014) were to be subsumed in the IPDS as a separate component.

The Performance Audit covers the implementation of the GoI assisted R-APDRP in Gujarat including the components subsumed in the IPDS. It covers the period from the introduction of the scheme in July 2008 to 31 March 2016.

In Gujarat, the works in respect of all 84 Part A projects have been completed but the Third Party Independent Evaluating Agency (TPIEA) certification is yet to be carried out. Similarly in respect of Part B projects, out of 62 towns wherein the works were undertaken, the works have been completed in 60 towns. The TPIEA verification of all these works is yet to be taken up. The works in respect of all six SCADA projects are in progress.

Audit Findings

There was a delay in the implementation of SCADA projects right from the point of inviting the tender. A time period of eight months was taken for inviting the tender after the date of approval of the Detailed Project Report (DPR). In the case of Madhya Gujarat Vij Company Limited (MGVCL) there was a further delay of 16 months and in the case of Dakshin Gujarat Vij Company Limited (DGVCL), Paschim Gujarat Vij Company Limited (PGVCL) and Uttar Gujarat Vij Company Limited (UGVCL), there was a further delay of 18 months in the award of work. The works are still in progress due to delay in execution by the contractor.

Disaster recovery site was changed from Pune to Ahmedabad. This was in spite of the fact that Ahmedabad falls in severe intensity zone for earthquakes as classified by Gujarat State Disaster Management Authority.

Irregular inclusion of Departmental overheads and supervision charges in DPR cost and final project cost, not envisaged in the guidelines, was noticed in Part B projects. This was to the extent of ₹ 61.78 crore. It will result in overdrawal of loan of ₹ 15.44 crore.

In the 60 Part B projects which had been completed, the Power Distribution Companies (DISCOMs) were able to achieve the target of reduction of AT&C losses to 15 *per cent* in 39 towns. In 21 towns where the targeted reduction in AT&C losses was not achieved, the AT&C losses ranged from 15.31 to 46.17 *per cent* in 2015-16. The DISCOMs lost an opportunity to save ₹ 60.71 crore in these 21 towns for the year 2015-16.

We test-checked five out of the 21 towns wherein the targeted reduction of AT&C losses was not achieved. This was done to understand reasons for the non-reduction of AT&C losses. We observed that works like installation of High Voltage Distribution System, underground cables, static meters, junction boxes, armourd cables etc., were not executed as envisaged in the DPR. Reasons for the same were not available on record.

It was observed that there was reduction in outages in DGVCL and MGVCL. In PGVCL, the outage persisted. This indicated the need for improving load management and maintenance of power lines to enhance the quality of service to the consumers.

Introduction

2.1.1 Government of India (GoI), Ministry of Power (MoP) launched Restructured Accelerated Power Development and Reforms Programme (R-APDRP, hereinafter referred as the Scheme) in July 2008. This was a central scheme of the Eleventh Five Year plan. The main objectives of the Scheme *inter-alia* included the following:

- to reduce Aggregate Technical and Commercial (AT&C)[1] losses to 15 *per cent* in power distribution companies on a sustainable basis;
- to establish reliable and automated systems for collection of accurate baseline data; and
- to adopt Information Technology (IT) for energy accounting/ auditing and for billing.

The scheme covered urban areas with a population of more than 30,000 as per census 2001. The scheme was to be implemented in two parts viz*.,* Part A and Part B. Part A consisted of works for establishment of the baseline data and Part B consisted of distribution strengthening works. The scheme also included Supervisory Control and Data Acquisition (SCADA) System. This was for big towns with a population of more than four lakh and annual input energy of 350 million units (MUs).

The scheme provided for 100 *per cent* loan for Part A and SCADA projects and 25 *per cent* loan for Part B projects from GoI. This was to be disbursed through Power Finance Corporation Limited (PFC). The balance funds (75 *per cent* for Part B) were to be raised by the power distribution companies from Financial Institutions (FIs) or own arrangement. The entire loan given under Part A and SCADA projects was to be converted into grant on completion of the projects. This was subject to the projects being completed within the scheduled time period and certified by a Third Party Independent Evaluating Agency (TPIEA). In respect of Part B projects, up to 50 *per cent* of the loan against Part B projects was to be converted into grant in five equal tranches. This was subject to the town achieving 15 *per cent* AT&C losses on a sustainable basis for a period of five years and certification by the TPIEA.

In Gujarat, R-APDRP was implemented by all the four power distribution companies (DISCOMs)[2] viz., DGVCL, MGVCL, PGVCL and UGVCL. They were under the administrative control of the Energy and Petrochemicals Department (the Department), Government of Gujarat (GoG). **Table 2.1.1** shows the number of projects and cost sanctioned in respect of Part A, Part B and SCADA projects in Gujarat.

Table 2.1.1: Detailed Project Reports approved for Part A, Part B and SCADA Projects

DISCOMs	Part A		Part B		SCADA System	
	No. of towns	Cost (₹ in crore)	No. of towns	Cost (₹ in crore)	No. of towns	Cost (₹ in crore)
DGVCL	11	30.81	8	200.56	1	14.84
MGVCL	17	89.49	13	177.86	1	26.18
PGVCL	36	75.11	35	656.66	3	63.67
UGVCL	20	35.31	6	89.12	1	33.82
Total	**84**	**230.72**	**62**	**1,124.20**	**6**	**138.51**

Source: As per information furnished by the DISCOMs.

1 The AT&C losses comprise two elements 1) **Technical Losses-** These losses take place due to transformation losses at various levels and losses on distribution lines due to inherent resistance and poor power factor in the electrical network. **2) Commercial Losses-** These are caused by illegal consumption of electrical energy, which is not correctly metered, billed and revenue collected. The AT&C losses are calculated by the power distribution companies using the following formula:
1 **-** (units sold/units sent out x amount collected/amount assessed) x100.

2 Dakshin Gujarat Vij Company Limited (DGVCL), Madhya Gujarat Vij Company Limited (MGVCL), Paschim Gujarat Vij Company Limited (PGVCL) and Uttar Gujarat Vij Company Limited (UGVCL).

The works in respect of Part A projects have been completed but the TPIEA certification is yet to be done. In respect of Part B projects, out of 62 towns, the work has been completed in 60 towns. The TPIEA verification is yet to be taken up in the above 60 towns. The work in respect of SCADA projects is in progress in all the six towns (July 2016).

The GoI (MoP) launched (December 2014) a new scheme titled Integrated Power Development Scheme (IPDS) with the objective of:

- Strengthening of the sub-transmission and distribution network;
- Metering of distribution transformers/ feeders/ consumers;
- IT enablement of the distribution sector and strengthening of the distribution network. This was for completion of targets laid down under R-APDRP for 12th and 13th Plans. The approved outlay for R-APDRP was to be carried forward to IPDS.

The IPDS would help in further reduction of the AT&C losses, establishment of an IT enabled energy system and improvement in collection efficiency. The components of R-APDRP which remained incomplete (December 2014) were subsumed in the IPDS as a separate component.

A Performance Audit (PA) Report of the Comptroller and Auditor General of India on the R-APDRP, Union Government, Ministry of Power was tabled in the Parliament on 07 December 2016. The PA covered the implementation of the R-APDRP across all the 29 States (including Gujarat) upto 31 March 2015.

Scope of Audit

2.1.2 The present PA highlights the implementation of the R-APDRP in the State of Gujarat including components subsumed in the IPDS. The status in the present PA has been updated upto 31 March 2016. The financial impact of the reduction in AT&C losses as a result of the implementation of the R-APDRP in Gujarat has also been brought out. It covers the period from the introduction of the scheme in July 2008 to 31 March 2016. The sample selected for the purpose of Audit is given in **Table 2.1.2**:

Table 2.1.2: Projects selected for test-check in Audit and selection percentage

Type of Projects	Number of projects	Total cost (₹ in crore)	Projects selected in Audit	Cost of selected projects (₹ in crore)	Percentage of selection	
					Projects	Financials
Part A	84	230.72	25	145.32	29.76	63.00
Part B	62	1,124.20	25	897.36	40.32	79.82
SCADA System	6	138.51	6	138.51	100.00	100.00
Total	**152**	**1,493.43**	**56**	**1,181.19**	**36.84**	**79.09**

Source: As per the information furnished by the DISCOMs.

In selecting the projects for test-check in Audit, the high cost projects were prioritised and a balanced coverage of all the DISCOMs was ensured.

Audit Objectives

2.1.3 The Performance Audit was conducted with the following objectives:

- **Planning:** To assess whether the initiative and planning required for the implementation of the scheme was appropriate and adequate;

- **Implementation:** To assess whether the scheme had been implemented in an efficient, effective and economical manner with effective monitoring. The funds were released commensurate with the progress of the work;

- **Reduction in AT&C losses:** To ascertain whether the AT&C losses in the towns selected for Part B projects had reduced as envisaged; and

- **Quality of service:** To ascertain whether the implementation of the scheme had reduced outages in the supply of electricity and increased consumer satisfaction to that extent.

Audit Criteria

2.1.4 The audit criteria adopted for assessing the achievement of the audit objectives were:

- Guidelines of the R-APDRP and other Guidelines issued by the Ministry of Power (MoP)/ PFC in relation to the scheme implementation;

- National Electricity Act 2003 and the Policy formulated there under;

- Quadripartite agreement between the State Government, the PFC, the GoI and the DISCOMs;

- Guidelines for inviting Request For Proposal by the DISCOMs;

- Original and revised Detailed Project Reports (DPR) and performance parameters set in the DPR;

- Tender documents and terms and conditions of work orders;

- Guidelines for incentive schemes and actual schemes framed by the DISCOMs; and

- Minutes of the Steering Committee and Minutes of the Board meetings of the DISCOMs.

Audit Methodology

2.1.5 The methodology adopted for attaining the audit objectives consisted of examination of records at the Head offices and selected units of DISCOMs. We had an interaction with the personnel of the DISCOMs, analysed the data with reference to the audit criteria and raised audit queries. The audit findings were discussed with the Management of the DISCOMs. The draft performance audit report was issued to the Management and the concerned Department for comments.

The audit objectives and methodology were explained to the Management and Department at an entry conference held on 10 June 2015. This was while conducting an all India performance audit (PA) of the Scheme. The Audit findings of the all India PA were discussed in an exit conference held on 12 January 2016. During the exit conference the fact that this PA would be updated and incorporated in the State Audit Report was also intimated. The above updation was conducted during the period April to July 2016 and an exit conference was held on 20 October 2016. This was attended by the officials of the DISCOMs and Gujarat Urja Vikas Nigam Limited (GUVNL), the holding Company of all the four DISCOMs.

Audit Findings

2.1.6 Audit findings in respect of the test-checked projects have been discussed under four broad headings:

- **Planning:** covering selection of towns, formulation of DPRs and award of works;
- **Implementation:** covering implementation of the projects sanctioned and awarded**;**
- **Reduction in AT&C losses:** covering impact of the scheme on AT&C losses; and
- **Quality of service:** covering reduction of outages in supply of electricity as a result of the scheme.

Annexure 3 gives details regarding the cost of the projects, release of instalments and present status for the 56 test-checked R-APDRP projects.

Planning

2.1.7 The planning process involved identifying the towns where the works of Part A, Part B and SCADA projects could be undertaken as per the R-APDRP guidelines. The DPR for each of the identified towns (Projects) for Part A, Part B and SCADA works was prepared separately. These DPRs were forwarded to the nodal agency (PFC) for onward transmission to the Steering

Committee[3] of the GoI for approval. For preparing DPRs for Part A and SCADA projects, the DISCOMs appointed consultants from among the panel of consultants approved by the PFC. The open bidding process was adopted for the appointment. In case of Part B projects, DPRs were prepared departmentally.

Upon approval of the DPR by the Steering Committee, the DISCOMs invited tenders for award of work from agencies empanelled by the PFC/ MoP. The DISCOMs awarded Part A works to M/s Tata Consultancy Services Limited and SCADA system to M/s Chemtrols Industries Limited. The Part B works were carried out departmentally by all the DISCOMs.

We observed that the DPRs to a large extent were prepared as per the R-APDRP guidelines. In respect of award of works, major delays were noticed in the invitation and finalisation of tenders of SCADA projects. There was also delay in the execution of SCADA projects. Our findings are discussed below:

Delay in award of SCADA works

2.1.7.1 We observed that all the six SCADA projects were still pending to be completed (July 2016). The **Table 2.1.3** summarises the various stages in respect of SCADA works:

Table 2.1.3: Stages in respect of SCADA works

(Cost ₹ in crore and Delay in months)

Particulars	DGVCL	MGVCL	PGVCL	UGVCL
Project areas	Surat	Baroda	Rajkot, Jamnagar and Bhavnagar	Ahmedabad
Approved Project cost	14.84	26.18	63.67	33.82
Work awarded cost	11.72	18.79	43.83	21.66
DPR approval date	December 2010	December 2010	December 2010	December 2010
Date of inviting of tender	29 August 2011	29 August 2011	29 August 2011	29 August 2011
Date of award of work	04 April 2013	25 February 2013	15 April 2013	01 April 2013
Scheduled completion date of the Project	18 October 2014	12 August 2014	15 October 2014	1 October 2014
Extended due date of completion	March 2017	March 2017	December 2016	December 2016
Delay in award of work from invitation of tender[4]	18	16	18	18
Delay in completion of project (Expected with reference to scheduled completion date and extended due date)	29	31	26	26

Source: As per information furnished by the DISCOMs

It can be seen from **Table 2.1.3** that a period of eight months was taken for inviting the tender after the date of approval of DPR. MGVCL invited the

3 Steering Committee consists of the Secretary of Ministry of Power and Ministry of Finance, Chief Engineer of Central Electricity Authority, Member of Planning Commission, Chairman and Managing Director (CMD) of PFC, CMD of Rural Electrification Corporation and representative of the respective State Government.

4 A period of one month has been allowed for tender finalisation for calculating delay. The scheme guidelines allows only a period of 15-25 days as evident from the RFP documents of SCADA projects.

tender on behalf of all the four DISCOMs. The delay was due to improper planning and delay in preparation of tender documents. There was a further delay of 16 months in the case of MGVCL and 18 months in the case of other three DISCOMs in the award of works. This was because after the tender invitation by MGVCL the tender finalisation work was shifted (December 2011) to UGVCL by GUVNL[5]. The reasons for shifting the tender finalisation work were not furnished to Audit. UGVCL had to call for a lot of information from MGVCL on the technical bids due to shifting of the work. The tenders were subsequently finalised (20 January 2012) by UGVCL.

The contractor also did not complete the work within the original time schedule for completion (i.e. August/ October 2014). The contractor executed the works slowly since its award; despite the matter being regularly pursued by the DISCOMs with the contractor and the PFC. The activities such as supply and installation of hardware/ software, Disaster Recovery Site and factory acceptance test were pending (March 2016). PFC has now extended (May 2016) the completion date of the SCADA projects to December 2016/ March 2017.

The Management of all the DISCOMs furnished a consolidated reply which was received from GUVNL, the holding company. The reply stated (October 2016) that the delay was due to re tenderisation having to be done due to a large number of queries in the original tender floated. The SCADA building was not ready in PGVCL, DGVCL and UGVCL but was ready only in MGVCL. It was further stated that after the invitation of tender for the second time, the tendering process was shifted from MGVCL to UGVCL. The Management also stated that the finalisation took a longer time as the contract was floated for the first time. The technical and price bid evaluation was therefore a very challenging job. The delay in the execution by the contractor was in spite of repeated follow up by DISCOMs. The penal provisions in the contract for delay would, however, continue to apply.

Audit is of the opinion that delay in tender finalisation could have been avoided with better planning considering the experience of the DISCOMs. The SCADA system is an important element of the R-APDRP works and the DISCOMs need to ensure its completion at least within the extended period. This will help in better monitoring and better quality of service to the consumers.

It is recommended that contracts be finalised within a reasonable time to avoid delays in award of contracts. Action may be taken for the early completion of the projects.

Implementation of the Scheme

2.1.8 In Gujarat, all the 84 Part A projects have been completed by the due date/ extended due date (2012-13 to 2014-15). Of the 62 Part B projects, 54 projects were completed (2012-13 to 2014-15) in all respects. In six Part B projects only the works relating to SCADA forming part of the Part B projects

[5] This was done by a high level committee formed by GUVNL.

were pending (July 2016). Remaining two projects were scheduled for completion in February 2019. Audit also observed that none of the six exclusive SCADA projects were completed (July 2016).

The status of implementation of all the total 152 projects undertaken in Gujarat and expenditure incurred against them are given in **Table 2.1.4**:

Table 2.1.4: Implementation status of the R-APDRP projects

(Amount ₹ in crore)

Particulars	DGVCL	MGVCL	PGVCL	UGVCL	Total
Part A Projects					
No. of projects	11	17	36	20	84
Approved cost	30.81	89.49	75.11	35.31	**230.72**
Expenditure incurred	27.56	77.00	65.27	28.80	**198.63**
Completion status	Completed	Completed	Completed	Completed	
Part B Projects					
No. of projects	8	13	35	06	62
Approved cost	200.56	177.86	656.66	89.12	**1,124.20**
Expenditure incurred (March 2016)	181.06	133.50	447.71	51.37	**813.64**
Completion status* (July 2016)	7 completed	10 completed	32 completed	5 completed	
*(Out of eight works shown incomplete in six projects only SCADA works forming part of Part B works were pending. Two projects were scheduled for completion in February 2019)					
SCADA Projects					
No. of projects	1	1	3	1	**6**
Approved cost	14.84	26.18	63.67	33.82	**138.51**
Expenditure incurred	1.53	3.56	5.70	2.14	**12.93**
Completion status	WIP	WIP	WIP	WIP	

Source: As per information furnished by the DISCOMs

The overall implementation of the projects was satisfactory. We observed instances of non-installation of High Voltage Distribution System (HVDS), change in disaster recovery site and inclusion of supervision charges in the cost of the project in violation of guidelines. These observations are discussed below:

Non execution of HVDS in project towns

2.1.8.1 Installation of HVDS is one of the measures for reduction in AT&C losses as theft cannot take place from high voltage lines. These lines also have lesser technical losses due to lower conductor resistance. The HVDS takes the distribution transformers closer to the consumer premises. This increases the length of the high voltage lines connecting the feeders[6] to the distribution transformers. This in turn reduces the length of the final distribution lines connecting the distribution transformers to the consumer premises from where theft takes place.

[6] Electric power is normally generated at 11-25 KV in a power station. To transmit over long distances it is then stepped up to 400 KV, 220 KV or 132 KV as necessary. Power is carried through a transmission network of high voltage lines. These lines terminate into a 33 KV (or 66 KV) substation where the voltage is further stepped-down to 11 KV for power distribution to load points through a distribution network of lines at 11 KV and lower. The power network, which generally concerns the common man, is the distribution network of 11 KV lines or feeders downstream of the 33 KV substations.

Installation of HVDS was not required and accordingly not included in the DPR of Part B projects of UGVCL. In PGVCL the work of HVDS was executed as per the DPR. In MGVCL and DGVCL the DPR of the project towns envisaged installation of a total of 395 HVDS (194 in MGVCL and 201 in DGVCL). It was, however, observed that only 85 HVDS (72 in MGVCL and 13 in DGVCL) were installed by these two DISCOMs.

In Surat, Jambusar, Mehmdabad and Borsad towns no HVDS work was taken up by DGVCL and MGVCL though it was envisaged in the DPRs. In Godhra, town of MGVCL only 28 HVDS were installed against the envisaged 85 HVDS in the DPR. We observed that in 2015-16 AT&C losses was 20.67 *per cent* in Godhra and 21.36 *per cent* in Jambusar. Audit is of the opinion that installation of HVDS as envisaged could have helped in reducing the AT&C losses to the required levels and in sustaining it.

The Management stated (October 2016) that certain locations selected for HVDS were coming under municipality/ nagarpalika/ private land. In these locations construction of transformer centres was not being allowed by respective owners. It was further stated that in such areas other works for reduction of losses were carried out. The Management also stated that though HVDS works had not been carried out as envisaged, the AT&C losses had reduced in most towns.

The reply is not convincing as it does not specifically mention what were the alternative works carried out. Even now in five towns of DGVCL and MGVCL the targeted reduction of AT&C losses to 15 *per cent* has not been achieved.

Change in the Disaster Recovery Site (DRS) location

2.1.8.2 A DRS helps to recover and restore technology infrastructure and operation if the primary data centre becomes unavailable. This may happen due to occurrence of any disaster, such as fire, flood, terrorist threat or any other disruptive event. MGVCL submitted a DRS proposal (10 February 2009) to PFC for assistance of ₹ 27.26 crore under Part A of R-APDRP. This was approved (June 2009) by PFC. After inviting tenders, the work of DRS at Pune was awarded (27 October 2009) to M/s Tata Consultancy Services Limited at a cost of ₹ 14.22 crore. Due to integration issue of the DRS for both the R-APDRP and e-Urja[7] requirements, GUVNL decided (April 2010) to change the DRS from Pune to Ahmedabad. The new site decided in Ahmedabad was Gujarat Narmada Valley Fertilizers & Chemicals Limited (GNFC) infotower.

We observed that the Gujarat State Disaster Management Authority had classified Ahmedabad under severe earthquake intensity zone. Gujarat State had suffered major earthquakes in 1819, 1845, 1847, 1848, 1864, 1903, 1938, 1956 and 2001. Looking to the history of earthquakes in the state, the originally proposed Pune site was more appropriate for the establishment of

[7] e-Urja is a customised Enterprise Resource Planning system which integrates all the seven power sector companies.

the DRS. Pune was a medium risk area from the point of view of occurrence of an earthquake. Having a disaster location centre at a different place was always more advisable.

The Management stated (October 2016) that the GNFC infotower was not affected in the 2001 earthquake in Gujarat. Having the DRS at Ahmedabad would also enable better management of activities like infrastructure, manpower and network administration. It was also stated that the site at Pune would entail a higher project cost and higher expenditure for bandwidth requirements. Management also contended that PFC had been informed (May 2010) of the change in location.

The reply is not convincing as MGVCL intimated the fact of change of site only to the implementing agency for execution of the work. Only a copy of this intimation was endorsed to PFC and no specific approval was obtained from PFC for a change in DRS. The fact that the GNFC infotower was not affected in a particular earthquake does not make it earthquake resistant considering its seismic zone location.

Inclusion of departmental overheads and supervision charges in DPR and final project cost of Part B works in violation of guidelines

2.1.8.3 The Guidelines for Part B projects issued by the PFC stipulate that "*the cost estimates in the DPR should not include any departmental overhead expenses and cost of consultancy. All such expenditures should be borne by the utility*". The guidelines stipulated that a certificate to the above effect had to be given by the utilities while submitting the DPR. Thus departmental overheads could neither be included in the DPRs nor in the final project cost. This was because the final project cost was based on the cost of the DPR.

We observed that all the DISCOMs had worked out the estimated cost in the DPR based on standard cost data rates of the DISCOMs. This included overheads comprising three *per cent* contingency charges, two *per cent* storage charges and two *per cent* transportation charges on material cost, 15 *per cent* supervision charges on material and labour cost and 15 *per cent* provident fund contribution on labour cost.

UGVCL included all the above overheads and supervision charges in the DPR. PGVCL excluded supervision charges while preparing the DPR but included other overheads. DGVCL and MGVCL had also prepared the DPR based on standard cost data but their cost data sheets for the relevant years of DPR were not furnished to Audit. All the four DISCOMs certified in the DPR that they had not included any departmental overhead expenses in the estimated cost of the DPR.

We observed that the rates adopted for preparing the DPR were also used for working out the final execution cost of the project. Therefore, the overheads got included in the final project cost. The inclusion has been quantified in respect of UGVCL and PGVCL where relevant cost data sheets were available. DGVCL in the final project cost further included 25 *per cent* departmental overhead and supervision charges. This was over and above the cost of execution worked out as per DPR estimates inclusive of overheads. The inclusion of these departmental overhead and supervision charges in the final project cost has been tabulated in **Table 2.1.5:**

Table 2.1.5: Departmental overheads and supervision charges included in works executed

Name of DISCOMs	No of Part B projects	Departmental overheads and Supervision charges (₹ in crore)
DGVCL	8	26.51
PGVCL	35	30.45
UGVCL	6	4.82
Total	**49**	**61.78**

Source: As per information furnished by the DISCOMs

On one hand the DISCOMs included departmental overhead and supervision charges of ₹ 61.78 crore in contraventions of the R-APDRP guidelines. On the other hand, the DISCOMs certified in the DPR that they had not included such charges. This resulted in over booking of expenditure by ₹ 61.78 crore in the three DISCOMs and overdrawal of loan to the extent of ₹ 15.44 crore[8]

The Management stated (October 2016) that DISCOMs had submitted DPR of Part B works based on prevailing standard cost data. This was also approved by PFC. It was also stated that no head office supervision charges was included in the DPR. It was also contended that the scheme guideline regarded the turnkey mode of execution as preferable, wherein overheads were always included. Part B works being executed departmentally, incidental expenditure like transportation and storage as included in turnkey contracts were included in the costing.

The reply is not convincing as the DISCOMs while submitting the DPRs, certified that they had not included the departmental overhead charges. The reply of the Management is contradictory in itself. On one hand it has been stated that overheads have not been included. On the other hand it has also been stated that only incidental expenditure as included in turnkey contracts has been included in departmental works.

Release of Funds

2.1.8.4 As per R-APDRP guidelines, in respect of Part A and SCADA projects 30 *per cent* of the project cost is released during project approval. Sixty *per cent* is released based on claims raised by DISCOMs upon certification of the work. The last tranche of 10 *per cent* is released after certification of the work by TPIEA. In Part B projects the DISCOMs are entitled to only 25 *per cent* of the project cost. Hence 15 *per cent* of the project cost is released on approval of the project and 10 *per cent* after TPIEA certification. Thus, except in case of the initial tranche of 30 *per cent*, funds lying unutilised are rare.

The details of funds sanctioned and released by the GoI/ PFC as loan for the project till March 2016 is given in **Table 2.1.6**:

[8] Entitlement of loan under Part B is only 25 *per cent* of the project cost.

Table 2.1.6: Status of receipt of funds from GoI/ PFC as on March 2016

Name of the DISCOM	Amount of loan eligible as per the approved project cost (Amount: ₹ in crore)						Fund released so far by GOI/ PFC (₹ in crore)		
	Part A (100 *per cent*)		Part B (25 *per cent*)		SCADA System (100 *per cent*)		Part A	Part B	SCADA System
	Number	Amount	Number	Amount	Number	Amount	Amount	Amount	Amount
DGVCL	11	30.81	8	50.14	1	14.84	17.67	30.08	4.45
MGVCL	17	89.49	13	44.46	1	26.18	71.60	26.70	7.90
PGVCL	36	75.11	35	164.17	3	63.67	60.35	98.51	19.09
UGVCL	20	35.31	6	22.28	1	33.82	21.63	3.81	10.15
Total	**84**	**230.72**	**62**	**281.05**	**6**	**138.51**	**171.25**	**159.10**	**41.59**

Source: As per information furnished by DISCOMs

The summary of eligible loan funds pending to be received from GoI/ PFC by the DISCOMs with the reasons thereof is given in **Table 2.1.7**:

Table 2.1.7: Balance funds from GoI/ PFC pending for receipt as on March 2016

(₹ in crore)

Name of the project	Eligible loan funds	Expenditure incurred	Funds released	Funds pending receipt	Reasons for the funds pending for receipt
Part A	230.72	198.63	171.25	27.38	The balance amount mainly consists of (1) final release of 10 *per cent* of the project cost to be released after completion of TPIEA certification of Part A projects and (2) the pending amount of 3rd instalment claimed by DGVCL and UGVCL in April 2013 and September 2015 respectively.
Part B	281.05	203.41	159.10	44.31	The balance amount consists of the final instalment of 10 *per cent* of project cost yet to be claimed by the DISCOMs due to non-completion of TPIEA verification of Part B projects.
Total	**511.77**	**402.04**	**330.35**	**71.69**	
SCADA System	138.51	12.93	41.59	-	Only the first instalment of 30 *per cent* had been released and balance is pending as projects are yet to be completed. As expenditure of only ₹ 12.93 crore has been incurred there is no fund pending receipt.

Source: As per information furnished by the DISCOMs

Annexure 3 gives details regarding the cost of the projects, release of instalments and present status for the 56 test-checked R-APDRP projects

Current status of the project

2.1.8.5 In Part A projects, the loan along with interest would be converted into grant once the required system is established and certified by the TPIEA. It was noticed that all the DISCOMs had completed the Part A works within the stipulated time period. All the 84 Part A projects were declared go-live by the DISCOMs between 2012-13 and 2014-15 (December 2014) and the fact intimated to the PFC. The PFC on 9 May 2013 intimated GUVNL that M/s PricewaterhouseCoopers (PwC) had been appointed as the TPIEA for Gujarat.

The Management stated (October 2016) that PwC had submitted its report to PFC on 1 September 2016. The conversion of loan and interest into grant was pending as the report of the TPIEA (PwC) was pending acceptance by the PFC. The DISCOMs had incurred an expenditure of ₹ 198.63 crore (March 2016) in respect of Part A works and received ₹ 171.25 crore till

March 2016. In respect of Part B projects two out of the 62 projects were pending completion and hence TPIEA verification was pending.

Reduction in AT&C losses

2.1.9 In respect of Part B works only 25 *per cent* of the project cost was to be given as loan by the GoI. Fifty *per cent* of the loan against Part B projects was convertible into grant on the completion and certification of Part B projects. This was also subject to the condition that the towns were able to achieve the AT&C losses of 15 *per cent* and sustain the same for a period of five years. All the Part B projects except Anand and Dahod (MGVCL - scheduled for completion by 28 February 2019) have been completed. Out of the 60 completed towns, in 39 towns the AT&C loss targets of 15 *per cent* were achieved as envisaged. It was not achieved in 21 towns wherein the AT&C losses ranged from 15.31 to 46.17 *per cent* in 2015-16. The extent of AT&C losses reduction in the 21 towns where the targeted reduction up to 15 *per cent* was not achieved is shown in **Table 2.1.8**:

Table 2.1.8: Towns in which AT&C loss reduction targets were not achieved till 2015-16

Sl. No.	Towns	Baseline AT&C losses[9] (in *per cent*)	AT&C Loss in 2015-16 (in *per cent*)	Percentage Reduction in AT&C losses w.r.t. baseline data (above 50 *per cent*)	Percentage Reduction in AT&C losses w.r.t. baseline data (20 *to* 50 *per cent*)	Percentage Reduction in AT& C losses w.r.t. baseline (5 to 20 *per cent*)
1	2	3	4	5	6	7
				col. 3 (-) col. 4/col.3x100		
			DGVCL			
1	Jambusar	39.21	21.36		45.52	
2	Rajpipla	34.08	15.31	55.08		
3	Vyara	28.08	17.93		36.15	
			MGVCL			
4	Godhra	31.65	20.67		34.69	
5	Chaklasi	39.06	18.26	53.25		
			PGVCL			
6	Saverkundla	46.26	42.10			8.99
7	Rajula	44.11	19.26	56.34		
8	Kodinar	67.55	46.17		31.65	
9	Una	34.83	21.33		38.76	
10	Bagasara	45.78	16.65	63.63		
11	Palitana	34.77	18.53		46.71	
12	Gariyadhar	48.01	17.76	62.09		
13	Jamnagar	29.02	23.21		20.02	
14	Khambhaliya	28.83	16.97		41.14	
15	Wankaner	31.62	15.66	50.47		
16	Gondal	25.45	21.70			14.73
17	Jasdan	25.37	21.55			15.06
18	Limdi	29.04	16.11		44.52	
19	Dhangadhra	34.76	23.11		33.52	
20	Than	33.23	16.22	51.19		
			UGVCL			
21	Viramgam	39.01	22.76		41.66	

Source: As per information furnished by the DISCOMs

[9] Baseline AT&C losses is calculated as per the components given in the formula shown under R-APDRP by the TPIEA (National Productivity Council) with reference to three billing cycles i.e. six months average. The baseline data is for the period August 2009 to January 2010 for MGVCL, PGVCL and UGVCL and for the period January 2010 to June 2010 for DGVCL.

Table 2.1.8 shows that even in the above 21 towns there was reduction in losses in most of the towns except Savarkundla, Gondal and Jasdan. Compared to the baseline data, the AT&C losses in 2015-16 reduced by more than 50 *per cent* in seven towns and between 20 and 50 *per cent* in 11 towns.

Annexure 4 gives the details of savings achieved by the DISCOMs due to reduction in AT&C losses in the 60 completed Part B towns. It also includes the above 21 towns. It also indicates savings not achieved by the DISCOMs during 2015-16 in the 21 towns where AT&C losses of 15 *per cent* were not attained. The results are summarised in **Table 2.1.9:**

Table 2.1.9: Financial impact due to reduction in AT&C losses as a result of Part B works

Name of the DISCOM	AT&C losses in MUs before R-APDRP	AT&C losses in MUs after Part B works (2015-16)	Reduction in AT&C losses in MUs	Financial benefit[10] (₹ in crore)	No of towns where 15 *per cent* AT&C losses not achieved	Savings not achieved (₹ in crore)
MGVCL	226.98	173.75	53.23	31.67	2	7.08
PGVCL	814.09	708.95	105.14	57.41	15	50.88
DGVCL	252.70	179.57	73.13	46.29	3	1.41
UGVCL	62.66	71.58	-8.92	-4.14[11]	1	1.34
Total	**1,356.43**	**1,133.85**	**222.58**	**131.23**	**21**	**60.71**

Source: As per information furnished by DISCOMs

As a result of the R-APDRP Part B works completed in 60 towns, the DISCOMS achieved a loss reduction of 222.58 MUs. At the prevailing average sale rate of the respective DISCOMs for 2015-16, this translated to a financial benefit of ₹ 131.23 crore. The DISCOMs could have further saved ₹ 60.71 crore in 2015-16 if the 15 *per cent* AT&C losses had been achieved in the 21 towns.

The Management stated (October 2016) that DISCOMs are making efforts to reduce AT&C losses. They were replacing bare conductors with aerial bunch conductors, replacing energy meters, carrying out installation checking etc. Even in towns where targeted AT&C losses of 15 *per cent* have not been achieved there has been reduction in the AT&C losses. It was further stated that high outstanding dues of water works connections of Nagarpalika was also one of the reasons for the high AT&C losses.

Works not carried out

2.1.9.1 Out of the above 21 towns where the AT&C loss reduction targets were not achieved we test-checked five towns[12] for detailed scrutiny.

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[10] The financial benefit has been calculated by multiplying the reduction in AT&C losses in MUs achieved as a result of implementation of Part B works by the average per unit revenue realisation of the DISCOMs which ranged from ₹ 4.64 per unit to ₹ 6.33 per unit (provisional) for the year 2015-16.

[11] The AT&C losses in terms of absolute numbers had increased from 62.67 MUs before execution of Part B works to 71.57 MUs after the execution of Part B works. However, the same AT&C losses as a percentage to the total units sent out reduced from 11.80 to 6.17. The above negative figures related to all six towns of UGVCL are given in ***Annexure 4***.

[12] Towns having high percentage of AT&C losses were selected in such a way as to cover atleast one town of each DISCOM. The names of the towns are Bagasara, Kodinar, Viramgam, Jambusar and Godhra.

In the 39 towns where the AT&C loss reduction up to 15 *per cent* was achieved we test-checked four towns[13] for detailed scrutiny. This was done to understand the reasons for non-achievement of targeted reduction.

We observed in Audit that certain works contributed to reduction in the AT&C losses. These were installation of underground cables, installation of HVDS, armourd cables, junction boxes and static meters. Underground cables connecting the 11 KV feeders to the distribution transformers reduce the possibility of theft. Similarly, armourd cables connecting the low tension poles to the consumer premises reduce the possibility of theft as they are difficult to tap. HVDS takes the distribution transformers closer to the consumer premises. This reduces the length of the low voltage final distribution lines wherein thefts mainly take place. Static meters increase the efficiency of meter recording at the consumer end. The position of the above works in the five test-checked towns is shown in **Table 2.1.10.**

Table 2.1.10: Position of works in test-checked towns where targeted reduction of AT&C losses upto 15 *per cent* was not achieved

Towns	Particulars	HVDS (in nos)	Junction boxes (in nos)	Static meters (in nos)	Underground cables (in kms)	Armourd cables (in nos)
Bagasara	**DPR**	40	2,400	6,855	0	2,085
	Actuals	40	1,600	4,875	0	2,075
Kodinar	**DPR**	14	2,400	7,405	0	1,744
	Actuals	14	1,700	7,405	0	1,373
Viramgam	**DPR**	0	0	0	0.470	12,410
	Actuals	0	0	0	0	12,410
Jambusar	**DPR**	4	0	6,046	0	5,000
	Actuals	0	0	3,999	2.29	0
Godhra	**DPR**	85	10,000	38,625	65	40,250
	Actuals	28	5,338	46,865	44	6,103

Source: As per information furnished by the DISCOMs

There was nothing available on record as to why certain works were not fully undertaken and why certain works were not envisaged in some towns. In the four test-checked towns[14] where the targets of AT&C losses were achieved, we observed that the towns had executed the envisaged works. Audit is, therefore, of the opinion that executing the works as envisaged in the DPRs, can help in reducing the AT&C losses to the level of 15 *per cent.*

The Management stated (October 2016) that in the Godhra town, 12 to 50 *per cent* of the works done were done in the three high loss feeders. In respect of the other three DISCOMs it was stated that most of the envisaged works were carried out. Some of the works which were not executed was due to difficulty in their execution. In such cases approval of the competent authority had been taken for the purpose.

The fact, however, remained that the reduction of AT&C losses was not achieved in the above five towns to the level of 15 *per cent.* Also, the reply did not state which authority had approved the non-carrying out of works.

[13] Keshod, Kalol, Vapi and Padra.
[14] Vapi (DGVCL), Padra (MGVCL), Keshod (PGVCL) and Kalol (UGVCL).

The DISCOMs need to prepare a time bound action plan for reduction of AT&C losses to the level of 15 *per cent* in all the 21 towns. They should also ensure that the required works are carried out and results achieved. The feeders which are contributing to the non-achievement of targets have since been identified; special action plan can be prepared for these feeders.

Feeder wise losses in the towns test-checked in Audit

2.1.9.2 We conducted a feeder wise analysis in respect of the five towns selected for test-check. This was to determine which feeders were actually contributing to the high AT&C losses:

In Bagasara town there were two 11 KV feeders having 35 *per cent* and 51 *per cent* AT&C losses in 2010-11. This reduced to 22 and 11 *per cent* in 2015-16 respectively thereby reducing the total losses for the town from 46 to 17 *per cent*. The collection efficiency in the second feeder also improved significantly (from 65 to 100 *per cent*) contributing to the reduction in AT&C losses. Implementing the envisaged works of junction boxes and static meters in the town could help in reducing the AT&C losses in the first feeder also. Here the collection efficiency was already good.

In Kodinar town, there were three 11 KV feeders with AT&C losses of 63, 61 and 39 *per cent* in 2010-11. This reduced to 52, 48 and 40 *per cent* respectively in 2015-16. Consequently for the town as a whole the AT&C losses reduced from 68 to 46 *per cent* during the above period. The collection efficiency in these three feeders was nearly 100 *per cent*. Executing the envisaged works of junction boxes and armourd cables could have, therefore, further reduced the losses.

The Management stated (October 2016) that in respect of the above towns many works envisaged in the DPRs were carried out. The others were not required, hence, not carried out and the competent authority had approved the same. The reply is not convincing as the reduction of AT&C losses was not achieved in both the towns to the level of 15 *per cent.* It was also not clear from the reply as to which authority had approved the non-carrying out of works.

In Viramgam there were three feeders having AT&C losses of 37, 42 and 53 *per cent* in 2010-11 with collection efficiency of 81 to 84 *per cent*. The AT&C losses in 2015-16 improved to 16 and 12 *per cent* in the first two feeders whereas it improved to only 37 *per cent* in the third feeder. The collection efficiency improved to 100 *per cent*. Resultantly the AT&C losses of the town improved from 39 to 23 *per cent* during the same period. In the first two feeders there was improvement in the collection efficiency and reduction in the units lost leading to reduction in the AT&C losses. In the third feeder though collection efficiency improved, the units lost did not reduce much resulting in AT&C losses remaining at 37 *per cent*. **Table 2.1.10** shows that works like HVDS, junction boxes and static meters were not envisaged in the DPR. The DISCOM could have considered planning and implementing some of these works at least for the third feeder wherein the AT&C losses were high. No reasons were on record for not envisaging the said works in the DPR.

The Management in its reply (October 2016) gave no reasons regarding the said works not being envisaged.

In Jambusar, the existing feeder was bifurcated into two in 2014-15 and both the feeders had AT&C losses of 19 and 26 *per cent in* 2015-16. For the town as a whole the AT&C loss was 21 *per cent* for the year 2015-16. In both the feeders collection efficiency was 96 to 100 *per cent.* Thus controlling the loss of units was necessary to bring down the AT&C losses. **Table 2.1.10**, shows that the envisaged works for HVDS, static meters and armourd cables were not carried out in this town. This could have helped in further reducing the AT&C losses to 15 *per cent*.

The Management stated (October 2016) that in Jambusar the AT&C losses had reduced to 17.19 *per cent* in June 2016. It was further stated that Jambusar town being in the vicinity of rural area had many theft prone pockets. The reply is not convincing as the loss of June 2016 is only for the quarter ending in that month. Management has not given any reasons for the envisaged works in the DPR not being carried out.

In Godhra town, three out of the 15 feeders had high AT&C losses of 75, 79 and 61 *per cent* in 2010-11. They continued to have losses of 73, 80 and 62 *per cent* in 2015-16 also. The collection efficiency in the three feeders was above 90 *per cent*. For the town as a whole the AT&C losses reduced from 32 *per cent* in 2010-11 to 21 *per cent* in 2015-16, but the target of 15 *per cent* was not achieved. There were five other feeders having AT&C losses above 15 *per cent* but the major contribution to the AT&C losses of the town was by these three feeders. **Table 2.1.10** shows that the works envisaged in the DPR like HVDS, junction boxes, underground cables and armourd cables were not fully carried out.

The Management stated (October 2016) that in the Godhra town, 12 to 50 *per cent* of the works done were done in the three high loss feeders. The reply is not convincing as the losses in these three feeders continue to be high indicating that works were not carried out to the extent required.

It is necessary that the DISCOMs identify the feeders with high losses and carry out the required works on an urgent basis. This will help in reduction of the AT&C losses in the above 21 towns to the level of 15 *per cent*,

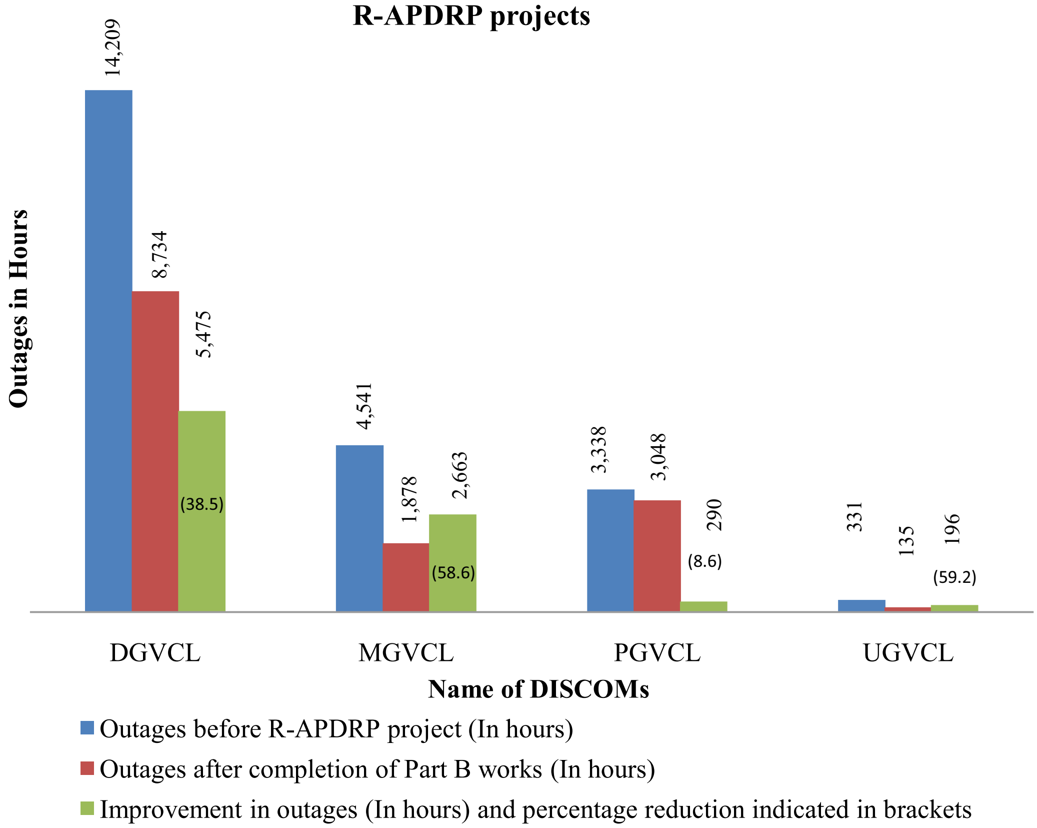
It is recommended that the DISCOMs identify the reasons for the non-reduction of losses to the stipulated levels in the 21 towns. The specific works required feeder wise must be decided so that the target for the town as a whole is achieved.

Quality of service

2.1.10 One of the ancillary objective of the R-APDRP was to improve the quality of service to consumers. We compared the outages of the four

DISCOMs[15] at the start of the implementation of R-APDRP and after the completion of Part B works (2015-16). We found that there was a significant reduction in the outage hours as given in **Chart 2.1.1**.

Chart 2. 1. 1: Outages before and after R-APDRP projects



Source::As per information furnished by the DISCOMs

The **Chart 2.1.1** shows that there was reduction in outages in DGVCL and MGVCL. The reduction in outages in DGVCL and MGVCL cannot directly be established to R-APDRP. The strengthening of load management system and other works done under R-APDRP, however, contributed to the improvement. In PGVCL there was not much reduction in outages indicating the need for improving load management and maintenance of power lines. In UGVCL, the outages were on the lower side and, therefore, the reduction was not significant.

The Management stated (October 2016) that the PGVCL towns were mostly in coastal areas. Here periodical maintenance activity would be required for avoiding major break downs at line level as well as substation level. It was further stated that PGVCL had planned to convert majority overhead lines into underground cables.

We observed that the DISCOMs had not undertaken any Consumer Satisfaction Survey to verify the benefit that accrued from the R-APDRP.

PGVCL may initiate proper measures for improving load management and maintenance of power lines.

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15 MGVCL, DGVCL and UGVCL for the year 2008-09 and PGVCL for the year 2011-12.

Conclusion

2.1.11 The R-APDRP was implemented in Gujarat in 84 towns for Part A projects, 62 towns for Part B projects and six towns for SCADA projects. The objective of R-APDRP was to reduce the AT&C losses to 15 *per cent* in power distribution companies on a sustainable basis for five years. This was to be done by establishing reliable and automated systems for collection of accurate baseline data. All the works of Part A and Part B (except two towns in respect of Part B) were completed. The works related to SCADA projects were still in progress.

We noticed certain deficiencies in the planning and implementation of R-APDRP by the DISCOMs. There was a delay in awarding tender of SCADA projects resulting in the works remaining in progress till date. In the 60 Part B projects which had been completed, the DISCOMs were able to achieve the target of reduction of AT&C losses to 15 *per cent* in 39 towns. In the 21 towns where the targeted reduction of AT&C losses could not be achieved, the AT&C losses ranged from 15.31 to 46.17 *per cent* in 2015-16. The DISCOMs could have saved ₹ 60.71 crore in 2015-16 by containing AT&C losses in these 21 towns. Prevalence of more outages in PGVCL impacted the quality of services to consumers.

The matter was reported to Government/ Management (August 2016); the Government reply is awaited (December 2016).

2.2 Material Management of Power Distribution Companies

Executive Summary

Introduction

Gujarat Electricity Board (GEB) was unbundled with effect from 1 April 2005 into seven separate companies. They had functional responsibility for generation, transmission, distribution and trading of electricity. Gujarat Urja Vikas Nigam Limited (GUVNL) was created as a holding company of the remaining six subsidiary companies. The distribution of electricity was vested with the four Power Distribution Companies (DISCOMs). The DISCOMs were Dakshin Gujarat Vij Company Limited (DGVCL), Madhya Gujarat Vij Company Limited (MGVCL), Uttar Gujarat Vij Company Limited (UGVCL) and Paschim Gujarat Vij Company Limited (PGVCL). They catered to the consumers in south Gujarat, central Gujarat, north Gujarat and Saurashtra region respectively.

The creation and maintenance of the distribution network requires purchases of different kind of materials and their storage at convenient locations.

The material requirement was assessed based on the average consumption during previous periods and the requirement of material for the ongoing works.

The present Performance Audit covers the period from 2011-12 to 2015-16. It includes assessment of material requirement, procurement of material and stores management by the DISCOMs. In the above performance audit we noticed aberrations mostly in respect of quantity allocation to new bidders, allocation to Gujarat based firms, guarantees taken and placement of repeat orders. This led to favouring ineligible bidders impacting ₹ 61.41 crore and additional expenditure of ₹ 3.39 crore.

Audit Findings

Upon unbundling of the GEB in April 2005, the DISCOMs continued to follow the Purchase Policy 2000 of the erstwhile GEB. GUVNL circulated (March 2011) Purchase Guidelines to all its subsidiary companies. This was to further streamline and amend existing purchase policies, procedures and practices being followed. The major differences between the Purchase Policies of 2000 and 2011 were in the definition of new bidders and allotment of items to new and regular bidders. We found that the above Purchase Policies had not been uniformly adopted by all the DISCOMs. The uniformity in Purchase Policy was required at least in the purchases under centralised procurement where one DISCOM was finalising the tender for all the DISCOMs.

MGVCL, PGVCL and UGVCL placed Purchase Orders (POs) on new parties in excess of individual limits prescribed in violation of the Purchase Policies. MGVCL in two tenders allotted quantity in excess of

the allowable limit of 10 *per cent* amounting to ₹ 13.65 crore. PGVCL, in ten tenders covering 16 items allotted excess quantity to new bidders to the extent of ₹ 28.95 crore. UGVCL in one tender covering one item allotted excess quantity to new bidders to the extent of ₹ 4.05 crore.

MGVCL and UGVCL awarded POs worth ₹ 4.93 crore to new ineligible bidders. The Purchase Policy required the new bidders to quote lesser than the lowest regular bidder to be eligible for any allocation.

Fifty *per cent* of tendered quantity was to be allotted to Gujarat based firms as per Purchase Policy 2011. For this, the final cost of the product quoted by the Gujarat based firms could not be more than 15 *per cent* of the cost quoted by the firms from outside Gujarat. PGVCL awarded a PO worth ₹ 3.62 crore to a Gujarat based firm though its rate was 15.55 *per cent* higher than the lowest outside Gujarat based firm and hence was ineligible.

In five tenders finalised (March 2012 to October 2014) by PGVCL and UGVCL, the bank guarantee rates for the warranty period was two *per cent*. The Purchase Policy 2011 as amended by GUVNL (February 2012), stipulated guarantee rate of five *per cent* for large units and outside Gujarat firms. The same was three *per cent* for Gujarat based Medium Small and Micro Enterprises (MSME) units. Thus, all the four DISCOMs under recovered bank guarantee to the extent of ₹ 6.21 crore in 43 POs.

In two tenders finalised by DGVCL and PGVCL for purchase of transformers of various sizes, the new bidders were allocated lesser than the allowable quantity of 10 *per cent*. These quantities were allocated to regular bidders at higher rates due to which an avoidable expenditure of ₹ 3.27 crore was incurred.

Introduction

2.2.1 Gujarat Electricity Board (GEB) was unbundled with effect from 1 April 2005 into seven separate companies[16]. They had functional responsibilities for generation, transmission, distribution and trading of electricity respectively. Gujarat Urja Vikas Nigam Limited (GUVNL) was created as a holding company of the remaining six subsidiary companies. The distribution of electricity was vested with four Power Distribution Companies DISCOMs viz., DGVCL, MGVCL, UGVCL and PGVCL They catered to the consumers in south Gujarat, central Gujarat, north Gujarat and Saurashtra region respectively. The area of coverage of these four DISCOMs and their respective distribution network is shown in **Table 2.2.1**.

[16] Gujarat State Electricity Corporation Limited (GSECL), Gujarat Energy Transmission Corporation Limited (GETCO), Uttar Gujarat Vij Company Limited (UGVCL), Dakshin Gujarat Vij Company Limited (DGVCL), Madhya Gujarat Vij Company Limited (MGVCL), Paschim Gujarat Vij Company Limited (PGVCL) and Gujarat UrjaVikas Nigam Limited (GUVNL).

Table 2.2.1: Area of coverage and distribution network of DISCOMs as on 31 March 2016

Name of the DISCOM	Area (Square KMs)	LT Lines (in KMs)	HT Lines (in KMs)	Total Transformer Centers	No. of Consumers (in lakh)
DGVCL	23,307	48,692	47,018	1,15,076	28.58
UGVCL	49,950	69,766	94,435	2,22,666	31.95
PGVCL	99,771	1,31,357	1,52,032	5,63,381	52.42
MGVCL	23,854	66,079	52,971	1,11,736	29.08
Total	**1,96,882**	**3,15,894**	**3,46,456**	**10,12,859**	**142.03**

Source: Information provided by the DISCOMs

A Performance Audit on the issue of "Material Management and Inventory Control of Transmission and Distribution Materials of the Gujarat Electricity Board" was included in the Audit Report (Commercial), Government of Gujarat[17] for the year ended 31 March 2002.

The creation and maintenance of the distribution network requires purchases of different kinds of materials[18] and their storage at convenient locations. The procurement process usually starts in the month of October of each year based on requirements received from user departments of the DISCOMs. The material requirement was assessed based on the average consumption during previous periods and the requirement of material for the ongoing works.

The Government of Gujarat (GoG) made e-procurement mandatory from 1 January 2007. This was for purchase of any item above ₹ 50 lakh by State Government departments and public sector enterprises. This limit was revised to ₹ five lakh in August 2011. The DISCOMs are utilising the platform of M/s (n) Code Solutions[19] for the tendering process. The DISCOMs use their oracle based software e-Urja for the purpose of maintenance of data in relation to procurement of material. The software is used from the stage of Request for Quotations to the stage of final payment. The stores of the DISCOMs also use a Fox-Pro based software for maintaining data relating to stock. Both the softwares are operated parallelly for the purpose of generation of the required data.

The procurement process takes place in two different ways viz., Central Procurement Process (CPP) and non-CPP methods. Under the CPP method, three major items i.e., cables, conductors and transformers are purchased by DISCOMs. Here a particular DISCOM finalises the tender of one type of material (say transformers) based on the aggregate requirement of all the four DISCOMs. After finalisation of the tender, the suppliers are selected and the DISCOM wise quantity is allocated to each of them. The four DISCOMs place Purchase Orders (POs) on the selected suppliers based on their own requirement. Under the non-CPP method, the DISCOMs purchase material for their own requirement except those which fall under CPP. The procedure to be followed in respect of non-CPP purchase was the same as for CPP purchase.

[17] The Committee on Public Undertakings (COPU) discussed (November 2004) the Report and made one recommendation. The Action Taken Report on the recommendation was also discussed by the COPU in January 2014.

[18] Materials like cables, transformers, conductors, meters, insulators, etc.

[19] A division of Gujarat Narmada Valley Fertilizers & Chemicals Limited.

All purchases, except for certain small items like office furniture, fans, small machines, machine tools *etc.*, were done by inviting open tenders.

The total purchases made by the DISCOMs through CPP and non-CPP process during the period 2011-12 to 2015-16 are given in **Table 2.2.2**:

Table 2.2.2: **Year wise Purchases made by DISCOMs during 2011-2016**

(₹ in crore)

Name of the DISCOM	2011-12	2012-13	2013-14	2014-15	2015-16	Total
PGVCL	744.38	941.66	837.46	1,130.21	965.15	4,618.86
MGVCL	180.75	301.77	270.53	324.78	348.96	1,426.79
DGVCL	217.10	385.37	381.73	440.31	374.14	1,798.65
UGVCL	214.46	420.07	356.05	548.97	333.01	1,872.56
Total	**1,356.69**	**2,048.87**	**1,845.77**	**2,444.27**	**2,021.26**	**9,716.86**

Source: Information compiled from accounts of DISCOMs.

Organisational set-up

2.2.2 The management of the DISCOMs is vested with the Board of Directors (BoD) of the respective DISCOMs. The Managing Director (MD) is the Chief Executive Officer. He is assisted by heads of various departments viz., Project, Technical, Finance and Accounts and Human Resources. The BoD had also constituted various Committees like Audit Committee, Project cum Procurement Committee *etc.*, for its assistance. The procurement department of the Corporate Office is headed by a Chief Engineer/ Additional Chief Engineer. Each DISCOM also has under its control Circle Offices, Division offices and Regional Store Offices (RSOs). These are headed by Superintending Engineers, Executive Engineers and Deputy Engineers respectively.

Scope of Audit

2.2.3 The present Performance Audit covers the period from 2011-12 to 2015-16. It includes assessment of material requirement, purchase of material and stores management by the DISCOMs. Out of the four DISCOMs, the DISCOMs having the lowest inventory (MGVCL) and the highest inventory (PGVCL) were selected for detailed scrutiny of records. The procurement for certain important materials were done through CPP. We, therefore, test-checked the purchases made through CPP by all the four DISCOMs. We also test-checked the non CPP purchases made by the selected DISCOMs, viz., MGVCL and PGVCL.

We selected 98 (100 *per cent*) CPP POs awarded by DGVCL and UGVCL and 233 (50 *per cent*) CPP POs awarded by MGVCL and PGVCL. In case of material purchased under non-CPP POs by MGVCL and PGVCL, the following sample selection was made.

- Out of 33 POs placed during September 2011 to September 2015 having value of more than ₹ 10 crore, 17 POs were selected.
- Out of 512 POs placed during April 2011 to December 2015 having value between ₹ one crore and ₹ 10 crore, 10 POs were selected.

For assessing the stores management of DISCOMs, two RSOs each[20] of MGVCL and PGVCL were test-checked in Audit.

Audit Objectives

2.2.4 The Performance Audit of the DISCOMs was conducted with a view to ascertain whether:

- proper assessment of requirement of material was made before procurement both under CPP and non-CPP methods;
- there was an effective and efficient system of material procurement which ensured timely purchase of material in an economic and transparent manner;
- the accounting of material and stores management was done properly, the physical verification of stock was done regularly at the stores level and there was a sound monitoring and control system at the Corporate Office level; and
- the materials were stored properly and protected against loss and the scrap materials were auctioned on a regular basis at the stores level.

Audit Criteria

2.2.5 The following audit criteria were adopted for assessing the performance of the DISCOMs:

- DISCOMs' budgetary plan for procurement and Board minutes and agenda;
- Purchase Policy 2000/ 2011 of the DISCOMs and amendments thereof and guidelines/ circulars of the GUVNL and Central Vigilance Commission;
- Procurement contracts and repairing contracts of vendors;
- Circulars and Corporate Office instructions regarding proper storage of material and policy related to scrap;
- Guidelines, instructions and directions of the State Government and Gujarat Electricity Regulatory Commission.
- Guidelines of the Reserve Bank of India in case of contracts with foreign suppliers; and
- Various manuals of GUVNL and respective DISCOMs relating to purchase, procurement, storage, disposal of scrap etc.

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[20] RSOs in MGVCL: (i) Lalbaug (Vadodara) (ii) Chhani (Vadodara); and in PGVCL (i) Rajkot (ii) Jamnagar.

Audit Methodology

2.2.6 The methodology adopted for attaining the audit objectives involved explaining the audit objectives to the top management. This was done through an entry conference. The records were examined at the Corporate Office and stores level and interaction was done with the audited entity personnel. The data was analysed based on the audit criteria, discussions were held with the Management and audit queries were raised. The draft performance audit report was issued to the Management and the concerned Department (Energy & Petrochemical Department) for comments. The audit findings were also discussed in an exit conference with the Management.

The entry conference with the Management and the State Government representatives was held on 26 February 2016. The exit conference was held on 20 October 2016, which was attended by the officials of all the four DISCOMs and the holding company GUVNL.

Audit Findings

2.2.7 The audit findings have been discussed under the broad headings of procurement of material and inventory control, stores management and disposal of stock. In the procurement process we found lack of uniformity in the adoption of purchase policies, violation of these policies and delays in the finalisation of tenders. In case of inventory control and stores management, we found instances of non disposal of scrap.

Procurement of material

Purchase Policies and Procedures

2.2.8 Upon unbundling of the GEB in April 2005, the DISCOMs continued to follow the Purchase Policy 2000 of the erstwhile GEB. The Purchase Policy laid down procedures and practices to be adopted for vendor registration, item/ supplier classification, tender evaluation, negotiation etc. An amendment to the Purchase Policy of 2000 was made in 2005 allowing a higher allocation to new parties for certain items.

For the first time after unbundling, GUVNL circulated (March 2011) Purchase Guidelines to all its subsidiary companies. This was to further streamline and amend existing purchase policies, procedures and practices being followed. The major differences between the Purchase Policies of 2000 and 2011 were in the definition of new bidders and allocation of critical[21] and non-critical items[22] to new and regular bidders. The differences in the Purchase Policies are as given in **Table 2.2.3**:

[21] All types of meters, Current Transformers Potential Transformers (CTPT) units, ring type CTs, CTs, PTs, transformers, breakers, isolators, relays, insulators 11 KV and above including bus post insulators, Moose and Zebra conductors and all types of cables.

[22] All material which are not mentioned as critical items are non-critical items.

Table 2.2.3: Comparison of Purchase Policy of 2000 and 2011

Sl. No.	Purchase Policy 2000	Purchase Policy 2011
1.	A new party is one which has not supplied similar or higher specification material to erstwhile GEB or equivalent organisations. Such a party is called *"new 1"*party A new party after the first supply will be considered as *"new 2"*and only after the second supply as a regular party.	A new party is one which has not supplied similar or higher specification material to GEB/ GUVNL and its subsidiaries. A new party will become a regular party only after it executes two orders successfully. There was no concept of *"new 1"* and *"new 2"*party.
2.	A *"new 1"* party could be allotted 10 *per cent* of the total quantity and*"new 2"* party could be allotted 25 *per cent* of the total quantity in any tender. As per amendment made in August 2005, for certain items, the above percentage could increase to 30 and 40 *per cent* respectively.	In respect of tender for critical items, new parties put together could be allotted up to 30 *per cent* of the total ordered quantity but limited to 10 *per cent* for each party. In respect of tender for non-critical items the allocation to new parties could be up to 50 *per cent* of the total ordered quantity but limited to 30 *per cent* for each party.
3.	In case orders were to be placed on more than one party, a new party had to match the price of lowest new party and a regular party had to match the price of the lowest regular party. After the amendment to the Purchase Policy in August 2005, price of new party had to be lesser than the lowest regular party to be offered any quantity.	A new party which quotes higher than the lowest regular party was not to be offered any quantity.

We found that the above Purchase Policies had not been uniformly adopted by all the DISCOMs. The Purchase Policy 2011 was adopted by the PGVCL and UGVCL in July 2011 and December 2011 respectively. DGVCL did not place the Purchase Policy 2011 in its BoD and continued to be governed by the Purchase Policy 2000. The BoD of MGVCL adopted (April 2011) the Purchase Policy 2011 subject to the date of implementation being decided by the Managing Director. The date of its implementation was not decided (March 2016).

From the above, it is clear that the Purchase Guidelines of 2011 circulated by GUVNL were not uniformly adopted by all the DISCOMs. The uniformity in Purchase Policy was required at least in the CPP purchases where a single DISCOM finalised the tender for all the DISCOMs. This would have ensured uniformity in the quantity allocation to new and regular bidders. We reviewed the implementation of the Purchase Policies against the respective policies adopted/ followed by the DISCOMs. The instances of violation noticed are discussed below:

Excess allocation to new bidders

2.2.8.1 MGVCL, PGVCL and UGVCL placed POs on new parties in excess of individual limits prescribed under the respective Purchase Policies. MGVCL, in two tenders covering two items, allotted quantity to new (*new 1*) bidders in excess of the allowable limit of 10 *per cent*. This resulted in excess allotment of ₹ 13.65 crore to new (*new 1*) bidders in violation of the Purchase Policy 2000 followed by MGVCL. PGVCL and UGVCL placed POs on new parties for critical and non-critical items in excess of individual limits of 10 and 30 *per cent* and overall limits of 30 and 50 *per cent* respectively. PGVCL, in 10 tenders covering 16 items, allotted quantity to new bidders in excess of allowable limits to the extent of ₹ 28.95 crore. UGVCL, in one tender covering one item, allotted excess quantity to new bidders to the extent of ₹ 4.05 crore. The allocations made by both PGVCL and UGVCL violated the Purchase Policy 2011 adopted by them. Thus, the three DISCOMs placed POs valuing ₹ 46.65 crore on new bidders in violation of the Purchase Policies adopted by them.

PGVCL stated (October 2016) that for the above tenders it had followed the Purchase Policy 2000 as amended in August 2005. UGVCL did not give any specific reply.

The reply of PGVCL is not convincing as it should have invited tenders as per the Purchase Policy 2011 which was adopted by it.

Allocation to ineligible new bidders

2.2.8.2 Allocation could be made to new bidders only if their rates were not higher than the lowest regular bidder as per Purchase Policies 2000 and 2011. We observed that MGVCL and UGVCL had given POs to new bidders though their quoted rates were higher than the rates of the lowest regular bidder. They were, therefore, not entitled to any allocation. **Table 2.2.4** shows the quantum of purchase orders given to ineligible new bidders:

Table 2.2.4: Allocation to ineligible new bidders

Tender number	Name of the new bidder awarded purchase order	Regular bidder lowest rate (in ₹)	New bidder rate (in ₹)	Ordered value on new bidder (in ₹)
Centralised purchase initiated by UGVCL (Based on Effective rate adopted for evaluation)				
371- transformer 16 KVA	M/s Alfa transformers	79,427	86,504	37,77,753
371- transformer -25 KVA	M/s Alfa transformers	1,00,914	1,09,560	2,90,26,484
Non centralised purchase by MGVCL				
2017- LT Cable 1C x 35 + 25 mm2	Ekank Cables, Vadodara	33,027	33,553	1,04,72,175
2028- LT PVC Cable 2C x 2.5 mm2	Himachal Aluminium & Conductors, H.P.	556	565	22,46,298
2023- LT PVC Cable 2C x 4 mm2	Himachal Aluminium & Conductors, H.P.	759	860	24,46,540
1019- GI Wire 8 SWG	R.K. Wire, Kolkata	53,135	55,892	13,51,786
Total				**4,93,21,036**

Source: Compiled in Audit from information provided by DISCOMs

Thus, MGVCL and UGVCL awarded POs worth ₹ 4.93 crore to new bidders in violation of their Purchase Policy. There was, however, no loss to the DISCOMs as the new bidders finally matched their price with the price of the lowest regular bidder.

MGVCL stated (October 2016) that the regular bidder had not offered full quantity. Allotment to new bidders was therefore made in the financial interest of the company. UGVCL stated (October 2016) that the regular bidder had offered lesser quantity than required; hence, quantity allocation was made to the new (*new 1*) bidders.

The reply of MGVCL is not convincing as in tender nos. 2017 and 1019 the regular bidder had offered the full tendered quantity. The Purchase Policy does not provide for any exception in cases where the regular bidder was unable to offer full quantity. There were no reasons on record as to why the additional allocation was made to ineligible new (*new 1*) bidders. The reply of UGVCL is not convincing as in respect of 16 KVA category the lowest regular bidder was ready to supply nearly 100 *per cent* quantity. The DISCOMs could have also placed repeat orders for additional 25 *per cent* quantity on the regular bidders.

Favour to ineligible Gujarat based firms

2.2.8.3 Clause 4.10.2 of the Purchase Policy 2011 provided that 50 *per cent* quantity of the tender was to be allotted to Gujarat based firms. This was subject to the final cost (*end cost*) without tax quoted by the Gujarat based firms not being more than 15 *per cent* of the final cost (*end cost*) without tax quoted by the non-Gujarat based firms. In a tender for disc insulators floated by PGVCL, the lowest Gujarat based firm quoted 15.55 *per cent* more than the lowest outside Gujarat firm. The Gujarat based firm was, therefore, not eligible for any allocation. PGVCL, however, awarded the PO worth ₹ 3.62 crore[23] to the Gujarat based firm in violation of its Purchase Policy.

PGVCL stated (October 2016) that PO was given to the Gujarat based firm considering its performance and marginal increase in rate over 15 *per cent.*

The reply is not convincing as there were no recorded reasons for relaxing conditions of the Purchase Policy 2011.

Short collection of Bank Guarantees

2.2.8.4 Purchase Policy of 2000 and 2011 provided that the bidders were required to give bank guarantee for the warranty period at the following rates:

Table 2.2.5: **Rates of bank guarantee for the warranty period**

Particulars	Purchase Policy 2000	Purchase Policy 2011
Bank guarantee for warranty period in respect of cables, conductors, insulators and steel items for all suppliers.	Two *per cent*	Five *per cent*
Bank guarantee for warranty period for Gujarat based Micro, Small and Medium (MSME) Enterprises	Not applicable	Three *per cent* (as per GUVNL Board resolution dated 7 February 2012)

The Purchase Policy 2011 stipulated rates of five *per cent* and three *per cent* depending on the type of firms as shown in **Table 2.2.5.** In five tenders[24] finalised (March 2012 to October 2014), PGVCL and UGVCL kept two *per cent* bank guarantee rates for the warranty period. Thus, all the four DISCOMs under recovered bank guarantee for the warranty period. In the 43 POs placed against the above five tenders there was under recovery to the extent of ₹ 6.21 crore[25].

[23] Purchase Order (dated 12 September 2012) against tender no. 400 was issued to M/s Sun Insulators Private Limited, Ahmedabad (Gujarat based firm).The quantity ordered was 1,48,950 disc insulators at the rate of ₹ 243.37 *per* insulator {final cost (*end cost*) with VAT}.

[24] Pertaining to cables, conductors and disc insulators.

[25] Short recovered bank guarantee: DGVCL - 2 POs - ₹ 0.17 crore, MGVCL –15 POs - ₹ 1.76 crore, PGVCL - 9 POs - ₹ 2.19 crore and UGVCL - 17 POs - ₹ 2.09 crore.

PGVCL and UGVCL stated (October 2016) that the tenders were invited according to GUVNL resolution of March 2006. Here a bank guarantee rate of two *per cent* was specified for the warranty period.

The reply is not convincing. After the adoption of Purchase Policy 2011, the tenders were to be invited as per the extant policy as amended till the date of tender.

Avoidable expenditure due to less allocation of quantities to new bidders

2.2.8.5 The Purchase Policy 2000 provided that up to 10 *per cent* quantity could be allocated to the new bidders. The Purchase Policy 2011 provided that up to 10 *per cent* quantity could be allocated to each new bidder subject to an overall ceiling of 30 *per cent*.

We analysed the percentage and quantum of allocation made to the new bidders in respect of CPP tenders. In the 31 CPP tenders finalised during the period April 2011 to February 2016, a total of 1,069 bidders (767 regular and 302 new) participated. Of these, 343 regular bidders and 66 new bidders got POs. The percentage of successful bidders to total bidders was 44.72 and 21.85 *per cent* in respect of regular and new bidders respectively. Against the total quantity[26] tendered, the regular bidders got 92.28 *per cent* and the new bidders got only 6.86 *per cent* of the tendered quantity.

We also observed that in two tenders finalised by DGVCL and PGVCL the new bidders were allocated lesser than 10 *per cent* quantity. These quantities were allocated to regular bidders at higher rates resulting in avoidable expenditure of ₹ 3.27 crore as shown in **Table 2.2.6**:

Table 2.2.6: Lesser than maximum permissible allocation to new bidders

(Quantity in numbers and Amount in ₹)

Sl. No	Tender no. and category	Name of new bidder	Tender quantity	Offered quantity by the bidders	Allotted quantity	Less quantity allocated[27]	Difference of rate between new and regular supplier[28]	Amount
CPP tenders (Critical Items- Transformers)								
1.	9032- 10 KVA	M/s B&C Energy Private Limited	91,345	4,568	2,300	2,268	1,972.91	44,74,560
2.	390-10 KVA	M/s Rajasthan Powergen Transformers	32,915	5,500	1000	2,291	4,735.70	1,08,49,489
3.	390-16 KVA	M/s P.P Industries	11,000	10,000	500	600	4,355.78	26,13,468
4.	390-25 KVA		11,000	5,000	500	600	4,116.29	24,69,774
5.	390-63 KVA		18,880	5,000	500	1,388	5,611.48	77,88,734
6.	390-100 KVA		12,643	6,000	500	764	5,935.12	45,34,432
	Total							**3,27,30,457**

Source: Compiled in Audit from information provided by DISCOMs

26 Some items under tender no 9020 were scrapped later on, hence percentage of total quantity put to tender is 99.14 (92.28 + 6.86).

27 The difference has been calculated by considering the maximum allowable quantity to new bidders or the offered quantity whichever was lesser and reducing from it the actual quantity awarded.

28 This represents the effective rate of the transformer including taxes and loaded losses (load losses and no load losses). Transformer losses are produced by the electrical current flowing in the coils and the magnetic field alternating in core. The losses associated with the coils are called the load losses, while the losses produced in the core are called no-load losses.

DGVCL stated (October 2016) that large supplies were pending from the firm, M/s B&C Energy Private Limited. Hence lesser quantity was allocated to the firm.

The reply of DGVCL is not convincing because DGVCL finalised two tenders i.e., 9020 and 9032 at very short intervals. Most of the supplies were pending for tenders for which the supplier still had time to supply. It is also pertinent to mention that the DISCOMs placed repeat orders subsequently on this supplier. This showed that there were no issues with the supplier.

PGVCL stated (October 2016) that the supply and quality of performance of the new bidder was not known and therefore lesser quantity was considered.

The reply is not convincing as the quantity for new bidders was restricted to 10 *per cent* considering all the risk aspects. The rates of new bidders being lesser; it was financially beneficial for the DISCOMs to allot full permissible quantity of 10 *per cent* to the new bidders.

Delays in tender finalisation

2.2.9 GUVNL had stipulated a time span of 105 days (including prototype testing) for the completion of the entire tender process up to order placement. This included the time taken from receiving indents for requirement of material to final placement of purchase orders on selected bidders.

We observed that a total of 31 CPP tenders were finalised by the four DISCOMs during 2011-12 to 2015-16. Out of these only three tenders could be finalised within the stipulated timeline. In the remaining 28 tenders, there was a delay ranging from 2 to 162 days beyond the stipulated timeline. Out of these, in 16 tenders the delay was more than 90 days. In the procurement done at the DISCOM level under non CPP, we observed the delay was very minimal. Reasons for delay in finalisation of CPP tenders were not on record.

UGVCL and MGVCL while accepting the fact, stated (October 2016) that they would strive in future to adhere to the stipulated time line. PGVCL attributed the delay to various factors like delay in technical scrutiny, large number of bidders and various administrative delays. DGVCL had stated that the time frame for completion of the tender process was four months and most of the tenders were completed within the same.

The contention of PGVCL is not convincing since the time limit of 105 days was fixed after considering all these issues. The contention of DGVCL was not as per the circular issued by GUVNL. Audit is of the opinion that the DISCOMs should have adhered to the timelines stipulated by GUVNL. Delay can also affect the works for which the material is being procured.

Extra expenditure due to not placing repeat orders

2.2.10 The POs provided that the DISCOMs had the right to place repeat orders up to 25 *per cent* of the ordered quantity. This had to be done within the validity period of the original order and on the same terms and conditions of the original purchase order. Whenever the DISCOMs finalised a new tender, comparison was made between the rates under the existing tender and rates received in the new tender. If the new tender rates were higher, it was beneficial for the DISCOMs to procure material under the existing tender by invoking the repeat order clause. We observed that UGVCL did not exercise its right to place repeat orders in respect of purchase of 10 KVA transformers as detailed in **Table 2.2.7:**

Table 2.2.7: Loss due to non placement of repeat orders

Sl. No.	Tender number	Name of Supplier	Quantity allocation (in number)	Effective rate[29] per unit (in ₹)	Effective rate[30] per unit in next tender finalised (in ₹)	Repeat order quantity	Effective loss (in ₹)
			A	B	C	D = A X 25 *per cent*	E = D X (C-B)
1	9032	B&C Energy Infra P Ltd.	625	53,737.43	55,489.95	156	2,73,393
2	111	NJA Industries	1,600	50,036.80	51,019.94	400	3,93,256
3		DankeTechno electro	2,160	50,036.80		540	5,30,896
Total extra expenditure							**11,97,545**

Source: Compiled in Audit from information provided by DISCOMs

UGVCL had incurred extra expenditure worth ₹ 11.98 lakh due to not placing of repeat orders.

UGVCL stated (October 2016) that they had placed repeat orders on the suppliers. Audit, however, did not get any supporting records pertaining to the placement of repeat orders.

DISCOMs may ensure adoption of uniform Purchase Policy so that the provisions of purchase policies can be adhered to by all the DISCOMs.

Inventory control, stores management and disposal of scrap

2.2.11 After placing the PO, the DISCOMs issue instructions to the supplier to deliver the material to a specific RSO or divisional store. The material is thereafter received and stored in the RSO and divisional store of the respective DISCOMs. Upon the receipt of the material, general checks are exercised to ascertain its conformity with the purchase order. Samples were also sent to an independent testing agency[31] for detailed testing The year-end value of the inventory held by each DISCOM during the period 2011-12 to 2015-16 is given in **Table 2.2.8**.

[29] It represents the unit final cost (*end cost*) with tax of five *per cent* + price variation (at the time of next tender opening) + loaded losses.

[30] Unit final cost (*end cost*) with tax (five *per cent*) + loaded losses.

[31] Normally testing is done by Electrical Research and Development Association (ERDA). ERDA is a cooperative research institution created by the Indian Electrical Industry and Utilities with the support of Government of India and Government of Gujarat.

Table 2.2.8: Inventory position of DISCOMs as on 31 March of respective years

(₹ in crore)

DISCOMs	2011-12	2012-13	2013-14	2014-15	2015-16
PGVCL	420.34	425.49	457.36	530.53	491.82
MGVCL	165.86	236.89	189.16	199.96	183.13
DGVCL	205.91	256.22	258.01	281.50	260.41
UGVCL	221.26	265.59	272.46	382.51	350.08

Source: Information provided by DISCOMs as per compiled accounts

MGVCL had five and PGVCL had six RSOs as on 31 March 2016, out of which four[32] were selected for test-check in Audit. The bifurcation of inventory into active, slow-moving, non-moving[33] and scrap in respect of the test-checked RSOs is given in **Table 2.2.9**:

Table 2.2.9: Inventory position in test-checked RSOs as on 31 March of the respective years

(Amount: ₹ in crore)

Particulars	Active material	Slow moving material	Non moving material	Scrap	Total material	Percentage of active material to total material
MGVCL						
2011-12	30.43	0.02	2.18	0.87	33.50	90.84
2012-13	49.20	2.47	1.94	1.36	54.97	89.50
2013-14	41.00	1.41	0.99	1.57	44.97	91.17
2014-15	36.32	1.40	1.18	1.82	40.72	89.19
2015-16	35.17	0.12	0.75	1.57	37.61	93.51
PGVCL						
2011-12	25.01	0.13	0.69	0.92	26.75	93.50
2012-13	27.58	0.06	0.98	0.99	29.61	93.14
2013-14	23.04	0.21	0.48	1.23	24.96	92.31
2014-15	25.11	1.59	9.64	1.36	36.12	69.52
2015-16[34]	9.44	0.48	0.28	1.64	11.84	79.73

Source: Information provided by DISCOMs

The **Table 2.2.9** shows that the percentage of active material held ranged between 89.19 and 93.51 *per cent* in MGVCL during 2011-12 to 2015-16. In respect of PGVCL it ranged between 69.52 and 93.50 *per cent* during the same period.

2.2.11.1 The DISCOMs disposed-off the scrap through online auctions conducted by M/s MSTC Limited, a Government of India Undertaking. Each DISCOM fixed a reserve price for a particular scrap material. If any bidder quoted equal to or more than the reserve price, the material was sold off automatically. If the highest bid was below the reserve price, each DISCOM had fixed a threshold limit up to which it could approve the sale based on the rate received. Below the threshold limit, the bids got rejected.

Audit test-checked the records regarding auction of scrap in RSO Jamnagar

32 In MGVCL, Lalbaug (Vadodara) and Chhani (Vadodara) and in PGVCL, Rajkot and Jamnagar.

33 **Active:** If an item of material was transacted (i.e. received/issued) within a period of three months, **Slow moving:** If an item of material was not transacted within a period of three months but was transacted within a period of six months and **Non moving:** If an item of material was not transacted within a period of six months or above.

34 Data related to Rajkot RSO was not furnished for the year 2015-16.

and RSO Rajkot of PGVCL. It was observed that in Jamnagar, 10 items[35] amounting to ₹ 32.18 lakh were lying as on 31 March 2016. Auctions for these were attempted nine to eighteen times between March 2014 and March 2016. Similarly, nine items[36] amounting to ₹ 32.83 lakh were lying in Rajkot as on 31 December 2015. Auctions for these were attempted 11 to 25 times between March 2014 and December 2015.

We observed that the scrap could not be sold due to general recession in the commodity markets and low prices. This blocked up scarce space at RSOs.

PGVCL stated (October 2016) that reserve price of scrap was applicable for all the RSOs. In some RSOs the material was sold while it remained unsold in other RSOs.

Conclusion

2.2.12 The creation and maintenance of the distribution network requires purchases of different kinds of materials and their storage at convenient locations. Audit examination of assessment, procurement and storage activities of the DISCOMs revealed deficiencies in certain areas. There was no uniformity in adoption and applicability of purchase policies amongst the DISCOMs. The quantity allocation to new and regular bidders was made according to the Purchase Policy being followed. There was no uniformity in Purchase Policy in the Central Procurement Process tenders as well. We also observed that the DISCOMs did not adhere to certain provisions of the purchase policies and tender conditions. Aberrations were mostly in respect of quantity allocation to new bidders, allocation to Gujarat based firms, guarantees taken and placement of repeat orders. This led to additional expenditure of ₹ 3.39 crore and favouring ineligible bidders with contracts valued at ₹ 61.41 crore.

The matter was reported to Government/ Management (August 2016); the Government reply is awaited (December 2016).

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[35] (i) Single Phase meters Metal static (ii) Plastic static (iii) Polycarbonate, (iv) Three Phase meters Metallic static (v) Plastic static, (vi) Miscellaneous iron scrap, (vii) CTPT units, (viii) MS scrap, (ix)Empty oil barrel scrap; and (x) PVC aluminium wire.

[36] (i) Single Phase meters Metal static (ii) Plastic static (iii) Metallic (iv) Polycarbonate (v) Miscellaneous iron scrap, (vi) ACSR conductor (vii) GI wire (viii) PVC aluminium wire and (ix) PVC armourd service wire.

Chapter III

Compliance Audit Observations

Chapter III

Compliance Audit Observations

Important audit findings that emerged from the test check of transactions of the Government of Gujarat Companies are included in this Chapter. It also includes audit findings in respect of test-check of transactions of Statutory Corporations of the Government of Gujarat.

Government Companies

Gujarat Mineral Development Corporation Limited

3.1 Sale of land below the prevailing jantri rates

The Company sold land at a price which was ₹ 5.24 crore below the *jantri* valuation of the land.

Gujarat Mineral Development Corporation Limited (Company) was in possession of land admeasuring 16,188 square meter (sqm) since May 2001. The land was transferred in part settlement of loan recoverable by the Company from Gujarat Communications and Electronics Limited (GCEL).

The Company's attempts (May and July 2001) to sell the land by public auction were not successful. The Company's attempt (August 2008) to sell/ lease the land to Government Companies/ institutions was also not successful. The Company invited tender in June 2012 in which six bids were received. The highest bidder i.e., Cube Construction Engineering Limited (CCEL) quoted ₹ 18.31 crore. The valuation of the land as per the prevailing *jantri* rate was ₹ 23.55 crore[1].

The Company initially did not approve (June 2012) the offer of CCEL. It wanted the bidder to increase the price. CCEL did not agree (July 2012) to this on the plea that the land available to it would be lesser after reconstitution of plots under the TP scheme[2]. The Company took the view (November 2012) that CCEL might get only 11,331 sqm of land due to reduction of 30 *per cent* under the TP scheme. The reduced land was therefore valued at only ₹ 16.26 crore[3] for the purpose of justification of the sale. The Company eventually sold (January 2013) the land at the bid price of ₹ 18.31 crore and handed over its possession to CCEL.

The *jantr*i valuation of ₹ 14,550 *per* sqm was current and therefore subsumed the impact of the TP scheme of 2004. The *jantri* rate was applicable to the

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1 16,188 sqm X ₹ 14,550 *per* sqm = ₹ 23.55 crore.
The *jantri* rate was notified in the year 2011 by the Revenue Department, Government of Gujarat and the *jantri* rate for this land area was ₹ 14,550 *per* sqm.

2 In July 2004, Vadodara Municipal Corporation (VMC) notified that the said land would be covered under a proposed Town Planning (TP) Scheme.

3 11,331 sqm X ₹ 14,350 *per* sqm = ₹ 16.26 crore.

entire land area and not on the 70 *per cent* of land as contended by the Company. The sale deed was also executed for the entire land area of 16,188 sqm. Even the stamp duty of ₹ 1.15 crore[4] was paid by CCEL on the entire land area calculated at the *jantri* rate. The Company also took the wrong *jantri* rate of ₹ 14,350 *per* sqm instead of ₹ 14,550 *per* sqm for justifying its sale consideration. Considering the above, there was no reason for the Company to accept the sale consideration lesser by ₹ 5.24 crore[5].

The Management/ Government reiterated in its response (September 2016) that the land available had reduced by 30 *per cent* on account of the TP scheme. According to the Company, it got higher amount than the *jantri* rate. It was also stated that its efforts to sell the land had been unsuccessful in the past. The Company, therefore, accepted the offer of CCEL.

The reply is not convincing as the entire land of 16,188 sqm was handed over and registered in the name of CCEL and not merely 70 *per cent* as contended by the Company. The *jantri* rate cannot be applied on certain portion of the land to justify the sale consideration.

Gujarat State Handloom and Handicrafts Development Corporation Limited

3.2 Performance of Emporia and Training cum Procurement Centres of Gujarat State Handloom and Handicrafts Development Corporation Limited

Introduction

3.2.1 Handloom and Handicraft activities, a part of the textile sector, provide employment to a vast segment of craft persons in rural and semi urban areas. Both the sectors are largely unorganised with a majority of production activities being conducted in the houses of the artisans/ weavers.

Gujarat State Handloom and Handicrafts Development Corporation Limited (the Company) was formed in the year 2002. The Company is under the administrative control of the Industries and Mines Department of the Government of Gujarat (GoG). The main objectives of the Company as per its Memorandum of Association are:

- to assist, promote, manufacture and propagate all kinds of handicrafts and handloom and products of khadi in the State of Gujarat;
- to organise and establish Emporia and sales depots in the country;
- to maintain, conduct or otherwise subsidise research laboratories and experiments;
- to undertake export of handloom and handicraft products;

[4] Stamp duty paid at 4.90 *per cent* on entire land area of 16,188 sqm at *jantri* rate of ₹ 14,550 *per* sqm as per the notification.

[5] ₹ 23.55 crore *less* ₹ 18.31 crore.

- to organise production through cooperative artisans or its own production centres; and
- to enter into contract and take up indents from the State/ Central Government and local authorities for handloom and handicraft products.

In keeping with the above objectives, the Company was carrying out most of the above activities except those in relation to export and research work. The mission statement of the Company also stated creation of employment opportunities with sustainable income as one of its missions.

The Company is presently operating 25 Emporia[6] with the brand name ***Garvi-Gurjari*** within and outside Gujarat. It also operates 10 Training-cum-Procurement Centres[7] (TCPCs) (including one Central Stores at Gandhinagar) in Gujarat. TCPCs provide training to artisans, procure raw material and get it processed through artisans. TCPCs also procure finished products directly from artisans and supply these to the Emporia. Finished products that are produced or purchased at TCPCs are supplied to the Emporia based on the requisitions received from them. The selling price is fixed by TCPCs after considering the cost of production or the purchase price.

Supplies received by the Emporia from TCPCs are sold at the Emporia and through exhibitions. There is also a system of consignment sale wherein the artisans directly bring their items to the Emporia and to the exhibitions for sale. In consignment sale, the items are sold at the selling price fixed for the said items. On sale of the consignment items, the Company retains the profit margin and pays out the cost price to the artisans. The Company has also launched a web portal viz., e-Store in June 2015 for online sale of its products.

The Company's manpower resources are deployed at three levels viz., Corporate Office, Emporia and TCPCs. As on 31 March 2016, out of total manpower of 109 persons, 63 were deployed at Emporia, 20 at TCPCs and 26 at the Corporate Office. The Company's financial resources are mainly generated from sales revenue and grants received from the Government of Gujarat (GoG). The grants are utilised for purchase of raw material, finished products and other expenses depending on the purpose for which the grants are received. The revenue realised is utilised for the remaining purchase of raw material and finished products, wages to artisans, employee and other payments.

Scope of Audit

3.2.2 The promotion of handloom and handicraft items and employment generation depends on the financial and operational performance of the Company. We, therefore, reviewed the financial performance of the Company and its Emporia. We also reviewed the operational performance of

6 Within Gujarat viz., Ashram Road (Ahmedabad), Ambavadi (Ahmedabad), Vastrapur (Ahmedabad), Ahmedabad Airport, Anand, Bharuch, Bhavnagar, Bhuj-1, Bhuj-2, Gandhinagar, Kudasan, Rajkot, Rajpipla, Surat-1, Surat-2, Surendranagar and Vadodara, Outside Gujarat viz., Bangalore, Chennai, Hyderabad, Kolkata-1, Kolkata-2, Lucknow, Mumbai and New Delhi.

7 Bhuj, Khambhat, Dholka, Kanodar, Surendranagar, (Sanidhya) Ahmedabad, Rajkot, Gundlav, Patan and Central Stores Gandhingar.

23 operational Emporia[8] and employment generation for artisans at TCPCs. The audit was conducted for the period 2013-14 to 2015-16 during March to May 2016.

Audit Findings

3.2.3 The audit findings are discussed under three themes viz.,

- financial performance of the Company and its Emporia;
- operational performance of the Emporia and the e-Store; and
- generation of employment opportunities for artisans by TCPCs.

Financial performance of the Company and its Emporia

Financial performance of the Company

3.2.4 The Company earns revenue primarily from sale of handloom and handicraft items at the Emporia and through exhibitions. The Company also receives grants from the GoG for purchase of raw materials, finished items, conducting exhibitions, training artisans, brand promotion, etc. The major expenditure of the Company comprises purchases to the extent not financed by grants, artisan wages, employee and other expenses. The Company has finalised its accounts only till 2013-14 and accounts for the years of 2014-15 and 2015-16 are in arrears. The quality of accounts has not been satisfactory for the years 2012-13 and 2013-14. In both the years, the Statutory Auditors of the Company have given a disclaimer certificate[9].

The revenue and expenses of the Company for the three years 2012-13 to 2014-15 are given in **Table 3.1**. For the year 2015-16, even the provisional figures were not available, hence, were not furnished to Audit (October 2016).

Table 3.1: Financial position of the Company

(₹ in crore)

Year	2012-13	2013-14	2014-15 (Provisional)
Revenue from Operations	24.77	17.64	17.79
Other Income[10]	8.29	6.80	19.57
Total	33.06	24.44	37.36
Operational expenditure[11]	23.91	16.89	25.32
Other expenditure[12]	11.21	10.08	12.15
Profit (Loss)	**(2.06)**	**(2.53)**	**(0.11)**

Source: Information from Annual Accounts of the Company

The higher sale and purchase figures in 2012-13 is because of a bulk sale to parties other than the Government to the extent of ₹ 6.94 crore.

8 Excluding Ahmedabad Airport shop and Kudasan which were not in operation as on 31 March 2015.

9 Disclaimer certificate indicates that the Statutory Auditors were not in a position to give an opinion on the financial statements of the Company on the basis of available records.

10 Other Income constitutes (i) Grants utilised for expenses, (ii) Interest Income and (iii) Miscellaneous income.

11 Operational expenditure consists of purchase of stock, manufacturing cost and expenses against grants.

12 Other Expenditure constitutes (i) employee benefit expense, (ii) finance cost, (iii) depreciation and amortisation expense, (iv) provisions, (v) other expenses etc.

Financial performance of the Emporia

3.2.5 The Company had not made any analysis of the financial performance of its Emporia. We observed that the Emporia had compilation of sales details and inventory positions only. The supply of goods was made by TCPCs with only sales price marked on the items. We worked out the Emporia wise profitability for two years only i.e., 2013-14 and 2014-15 as figures for 2015-16 were not available. This was done by deriving the purchase cost from the sales value[13] and deducting from it the Emporia related expenses[14]. The working so done is exhibited in ***Annexure 5*** and it revealed the following:

- The 23 Emporia incurred loss of ₹ 14.58 lakh in 2013-14 which turned into profit of ₹ 14.82 lakh in 2014-15. The profit was mainly because of improvement in sales and profitability of two outside Gujarat Emporia and one Gujarat based Emporia. They were Kolkata-1 and Mumbai outside Gujarat and Ashram Road in Ahmedabad. This contributed to the overall reduction in the total losses of the Company for the year 2014-15 (provisional) as shown in **Table 3.1**.

- Out of the 23 Emporia, 14 Emporia incurred losses (61 *per cent*) in 2013-14 and 2014-15. These included 10 Emporia in Gujarat and four outside Gujarat in 2013-14. Similarly in 2014-15, it included nine Emporia in Gujarat and five Emporia outside Gujarat. Twelve Emporia incurred losses in both the years.

As the Company had not analysed the financial performance of individual Emporia, it had not taken specific measures for improving their performance.

The Management in an interim reply (October 2016) stated that the Company had invited offers to appoint a creative agency for advertisement and publicity. They further stated that the Company is under the process of using the latest information technology for monitoring the performance of the Emporia.

The reply is not specific to the observations on losses incurred by the Emporia. The reply also does not indicate any timeline set by the Company to achieve improved performance in terms of measurable/ quantifiable parameters.

It is recommended that the financial performance of the Emporia should be improved by periodical review of sales revenue against the expenses. Based on the analysis corrective action should be taken.

Operational performance of the Emporia and the e-Store

To analyse the reasons for the continued losses in most Emporia, we examined in audit the operational performance of the Emporia and the e-Store. We observed that most of the Emporia did not achieve the sales targets set for them by the Corporate Office. The contribution of sales at Emporia to total

[13] Since cost price of finished items is not available with Emporia, the purchase (cost) of finished items is derived by deducting 26 *per cent* of sales value. This calculation is done based on the accounting policy of the Company in respect of valuation of closing stock of finished items.

[14] Salaries and Administrative expenses.

sales of the Company was low as compared to bulk sales to Government bodies and sales through exhibitions. The sale of own stock of Emporia was less compared to the consignment stock. This had resulted in accumulation of finished products in the Emporia. The Company did not implement bar coding system in 17 out of 25 Emporia and did not have an effective system for monitoring and evaluation. The online sales through e-Store were also very low. Our observations are discussed in detail below.

Non-achievement of targets

3.2.6 To enhance the sales performance, the Company fixed targets for its Emporia annually. The overall sales target for the Company as a whole was fixed at ₹ 23.95 crore for 2013-14 and ₹ 23.90 crore for 2014-15.

Seven Emporia[15] in 2013-14 and eleven Emporia[16] in 2014-15 did not achieve even 50 *per cent* of the targeted sales (***Annexure 5***). Chennai registered as low as 16 *per cent* of the targeted sales in 2013-14. Similarly, Surat-II registered as low as 18 *per cent* of the targeted sales in 2014-15. In terms of total sales, the Emporia could achieve sales target of ₹ 17.18 crore and ₹ 16.06 crore. This was 72 and 67 *per cent* of the target fixed for the above two years respectively. This was despite two Emporia[17] in 2013-14 and one Emporium[18] in 2014-15 achieving more than 100 *per cent* of the targets fixed.

We found that the targets were not fixed in a scientific manner depending on the potential of the Emporia. The Company had no mechanism to analyse the reasons for shortfall in target achievement. It also did not take corrective action wherever targets were not achieved.

It is recommended that operational performance of the Emporia should be improved by using systematic techniques for fixing targets. The Company should also enhance the sales at Emporia, analyse reasons for shortfalls and take corrective actions.

Low sales at Emporia

3.2.7 The Company sells handloom and handicraft items in the normal course through its Emporia to the customers who visit the Emporia. Apart from this, the Company also receives bulk purchase orders from various Government Departments/ bodies. We observed that bulk sales to Government Department/ Bodies contributed 20, 25 and 20 *per cent* of the total sales during 2013-14 to 2015-16. These bulk sales were not due to efforts by the Company but were on account of the Government's own decision to purchase. This indicated that if bulk orders from the Government were not received, there would be significant impact on the Company's sales revenue.

We also observed that the revenue from sales at exhibitions contributed 36, 35 and 42 *per cent* of the total sales during 2013-14 to 2015-16. Therefore,

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15 Bharuch, Bhuj-2, Chennai, Lucknow, Surat-1, Surat-2 and Vadodara.

16 Bangalore, Bharuch, Bhuj-1, Gandhinagar, Hyderabad, Lucknow, Rajpipla, Rajkot, Surat-1, Surat-2 and Vadodara.

17 Gandhinagar and Kolkata-2.

18 Mumbai.

excluding the bulk sales and sales at exhibitions, the revenue from sales at the Emporia was only 44, 40 and 38 *per cent* of the total sales. This indicated that the Emporia played a limited role in promoting the products of artisans, thereby not serving its purpose to the expected extent.

Low sales of own stock compared to consignment stock

3.2.8 A test-check of the sales of own stock *vis-à-vis* consignment stock[19] for the period 2013-14 to 2015-16 was conducted in five Emporia[20]. It revealed that the total sales of own items ranged between ₹ 1.52 crore and ₹ 2.85 crore. On the other hand the sale of consignment items ranged between ₹ 3.50 crore and ₹ 4.95 crore. The total sales of own stock increased in absolute terms but the percentage of consignment sales to total sales remained much higher in the above period. During the period 2013-14 to 2015-16, the consignment sales at Emporia were 76, 57 and 62 *per cent* respectively of the total sales. The Company needs to analyse the reasons for low sales of own stock and take effective measures to increase the same.

Non disposal of accumulated stock

3.2.9 Inventory comprises raw materials and finished products lying at TCPCs and Emporia. There was an increase in inventory of finished items from ₹ 7.26 crore at the end of 2013-14 to ₹ 9.22 crore at the end of 2014-15. Out of this, the Company considered stock[21] of ₹ 1.10 crore and ₹ 1.13 crore as unrealisable. This was 15 *per cent* and 12 *per cent* of the available stock for the above respective years. The Company has a policy of offering slab wise discounts on the basis of age of inventory. We observed that the policy has not been effective as accumulation of stock has increased over the years. The realisable inventory of finished items at the end of the year compared to sales was 35 and 45 *per cent*[22] in 2013-14 and 2014-15. Thus, there was substantial accumulation of inventory of finished goods which was due to low sales as discussed in the previous paragraphs. Further, there were instances of purchase of items in excess of requirement, which led to accumulation of stock, as discussed below.

Purchase in excess of requirement

3.2.9.1 The compiled data of procurement was not maintained by the Emporia in respect of regular products produced/ procured by TCPCs. In absence of this, it was not possible to compare the purchases and sales to identify excess purchases, if any. In respect of two items viz., t-shirts and labels procured as per instructions of the Corporate Office, we could compare the purchases with the requirement. We observed that the purchases were in

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19 Consignment stock represents products brought by the artisans directly to the Emporia and to the exhibitions for sale. In consignment sale, the items are sold at the selling price fixed for the said items by the Company. On sale of the consignment stock, the Company retains the profit margin and pays out the cost price to the artisans.

20 Ashram Road (Ahmedabad), Ambavadi (Ahmedabad), Vastrapur (Ahmedabad), Kolkata-1 and Kolkata-2.

21 Finished goods.

22 (Total inventory of finished items *minus* unrealisable inventory of finished items) X 100 / Total sales (as per accounts)

excess of ordered quantity/ estimates resulting in accumulation of stock and blockage of funds as discussed below:

The Company purchased 64,664 t-shirts in November 2010 against the requirement of 30,000 t-shirts for Khel Mahakumbh[23]. This was done without receiving a confirmed order for the additional quantity. The Company has unsold stock of 10,262 t-shirts valuing ₹ 10.06 lakh at its Ashram Road Emporium in Ahmedabad. The rationale for purchases in excess of requirement and retaining 10,262 t-shirts in stock (April 2016) was not available on record.

The Company placed purchase orders for 5,16,666 labels in November 2010 at the rate of ₹ 3.75 *per* label. These labels were meant to portray the logo of the Company viz., *Garvi-Gurjari* on the t-shirts, caps and track suits. Against the total purchases, only 1,55,508 labels being 30 *per cent* of the total purchases were utilised (April 2016). Procuring labels without assessing the requirement resulted in idle stock of 3,61,158 labels valuing ₹ 13.54 lakh at TCPC Ahmedabad since March 2011.

The Company may explore the possibility of disposing the t-shirts through Emporia sales by extending discounts as per the extant policy. The Company needs to develop a system of monitoring of stock at all the Emporia at regular intervals and take decisions for its disposal.

Non-implementation of bar-coding system and software

3.2.10 Bar coding system provides for generation of several management information system (MIS) reports. For effective report generation it is necessary that bar coding is implemented in all the Emporia. This will enable consolidated and linked information to be obtained for proper decision making at the Corporate Office level.

The Company decided (December 2004) to implement the bar coding system in its Emporia and TCPCs. Since introduction of this system more than ten years ago the Company was successful in implementing it in only eight Emporia[24]. The remaining 17 Emporia and 10 TCPCs continued with the manual billing system as on April 2016. The Corporate Office was not getting any reports because the bar coding system had only been partially implemented.

Implementing the bar coding system could have been an effective tool for internal control at the Corporate Office level. The MIS reports generated from the software would have facilitated effective decision making. This would have improved the operational performance of the Emporia. If the system had been implemented in all the Emporia and TCPCs and cost data captured in it the financials of the Emporia and TCPCs could have been worked out.

[23] Khel Mahakumbh was held from 20 November to 15 December 2010 and was sponsored by the GoG.

[24] Ashram Road (Ahmedabad), Ambavadi (Ahmedabad), Vastrapur (Ahmedabad), Gandhinagar, Rajkot, New Delhi, Kolkata-1 and Kolkata-2

The Management in its interim reply stated (October 2016) that the Company is in the process of using the latest information technology. This shall be used in marketing, inventory control, accounting, finalisation of balance sheet and for monitoring the performance of Emporia and TCPCs.

The reply is not specific to the observation as to why the Company did not implement bar coding system in all the Emporia. The reply also did not indicate any timeline for implementing the new technology or plans for making the software inclusive of cost data.

Shortcomings in the implementation of the e-Store project for online sales

3.2.11 The Company decided (21 October 2013) to add online shopping cart with payment gateway as part of ***e-Store/ web-portal***. This was to be a part of the existing website of the Company. The web-portal was launched (June 2015) at a cost of ₹ 18.80 lakh by M/s Cybersurf (India) Private Limited (Cybersurf). The management of the web portal was also assigned to Cybersurf in June 2015 for a period of one year. Payment of ₹ 20.70 lakh upto March 2016 was also made to Cybersurf. For the setting up of the e-Store project, the Company hired 3,408 sq. ft area in Gandhinagar. This was to be used for the physical stores, designer room, photo shoot room, office back up functions etc. An expenditure of ₹ 50.56 lakh was incurred for interior designing works of the hired premises. We noticed the following deficiencies in the implementation of the e-Store project:

Low sales through e-Store

3.2.11.1 A review of the sales from the date of launching, (June 2015) to April 2016 revealed sales of only ₹ 1.66 lakh involving 218 items[25]. The total visitors to the site from within India were 21,112 and from outside India were 6,728. The Company incurred an operational cost of ₹ 39.80 lakh[26] upto April 2016 for running the e-Store. The total revenue generated from the e-Store was not enough to cover even the operational costs incurred for it.

We observed that the Company did not consider the online sales of its products through online marketing companies like eBay, Flipkart, Amazon etc. Performance of web-portals operated by other State-owned organisations[27] was also not considered before deciding to launch the e-Store. The Company did not carry out any periodical analysis of the sales trend during the period of operation of the e-Store. There was also no plan/ strategy to improve the business in the future considering the above operational cost being incurred for the e-Store.

It is recommended that the Company may develop means of increasing the online sales through appropriate plan and business strategy.

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[25] Handloom items 74 and Handicrafts items 144.

[26] ₹ 20.70 lakh for manpower cost and ₹ 19.10 lakh for rent for the place hired for e-Store.

[27] www.cauveryhandicrafts.net (Karnataka State Handicrafts Development Corporation Limited), www.mphandicrafts.com/modules/booking/home.aspx (Madhya Pradesh Hasthshilp Evam Hathkargha Vikas Nigam Limited), www.indrayanihandlooms.com (Maharashtra State Handlooms Corporation), www.poompuhar.org (Tamil Nadu Handicrafts Development Corporation.

Deficiencies in the delivery system

3.2.11.2 We placed (October 2016) a sample order on e-Store in order to test the entire process of purchase, payment and delivery. We observed (November 2016) that the estimated period of delivery was not specified on placing the order. The delivery, even in the local area of operations of the e-Store i.e., Ahmedabad-Gandhinagar, was made in 14 days. Delayed delivery of the product indicated lack of proper coordination between the e-Store and the delivery agency.

Non-imparting of training to the staff

3.2.11.3 M/s Cybersurf, as per conditions of the management contract, was required to train the outsourcing staff or agency appointed by the Company. This condition was with the intention that the Company would be able to manage the web-portal on its own in future. M/s Cybersurf's contract period for management of the web-portal was to expire on 30 June 2016. We observed that the Company neither initiated training of its own staff nor did it recruit any outsourced staff or agency for the same till date (May 2016). Thus, in the absence of trained staff, Company would continue to incur operational cost of ₹ 2.10 lakh *per* month to manage the e-Store. The revenue generation from e-Store was very low against this expenditure.

The Management in its interim reply stated (October 2016) that the Company invited offers in September 2016 to appoint a professional agency for effective operational management of the e-Store.

The reply is not convincing as the Company did not give any reason for low sales and for not imparting training to the staff.

Lack of monitoring at the Corporate Office level

3.2.12 We observed in Audit that there were no periodical inspections of the Emporia and TCPCs by the officials of the Corporate Office. There was also no mechanism to monitor the timely completion and submission of finished products by artisans for job works assigned. There was no system of obtaining periodical reports of the performance of the Emporia and TCPCs by the Corporate office as discussed in the above paragraphs. Only the sales details were annually obtained.

The Management stated (October 2016) that the Company is in the process of using the latest information technology for monitoring the performance of Emporia and TCPCs.

The reply does not indicate any timeline set by the Company to achieve improved performance in measurable/ quantifiable parameters.

Generation of employment opportunities

Low generation of employment

3.2.13 The Company procures yarn, gray yardage/ dress, cloth (raw material for handloom items) from various sources. The Company receives grants from the GoG for purchasing the raw material every year based on the estimates submitted by it. It assigns work to artisans and pays them the weaving and processing charges as per the decided piece rates[28]. It also fixes the time limit for each type of work based on the quantum and type of job work given. It thereby generates employment and income for artisans. A review of production work entrusted to the artisans test-checked in three TCPCs[29] revealed the following deficiencies:

- In Rajkot, the Company did not entrust any job work to the artisans during the years 2013-14 and 2014-15. In 2015-16, the job work to artisans was given only in the month of December 2015. The number of artisans employed and days of employment generated was not available on record.

- In Sanidhya, Ahmedabad, the Company employed 11, two and six individual artisans during the three years 2013-14 to 2015-16 respectively. The average number of employment days generated for the individual artisans was 127, 30 and 37 days during the above three years. The employment generation in terms of number of days was low and had reduced from 2013-14 to 2015-16.

- In Bhuj, the Company employed 25, eight and 10 artisans during the three years 2013-14 to 2015-16. In this period it generated an average of 42, 145 and 62 days of employment respectively. It can be seen from the data that number of artisans employed has declined from 2013-14 to 2015-16.

The Company has also engaged certain Mandalis[30] in Ahmedabad TCPC for job works. The period of employment for each artisan engaged by such Mandalis was not available. These job works being assigned on a piece rate basis, we were not able to determine whether the requirements of minimum wages were complied with.

Accumulation of raw material due to low employment generation

3.2.14 During the years 2013-14 and 2014-15, the Company purchased raw material valuing ₹ 0.08 crore and ₹ 1.39 crore respectively for the TCPCs. It utilised raw material worth ₹ 0.02 crore and ₹ 1.35 crore during the years 2013-14 and 2014-15 respectively. The Company thus had consumed only 0.98 *per cent* and 39.59 *per cent* of the available stock[31] of raw material during the two years. This resulted in accumulation of stock of raw material to the extent of ₹ 2.02 crore and ₹ 2.06 respectively for these two years. The

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28 The rate per meter or number of item manufactured.
29 Sanidhya (Ahmedabad), Bhuj and Rajkot.
30 Mandalis refer to Cooperative Societies.
31 Opening stock *plus* purchases during the year, i.e. for the year 2013-14: ₹ 2.04 crore and for the year 2014-15: ₹ 3.41 crore.

Company had considered raw material stock valuing ₹ 1.40 crore as unrealisable as at the end of March 2015. Accumulation of raw material is indicative of not providing adequate employment to artisans despite having huge quantity of raw material.

Conclusion

3.2.15 The Company is operating 25 Emporia and 10 TCPCs with the objective of promoting and propagating handlooms and handicraft items. It also aims to create employment for the rural artisans. The Company had also launched an e-Store for online sale of products in June 2015.

We noticed that the operational performance of the Emporia was poor and their sales were low. Many Emporia (seven in 2013-14 and 11 in 2014-15) could not achieve even 50 *per cent* of the sales targets. The revenue generated from online sales through the e-Store was not enough to cover even the operational costs incurred on it. The Company did not carry out any periodical analysis of the e-Store sales trend nor did it evolve any plan for improving this business in future. The Company incurred losses during 2012-13 and 2013-14 and its financial statements were in arrears for last two years. Fourteen out of the twenty three (61 *per cent*) Emporia incurred financial losses. The Company was also not consistent in creating employment opportunities for the artisans.

The matter was reported to Government/ Management (August 2016); their replies had not been received (December 2016). An interim reply (October 2016) received from the Management has been suitably incorporated.

Gujarat State Petroleum Corporation Limited

3.3 Expenditure for KG-21 well remained idle

Expenditure of ₹ 478.98 crore on KG-21 well drilled outside the template remained idle. The Company incurred additional expenditure of ₹ 34.37 crore to remove the unaligned KG-21 conductor.

The process of exploration and production of oil and gas in offshore fields starts with the award of an offshore block or area to a contractor. The exploration work involves drilling of wells with a view to find oil and gas. The drilling of wells is usually done using a drilling template[32]. In case of discovery of oil and gas, the development strategy is prepared. This involves development of the existing wells and drilling of new wells in the determined area in order to harness the discovered oil and gas commercially. This is

[32] A drilling template consists of an open steel box with multiple holes, depending on the number of wells to be drilled.

generally done using a Well Head Platform[33] (WHP) which is aligned to the drilling template.

Gujarat State Petroleum Corporation Limited (Company)[34] was awarded (February 2003) the KG-OSN-2001/3 block (KG block) for oil exploration. During the exploration stage, five wells were drilled (January 2005 to October 2009) at a particular location. This location was named as KG-08 location based on the first well (KG-08) drilled in this area.

After drilling of two wells (KG-08 and KG-17), a six-slot drilling template was installed (June 2006) on the conductors[35] of the two drilled wells. This was done for undertaking further exploration activities. After the installation of the template, three more wells (KG-15, KG-28 and KG-21) were drilled. The fifth of the five wells (KG-21) was however drilled (September 2008 to October 2009) outside the template. The Company was not aware of this fact at that stage.

All of these five wells found gas. Four of these wells (KG-08, KG-17, KG-15 and KG-28) found gas in Deen Dayal West[36] (DDW) area and one well (KG-21) found gas in Deen Dayal North West area. Based on these finds, a development strategy was framed (June 2009) for the entire DDW area. It included drilling of eleven new wells[37] over and above the four explored wells in DDW area. Since, the KG-21 well was also drilled from the same location, the development strategy envisaged a flexibility of tying the KG-21 well with the DDW development plan. The development strategy involved installation of a sixteen slot WHP at this location which was to be aligned with the already installed drilling template. This WHP was to be used for 15 wells for DDW area and development of KG-21 well.

Prior to the installation of WHP in the development stage, a pre-engineering survey of the KG-08 location was done in May 2010 by the WHP contractor. It was at this stage that the Company became aware of the fact that KG-21 well was drilled outside the template. The conductor of the KG-21 well was protruding above the sea bed. It was, therefore, imperative to cut and remove this conductor for safe installation of the jacket (legs) of the WHP at the pre-defined location. It needs to be mentioned that the location of the WHP could not be changed as the WHP had to remain aligned with the template wells already drilled. The Company conducted activities for cutting and removing the protruding conductor of the KG-21 well and other related activities for safe installation of the WHP. The Company incurred additional expenditure of ₹ 34.37 crore for these activities. The WHP was installed at the pre-defined location in May 2011.

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33 A well head platform is a fixed off-shore platform over the drilling template from where well completion, extraction and production take place.

34 Alongwith its consortium partners Geo Global Resources Inc. and Jubilant Energy Limited.

35 Casing a well involves running a steel pipe down the inside of a recently drilled well. The space between the casing and the sides is filled with cement to set the casing. The widest type of casing is called conductor pipe and is usually having diameter of about 30 to 42 inches for offshore wells.

36 DDW encompasses a larger area than KG-08 location.

37 This included one well from the remaining sixth slot of the template.

As the jacket of the WHP had come over the KG-21 well, the possibility of re-entering and utilising the already drilled KG-21 well had become very difficult. This had resulted in expenditure worth ₹ 478.98 crore[38] incurred on the KG-21 discovery well remaining idle (December 2016). Drilling outside the template had also resulted in additional expenditure of ₹ 34.37 crore for the safe installation of the WHP.

The Management stated (November 2015/ August 2016) that zero visibility and diver error contributed to the KG-21 well being drilled outside the template. It was also mentioned that the drilling of the KG-21 well could not be held up as it was not practically and economically viable to hold the jack up rig on standby. The Company admitted that the position of the well had made re-entry extremely difficult. The Company also contended that the exploration cost was not wasted as the exploration objectives were met and converting an exploration well into a development well was not always practicable in offshore oil fields.

The reply is not convincing as the exploration objectives were fully met only when the gas discovered in a well at the exploration stage was developed for commercial extraction. The development strategy had provided for flexibility for tying the KG-21 well to the DDW development plan. The sixteen slot WHP was also planned considering the 15 wells for DDW and the KG-21 well for DD North West. The Company found gas reserves in the KG-21 well in exploration stage but may not be able to develop the same for commercial purpose. This was due to the KG-21 well being drilled outside the template and re-entry being difficult. As the KG-21 well could not be developed at present due to operational errors as conceded by the Management, the exploration cost of ₹ 478.98 crore incurred on the same remained idle.

The matter was reported to Government/ Management (July 2016); the Government reply is awaited (December 2016).

Sabarmati Gas Limited

3.4 Accumulation of doubtful dues for want of prompt remedial action

Inadequate monitoring of outstanding dues of a consumer and delayed remedial action led to accumulation of doubtful dues of ₹ 4.72 crore.

Sabarmati Gas Limited (Company) was incorporated (6 June 2006) as a joint venture Company. It was promoted by Gujarat State Petroleum Corporation Limited (GSPC) and Bharat Petroleum Corporation Limited (BPCL). Its main objects were to procure, transmit and sell natural gas and related fuels. As on 31 March 2016, 99.88 *per cent* of the share capital[39] of the Company was held by three companies viz., BPCL, GSPC and Gujarat State Petronet Limited.

[38] Cost of KG-21 well was US $ 98.82 million (₹ 478.98 crore worked out at the average rate of ₹ 48.47/US $).

[39] BPCL: 49.94 *per cent,* GSPC: 22.47 *per cent* and GSPL: 27.47 *per cent*.

The Company entered (30 May 2008) into a gas sale agreement (GSA) with M/s Shah Alloys Limited (SAL). The GSA envisaged supply of daily contract quantity (DCQ) of 10,000 SCMD[40] of natural gas for a period of ten years. The GSA *inter-alia* also provided for the following clauses for protecting the interest of the Company:

- SAL shall provide an interest free deposit or bank guarantee (BG) equivalent to 45 days' bill based on DCQ plus applicable taxes[41].
- If SAL on a quarterly basis lifts quantities of gas in excess of 105 *per cent* of total contracted quantity, the Company shall have the right to refuse to supply further gas at the existing/ unrevised DCQ and charge penalty. Even on a daily basis variation beyond +/- 5 *per cent* will not be permitted.
- SAL shall pay for the fortnightly invoice raised by the Company within seven days. Interest at prescribed rates will be levied for delays beyond seven days. In case payment was not made within 30 days, the Company shall have the right to disconnect the supply and invoke the security.

At the request of SAL, DCQ was increased to 15,000 SCMD (August 2009) and further to 25,000 SCMD (January 2010). The BG of ₹ 0.96 crore initially furnished by SAL was subsequently increased to ₹ 1.91 crore in April 2010. SAL was declared a sick unit under the SICA Act[42], 1985 in August 2010. The Company stopped supply of gas to SAL in August 2012. After encashment of BG (August 2012) of ₹ 1.91 crore, an amount of ₹ 4.72 crore remained outstanding from SAL (August 2012). The recovery of the same being doubtful, the Company made a provision of ₹ 4.72 crore in its accounts for the year 2012-13. The Company's claim (August 2013) was included as a debt (September 2015) in the draft rehabilitation scheme (DRS) of SAL by Board for Industrial and Financial Restructuring (BIFR). Further progress was awaited (April 2016).

We scrutinised (March 2016) the Company's ledger account of SAL for the period from June 2008 to August 2012. In 39 out of 51 months the outstanding dues at the end of the month was more than previous fortnight's bill issued. From November 2010 to July 2012, it was as high as two to four fortnights' bill. Increase in the DCQ and the gas sales price entailed that the Company should have obtained BG upto ₹ 3.90 crore from SAL during June 2010 to July 2012. In August 2010 (when SAL was registered as a sick unit) the outstanding dues of SAL were less than the BG available with the Company. We observed that the outstanding dues of SAL progressively increased and were more than the BG available from March 2011 onwards.

We noticed (March 2016) that the Company was aware of SAL being registered as a sick unit as early as September 2010. The Company, however, took no action till March/ April 2012. An internal proposal was initiated (March/ April 2012) to stop gas supply to SAL in view of its increased outstanding dues worth ₹ 2.34 crore. This proposal was not acted upon till August 2012 which showed lack of monitoring on the part of the

40 Standard cubic metres *per* day.
41 Value Added Tax @ 15 *per cent*
42 Sick Industrial Companies (Special Provision) Act.

Management. The Company did not safeguard its interest by either obtaining additional BG security or stopping the gas supply. When the dues increased to ₹ 7.70 crore, the Company stopped (August 2012) the supply of gas. It enforced some payments and encashed the BG to reduce the outstanding dues to ₹ 4.72 crore.

We also noticed overdrawal of gas more than 105 *per cent* of the DCQ in 33 out of 51 months (June 2008 to August 2012). Penalty of ₹ 0.92 crore was not levied for the overdrawal as required in the terms of the GSA. The penalty was levied only from July 2010 onwards. Thus, the Company did not take timely action by effectively using the provisions of the GSA. This led to accumulation of doubtful dues of ₹ 4.72 crore.

The Management/ Government stated (July/ August 2016) that it had received BG as per the GSA when it had increased the DCQ of SAL. The Company also stated that it did not exercise its option to charge penalty for overdrawal of gas till June 2010 from any of its customers. This was a policy decision considering the competition in the industry. The decision to continue gas supply to SAL even after it was declared sick and the decision to stop gas supply in August 2012 were business decisions. They were taken in the interest of the Company. It was also contended that the Company had made and realised sales of about ₹ 53 crore from SAL during August 2010 to July 2012. The outstanding dues of ₹ 4.72 crore have been accepted by SAL and included in the DRS by BIFR and may be recovered in future.

The reply is not convincing as the Company was aware of the sick status of SAL as early as in September 2010. The Company should have safeguarded its interest by monitoring the dues of SAL against the available BG. The Company did not take steps to increase the BG or stop the gas supply though the dues of SAL became more than the BG from March 2011 onwards. It was only in March 2012 that a proposal to stop the supply of gas to SAL was mooted. The stoppage of supply and forfeiture of BG was done only in August 2012. The Company's contention that the decision to continue and later stop gas supply to SAL was a business decision is not supported by any recorded evidence to that effect. Further, a report on the outstanding dues of SAL was put up to the Board for the first time in September 2013.

Statutory Corporations

Gujarat State Financial Corporation

3.5 Recovery Performance of Gujarat State Financial Corporation

Introduction

3.5.1 Gujarat State Financial Corporation (the Corporation) was established (1 May 1960) under the State Financial Corporations Act (SFCA), 1951. The main objective of the Corporation was to extend financial assistance to small and medium level industrial units in the State of Gujarat. The Corporation sanctioned finances in the form of term loans, lease finance, hire purchase, bill discounting, line of credit and working capital loans. The loans were sanctioned based on applications received from entrepreneurs after conducting required technical and financial appraisal.

The Corporation had stopped its lending activity from 2001-02. The Corporation sanctioned loans till 2001-02 and disbursed ₹ 3,404.31 crore till 2003-04., The Corporation recovered (till 31 March 2016) ₹ 4,073.47 crore along with interest against these disbursements. The major activity of the Corporation at present is recovery of its outstanding dues. The recovery activity involves enforcing personal guarantees, sale of assets taken over under Section 29 of the SFCA[43] or under Section 13 of the SARFAESI[44] Act, 2002. One Time Settlement (OTS) schemes are also formulated by the Corporation from time to time for recovery activity. During the period 2011-16 the Corporation recovered ₹ 119.60 crore through its recovery efforts. Out of this recovery, 71.58 *per cent* (₹ 85.61 crore) was through OTS schemes and 22.51 *per cent* (₹ 26.92 crore) was through sale of assets. The remaining 5.91 *per cent* (₹ 7.07 crore) was through general recovery procedures.

The Corporation had an outstanding balance of ₹ 15,349.51 crore as on 31 March 2016. It consisted of principal of ₹ 432.39 crore and interest and other recoveries of ₹ 14,917.12 crore. These were from 5,520 loan accounts as on 31 March 2016. Provision for doubtful debts has been made in the books of accounts in respect of all the loan accounts being loss assets[45]. This has been done in accordance with the prudential norms prescribed by the Small Industries Development Bank of India (SIDBI). Consequently, interest is not charged in the books of accounts on accrual basis but only accounted for as and when received. The Corporation has a Head Office (HO) at Gandhinagar and three Regional Offices (ROs) at Ahmedabad, Rajkot and Surat.

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[43] Where any industrial concern under a liability to a financial corporation defaults in repayment of any loan or in complying with the terms of the agreement, the Financial Corporation shall have the right to take over the management or possession of the concern as well as right to sell the property pledged, mortgaged or hypothecated to it (Section 29 of SFCA).

[44] Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI Act). Where any borrower who is under liability to a secured creditor defaults in repayment and gets classified as a non-performing asset, the secured creditor can take possession of the asset given as security, take over the management of the borrower unit or appoint any person to manage the secured asset or sell the asset (Section 13 (2) and (4) of SARFAESI Act).

[45] Assets classified as doubtful for more than three years.

The defaults and recovery performance of the Corporation was included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2002 (Commercial), Government of Gujarat. The Report was discussed by the Committee on Public Undertakings in January and September 2005 and no recommendations were made.

Scope of Audit

3.5.2 The present audit conducted during February to May 2016 focused on:

- the formulation and implementation of OTS schemes through which major recoveries were made by the Corporation during the period 2011-16; and
- adequacy of recovery efforts by the Corporation in the loan accounts which could not be settled during the above period.

In all 575 loan accounts with an outstanding balance of ₹ 1,425.34 crore[46] were settled during the period 2011-16 by issuing 'No Due Certificates' (NDCs). For the purpose of examination of the OTS schemes, we reviewed 171 loan accounts from them, having an outstanding balance of ₹ 1,174.61 crore.

As on 31 March 2016, 5,520 loans accounts having a balance of ₹ 15,349.51 crore (inclusive of interest) were outstanding. To assess the adequacy of the recovery efforts made in these loan accounts, we test-checked 118 accounts having an outstanding balance of ₹ 1,440.52 crore.

Audit Findings

3.5.3 The recoveries made during the last five years and the amount outstanding at the end of each year is given in **Table 3.2**:

Table 3.2: Amount recovered against total outstanding

(₹ in crore)

Year	Total amount recoverable at year end including interest at agreement rates	Principal amount recoverable at year end	Amount recovered during the year including interest at agreed rates				Percentage of recovery to total amount recoverable at year end
			OTS	Sale	General	Total	
2011-12	7,322.90	502.31	26.39	4.28	1.01	31.68	0.43
2012-13	10,632.72	470.58	26.16	7.43	0.96	34.55	0.32
2013-14	11,939.87	454.69	16.08	4.76	2.04	22.88	0.19
2014-15	13,191.04	444.20	9.12	3.87	0.64	13.63	0.10
2015-16	15,349.51	432.39	7.86	6.58	2.42	16.86	0.11

Source: As per data received from GSFC Head Office, Gandhinagar.

It can be seen from the above table that recovery percentage in terms of total outstanding has been very low. The percentage recovery shows a reducing trend over the years till 2014-15 with a negligible improvement in 2015-16. The amount outstanding has continuously increased over the years by 109.60 *per cent* due to accumulation of interest and low recoveries. The low recoveries resulted in principal outstanding reducing only at an average rate of 3.67 *per cent* during the period. The major portion of the recovery has been affected through OTS schemes.

[46] This represents the outstanding with interest and will not tally with recoveries made under OTS as substantial portion of the interest is sacrificed.

The audit findings are discussed under two headings viz., i) formulation and implementation of OTS schemes and ii) adequacy of recovery efforts in respect of outstanding accounts.

Formulation and Implementation of OTS schemes

Formulation of OTS schemes

3.5.4 OTS schemes were introduced by the Corporation for the first time during the period 1997-2001. During the audit period, the major OTS schemes in operation were:

- OTS schemes for term loans;
- OTS schemes for finance service division[47] (FSD); and
- OTS schemes for BIFR[48]/ GBIFR[49] units[50].

The OTS schemes for BIFR/ GBIFR units and FSD loans for non BIFR units were first introduced in February 2009. The various OTS schemes were approved by the Board of Directors and approval for individual OTS cases was given at the Managing Director level. The broad parameters for the calculation of amount for OTS are tabulated in **Table 3.3:**

Table 3.3: OTS parameters as per the latest schemes

Particulars	OTS parameters
Term loans above ₹ 15 lakh	Higher of the original loan amount recalculated with eight *per cent* per annum on quarterly compounding interest or 65 *per cent* of principal outstanding.
FSD loans	Original loan amount recalculated at eight *per cent* per annum on quarterly compounding interest but in no case less than 65 *per cent* of the principal outstanding.
BIFR/ GBIFR units	Higher of principal outstanding or original loan amount recalculated with six *per cent* compound interest since beginning. From September 2011 only principal outstanding was to be recovered.

Source: OTS policies as approved by Board of Directors of the Corporation.

The major audit observations on the formulation of OTS schemes are discussed below:

Absence of adequate checks and balances for BIFR/ GBIFR units

3.5.4.1 The Corporation introduced (February 2009) OTS scheme for the units declared sick by BIFR or registered as sick unit under GBIFR. The amount for OTS under this scheme would be higher of the original loan amount recalculated at six *per cent* compound interest from the date of disbursement till last date of recovery (LDR) and simple interest thereafter **or** 100 *per cent* of the present principal outstanding. The Corporation (21 October 2009) modified the second parameter to 65 *per cent* of principal outstanding as the response to the scheme was not encouraging.

Government of Gujarat (GoG) introduced (15 July 2010) a settlement scheme for sick units registered with BIFR/ GBIFR. The sick units could avail benefits

[47] Finance Service Division deals with loans other than term loans like bill discounting, hire purchase, lease financing, working capital loan etc.

[48] Board of Industrial and Financial Reconstruction.

[49] Gujarat Board of Industrial and Financial Reconstruction.

[50] Units declared sick by the Board for Industrial and Financial Restructuring or registered with Gujarat Board for Industrial and Financial Restructuring. The GBIFR was constituted in Gujarat to rehabilitate small scale units and non BIFR units.

under the scheme for their revival and settle dues of financial institutions at principal outstanding. The scheme specified that these reliefs would be extended to them on merit basis and would not be available automatically. The scheme was valid for six months and prescribed that:

- In respect of units registered with GBIFR the prescribed criteria[51] of sickness had to be satisfied by the units. Only large units declared sick by BIFR were not required to satisfy eligibility conditions.
- Sick units registered with GBIFR were to be decided on merit basis by a committee chaired by the Industries Commissioner (IC).
- BIFR units having outstanding amount upto ₹ 10 crore were to be decided by a committee chaired by the Chief Secretary. Units having outstanding above ₹ 10 crore were to be decided by a High Power Committee chaired by the Chief Minister.

The Corporation approved (12 September 2011) modification in its existing scheme for BIFR/ GBIFR units. This was to make it in line with the above scheme of the GoG based on demand from loanees. The revised scheme was introduced (26 September 2011) by the Corporation for registered BIFR/ GBIFR units. The revised scheme permitted that BIFR/ GBIFR units could settle their accounts at the present principal outstanding. It allowed the outstanding interest and penal interest to be waived. The scheme is still operative as on September 2016.

We observed that the OTS scheme of the Corporation though introduced based on the GoG scheme did not have the checks and balances of the GoG scheme. This is explained below:

- The Corporation gave the benefit of the scheme to all GBIFR registered units. The satisfaction of eligibility conditions for sickness like erosion of net-worth and minimum period of commercial production was not ensured. The GoG scheme on the other hand gave the benefit to only those registered units which satisfied the eligibility conditions prescribed.

- The Corporation gave the benefit of the scheme to all BIFR/ GBIFR units based on the Managing Director's approval. In the GoG scheme the decision was required to be taken by specified committees on a case to case basis based on the outstanding amount.

Some illustrative cases observed in Audit are discussed below:

- Four units[52] had been declared sick by BIFR and had outstanding above ₹ 10 crore each (November 2011 to November 2014). As per GoG scheme, the grant of OTS at principal outstanding in these cases was to be decided by a Committee headed by the Chief Minister. The Corporation

[51] Sick unit means any unit where borrower accounts remains substandard for more than six months or there has been erosion in the net worth due to accumulated cash losses to the extent of 50 *per cent* during the previous year and the unit was in commercial production for at least two years. Substandard means the principal or interest in respect of its borrower account has remained outstanding for a period exceeding one year.

[52] M/s Jay Bharat Fabrics Mills Limited (₹ 29.66 crore),M/s Yeast Alco Enzymes Limited (₹ 47.19 crore), M/s Modern Terry Towel Limited (₹ 75.14 crore) and M/s Modern Denim Limited (₹ 39.37 crore).

granted all these units OTS at principal outstanding based on the Managing Director's approval.

· In the case of M/s Bhagyodaya Oils Private Limited the settlement at principal outstanding was granted based on GBIFR registration. It was not ensured that the unit satisfied sickness conditions. The registration of the unit was subsequently cancelled (08 May 2012) by GBIFR as it did not satisfy conditions of being a sick unit. The unit thus availed the benefit of the OTS scheme of the Corporation without being a sick unit.

The Management/ Government stated (October/ December 2016) that eligibility criteria for the OTS scheme was not kept in respect of GBIFR units. This was because it would not be correct to have two offices examining sickness of an entity. The GoG scheme also covered outstanding of other GoG Offices/ Boards/ Corporations. Hence the decision was taken by different committees depending on the amount outstanding. The objective of the GoG scheme included rehabilitation and employment generation which was different from the objective of the Corporation. The objective of the Corporation was to effect recovery from stressed accounts and hence, the Corporation's scheme had been made more liberal.

The reply is not convincing as registration with GBIFR did not necessarily mean declaration of sickness by GBIFR. The satisfaction of eligibility conditions should have been ensured to avoid a situation as in the case of M/s Bhagyodaya Oils Private Limited. In the said case, the Corporation itself later took up the matter with the Industries Commissioner (IC) office. They reiterated that they granted OTS to the unit based on IC registration, which was subsequently cancelled for non satisfaction of eligibility conditions.

The Corporation introduced BIFR/ GBIFR OTS scheme with settlement at principal outstanding as the loanees demanded a scheme in line with the GoG scheme. Commensurate checks and balances as existing in the GoG scheme should have introduced. In fact it would have ensured that the benefit of settlement at principal outstanding was given only to the proven sick units. This would have safeguarded the financial interest of the Corporation since it is a continuing scheme contrary to the six month tenure of the GoG scheme.

It is recommended that the Corporation consider introducing the checks and balances of the GoG scheme in its BIFR/ GBIFR OTS scheme.

Non inclusion of asset valuation clause in the OTS schemes

3.5.4.2 In Gujarat Industrial Investment Corporation (GIIC) and other State Financial Corporations (SFCs)[53] the value of assets was a parameter for arriving at the amount for OTS. The formula for OTS schemes adopted by the Corporation did not consider the valuation of assets as a parameter in the OTS formula. In the absence of this, details of asset valuation were not available in

[53] In Himachal Pradesh State Financial Corporation (HPSFC), the minimum amount recoverable for OTS shall be principal outstanding or 75 *per cent* of the realisable value of primary and collateral security whichever is higher. Similar clauses exist in the OTS schemes of Gujarat Industrial Investment Corporation (GIIC) and Uttar Pradesh State Financial Corporation (UPSFC).

the accounts test-checked in Audit except in four cases. In these four cases even if 65 *per cent* of the asset value was considered as a parameter, the potential recovery would have been higher. The calculation is given in **Table 3.4:**

Table 3.4: Potential recovery not made due to not considering valuation of assets

(₹ in crore)

Sl No.	Name of the unit	Outstanding during OTS	Amount recovered under OTS	Value of security	65 *per cent* of security value	Potential recovery lost
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (6)-(4)
1	M/s Enkay Texo Foods Industries Limited and Accelerated Synthetic Private Limited	87.26	6.13	26.60	17.29	11.16
2	M/s Raj Quarry Works	1.11	0.11	1.24	0.81	0.70
3	M/s Gautam Spinning Mills	2.51	0.46	1.15	0.75	0.29
4	M/s Kiran Ceramics Industries	7.64	0.80	2.32	1.51	0.71
	Total	**98.52**	**7.50**	**31.31**	**20.36**	**12.86**

Source: Compiled from documents in loanee files.

Thus due to non insertion of an asset valuation clause, the Corporation lost an opportunity to make potential recovery of ₹ 12.86 crore.

The Management/ Government stated (October/ December 2016) that in the initial OTS scheme of 2007 the asset valuation clause had been introduced. It had to be immediately removed as it was creating difficulties in implementation. It was contended that the non-insertion of the asset valuation clause had made the Corporation's scheme more successful. In the four cases mentioned there were several legal and administrative problems in taking possession of the assets mortgaged by the units. These units would not have come for the OTS if the asset valuation clause had been there.

The reply is not convincing as GIIC and other SFCs had an asset valuation clause as one of the parameters for deciding the amount for OTS. The Corporation, however, did not have asset valuation as a parameter in the OTS formula. It, therefore, did not get the benefit of a higher amount for OTS if the asset valuation was higher. As an asset is the only security which can be sold in the event of non-payment, its valuation should be one of the criteria for deciding the amount for OTS. The Corporation should keep its mortgaged assets free from encumbrances.

It is recommended that the Corporation should insert the clause of asset valuation in the OTS formula to protect its financial interest.

Non loading of interest element in instalments granted

3.5.4.3 On review of cases settled under BIFR/ GBIFR and non BIFR OTS schemes, we observed that generally amount for OTS was not received at one go. The loanees were permitted to pay in instalments after the down payment. There was no interest built into the equated instalments in the OTS schemes of the Corporation. Only if the instalments were not paid on the prescribed due dates then interest at 14 *per cent* was chargeable for the delay.

In the case of other SFCs[54], interest was loaded in the instalments granted under the various OTS schemes. Loading interest in the instalments granted can compensate the Corporation for the delay in the recovery of the full amount for OTS. On a test-check of 23 cases settled under OTS schemes, we observed that the Corporation suffered potential interest loss of ₹ 0.78 crore[55] .

The Management/ Government has not provided a detailed reply to this audit observation yet (December 2016).

It is recommended that the Corporation may consider loading of interest in the instalments granted for payment of amount for OTS.

Implementation of OTS schemes

3.5.5 The Board of Directors of the Corporation formulate OTS schemes and the HO sanctions OTS proposals and sale proposals received from the ROs. The OTS applications are received and processed at the ROs as per the approved policy/ scheme. They are then sent to the HO for approval and issue of sanction letters. The recovery action is then monitored by the ROs, as per the terms of sanction. We observed that there was no time limit laid down for issue of OTS sanction letters from the date of receipt of application. The only exception was in the case of OTS schemes for term loans wherein a time limit of 30 days had been fixed. We observed that there was delay beyond 30 days in processing of applications in 76 loanee accounts (including term loans). The delay in these cases beyond the period of 30 days ranged from 10 to 377 days. There was no monitoring at the HO level insisting on the submission of regular progress reports on the OTS applications received and under process. Such monitoring could have increased the extent of recoveries made by expediting the finalisation of OTS proposals.

In both the schemes for non-BIFR units viz., term loans and FSD loans, interest at eight *per cent* was recoverable on the original principal amount. In case of BIFR/ GBIFR units the settlement was done only at the principal outstanding after waiving interest and penalty. The settlement of loans at principal outstanding gives a substantial benefit to the loanee. It is essential that clear cut guidelines are laid as to when a unit should be given the benefit of the BIFR/ GBIFR OTS scheme so that discretion is minimised. A few cases wherein discretion was exercised against the interests of the Corporation, due to absence of a policy are discussed below:

3.5.5.1 M/s Vasparr Container Limited (unit) which was granted three FSD loans of ₹ 4.29 crore in 1997/ 1998 started defaulting since 2001-02. The unit was declared sick by BIFR in December 2011 and the Corporation appealed against the declaration of sickness to AAIFR[56] in February 2012. Pending the decision on the AAIFR appeal, the Corporation granted (October 2012) the unit OTS at principal outstanding amount of ₹ 4.35 crore. The Corporation,

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[54] Haryana State Financial Corporation, Uttar Pradesh State Financial Corporation and Punjab State Financial Corporation at the rate of 12 to 13 *per cent*.

[55] Calculated at the rate of nine *per cent* on the instalments given after down payment being the interest earning rate of the corporation on the funds invested in the Gujarat State Financial Services.

[56] Appellate Authority for Industrial and Financial Restructuring

subsequently, also withdrew the AAIFR appeal after issuance of NDC (18 January 2013).

In general practice if the Corporation was contesting the sickness of the unit in AAIFR it did not allow them benefit of the OTS scheme under BIFR/ GBIFR. In this case the unit was allowed to make settlement at principal outstanding, which lacked justification. Had the Corporation insisted on a non BIFR settlement with interest, the potential recovery could have been ₹ 8.38 crore[57].

3.5.5.2 M/s Rupangi Impex Limited (unit) was sanctioned (January 1998) a FSD loan of ₹ 2.40 crore. It never paid any amount towards principal or interest. The unit made reference to BIFR thrice (1999, 2001 and 2008) but its case was rejected. The rejection was on the ground of deliberate manipulation of accounts to make the unit artificially sick. It was finally declared sick by BIFR in May 2013 without stating the changed circumstances in justification.

In July 2013 the Corporation issued a notice to the unit to enforce the personal guarantee of the directors. The Corporation did not follow up the notice and also did not file an appeal against the BIFR order in AAIFR. The unit was granted BIFR/ GBIFR OTS in September 2013 at the principal outstanding of ₹ 2.40 crore.

The Corporation should have filed an appeal in AAIFR considering the earlier rejections of BIFR and monitored this case earnestly. This would have enabled the Corporation to insist the unit for a non BIFR settlement. Had the Corporation insisted on a non BIFR settlement, the potential recovery could have been ₹ 5.80 crore[58] based on Corporation's calculation.

3.5.5.3 M/s Quantum Digital Vision (India) Limited (unit) was sanctioned (April 1997/ September 1998) three FSD loans of ₹ 4.53 crore. The loan was sanctioned against hypothecation of assets valuing ₹ 3.23 crore. The unit started defaulting since 1999. The property was taken over in 2001, but was returned upon issue of post dated cheques by the unit. Later, most of the cheques were dishonoured.

We observed that neither was the property taken over again nor was action taken for dishonour of cheques. The unit's appeal to BIFR (July 2012) for declaring the unit as a sick was not considered as the Corporation had objected (November 2012) to the same. The Corporation withdrew its objection in July 2013 '*taking other facts taken into consideration and keeping in mind its overall interest*'. The unit was declared sick by BIFR (July 2013). The Corporation granted BIFR/ GBIFR OTS (October 2013) to the unit at the principal outstanding of ₹ 3.37 crore.

We observed that the Corporation was a secured creditor and it could have objected to the unit being declared as sick. It could have then taken appropriate action under SARFAESI Act. This would have led the unit to accept a non BIFR OTS. The Corporation could have made a potential recovery of ₹ 5.94 crore under non BIFR OTS based on its own calculation.

[57] This has been adopted from the Non-BIFR amount for OTS calculated by the Corporation.
[58] This has been adopted from the Non-BIFR amount for OTS calculated by the Corporation.

3.5.5.4 M/s Kangaroo Cement Private Limited (unit) was disbursed (August 1998) term loan of ₹ 1.39 crore. It was later also provided a funded interest term loan of ₹ 0.65 crore against equitable mortgage of its assets. As the unit started defaulting, the primary security was taken over in July 2005. The unit's GBIFR registration was rejected (June 2006) by GoG as the unit was not viable for rehabilitation and assets were possessed by the Corporation. The Corporation received (06 January 2007) an offer for the primary security for ₹ 2.61 crore against valuation of ₹ 2.56 crore.

We observed that the primary security was not sold but was handed back (April 2007) to the unit against payment of ₹ 45 lakh. The unit was registered (May 2008) as a sick unit under GBIFR by the Industries Commissioner. The Corporation issued (02 January 2012) OTS sanction letter to the unit as a BIFR unit for principal outstanding of ₹ 1.26 crore. The Corporation could have sold the securities when a clear cut offer was received in January 2007 and realised ₹ 1.30 crore more from the loanee.

Thus, in the above four cases, the Corporation had foregone potential revenue of ₹ 11.30 crore[59] due to settling the four loanees at principal outstanding.

The Management/ Government stated (October/ December 2016) that audit suggestion of time limit for issue of sanction letter had been implemented. The monitoring of recovery activity by HO had been revived. It also stated that the decisions on filing an AAIFR appeal or not was taken on case to case basis for loanee units declared sick by BIFR. It was also contended that it would not be possible to lay down a general policy in this regard. The Management also informed that its general experience had been that filing an AAIFR appeal only further delayed the settlement of the case. Thus, it was better to give them a BIFR OTS and ensure recovery of at least the principal outstanding.

The reply is not convincing as laying down broad guidelines prevents exercise of discretion on a case to case basis as happened in the above four cases. There were no recorded reasons for the decisions taken in the four cases test-checked in audit. There was also no reference to any general practice followed in recent years in three out of the four cases mentioned above. Even in the case of M/s Vasparr Container Limited the reference to the general practice was contrary to the action taken by the Corporation.

It is recommended that a clear cut policy should be framed laying down circumstances and conditions for grant of BIFR/ GBIFR OTS.

Adequacy of recovery efforts in respect of outstanding accounts

3.5.6 As referred in ***Paragraph 3.5.1***, the Corporation had an outstanding balance of ₹ 15,349.51 crore from 5,520 loan accounts as on 31 March 2016. Only in 147 accounts having an outstanding balance of ₹ 860.43 crore the Corporation had assets in its possession. In respect of 974 loanee accounts

59 M/s Vasparr Container Limited ₹ 4.03 crore (₹ 8.38 crore - ₹ 4.35 crore), M/s Rupangi Impex Limited ₹ 3.40 crore (₹ 5.80 crore - ₹ 2.40 crore), M/s Quantum Digital Vision Limited ₹ 2.57 crore (₹ 5.94 crore - ₹ 3.37 crore) and M/s Kangaroo Cement Private Limited ₹ 1.30 crore (₹ 2.56 crore - ₹ 1.26 crore)

having an outstanding balance of ₹ 7,536.08 crore there were legal cases pending. Audit observations on the recovery efforts made by the Corporation in regard to the above outstanding accounts are discussed below:

Change in policy of settlement of group accounts

3.5.6.1 The Corporation laid down (February 2009) a condition under the OTS schemes that all defaulting accounts of a group company had to be settled simultaneously. This was to be done before issue of NDC to the group as a whole. This policy was changed in November 2011 by deletion of the above condition. The units were issued NDC even if there were outstanding dues against their sister concerns. The reason for the change in policy as mentioned in the Board note was that there was less response to its OTS scheme due to the above clause. It was stated that if this clause is removed at least 33 units would settle their accounts through OTS. After the change in policy NDCs were issued to seven units though there were outstanding dues in respect of their associated concerns. The same is shown in **Table 3.5:**

Table 3.5: Outstanding of Associated accounts

Sl. No.	Unit to whom NDC issued	Associate concern where amount was outstanding	Outstanding amount (₹ in crore)
1	M/s Enkay Texo Foods Industries Limited M/s Accelerated Synthetics Private Limited	M/s Rama Filament Private Limited	81.06
2	M/s Vasparr Container Limited	M/s Vasparr Fischer Limited	130.33
3	M/s Norris Medicines Limited	M/s Innovative Prints Forms Limited	14.78
4	M/s Pooja Textiles Limited	M/s Patel Textiles Limited	14.33
5	M/s Geologging Industries Limited	M/s Mono Acriglass Limited	48.43
6	M/s Sakha Organics Limited	M/s Indian Chemical Manufacturer Limited.	6.60
	Total		**295.53**

Source: As per data received from GSFC Head Office and Regional Offices.

The OTS scheme was sanctioned to M/s Enkay Texo Foods Industries Limited and M/s Accelerated Synthetics Private Limited in October 2012. We observed that assets valuing ₹ 26.60 crore was available with the Corporation which was released alongwith NDC to these units. This was sufficient to cover the amount for OTS of M/s Rama Filament Private Limited (the associate concern of the units) also. Due to the change in policy, M/s Rama Filament Private Limited continues to have outstanding dues but the group assets are no longer available.

In three of these outstanding accounts related to associate concerns (Sl. No.1, 3 and 5), we observed that there was inadequate monitoring. Even the required action that could be taken with the existing assets of the associate concern was not taken. This resulted in the accounts remaining outstanding as discussed in ***Paragraph 3.5.6.3.*** Thus the change in policy did not result in recoveries as anticipated by the Corporation and instead benefitted a few loanees with large assets.

The Management/ Government stated (October/ December 2016) that the change in policy of settlement of group accounts was done to make the scheme more practical and attractive. The change had due impact as a large number of units came forward to settle their individual accounts.

The reply is not convincing as the Corporation had not made any analysis to determine the impact of such change in policy. The issues regarding value of assets of group companies, assets which would be released and its impact on the remaining dues were not analysed. The change in the policy did not lead to higher recovery as only seven out of the 33 units had settled their dues after the change in the policy.

Delay in the sale of available security

3.5.6.2 The Corporation can sell assets taken over under Section 29 of the SFC Act 1951 or under Section 13 of the SARFAESI Act. The details of assets available in respect of individual loanee were kept at the RO level and there was no monitoring at the HO level. The **Table 3.6** shows the time taken by the Corporation for sale of assets after taking over their possession:

Table 3.6: Time taken for sale of assets by the ROs of the Corporation

Sl. No.	Time taken for sale after possession	Ahmedabad		Surat		Rajkot	
		No. of cases	Amount (₹ in lakhs)	No. of cases	Amount (₹ in lakhs)	No. of cases	Amount (₹ in lakhs)
1	15 to 13 years	1	10.25	2	187.21	4	4.69
2	12 to 10 years	5	435.03	1	0.03	2	13.01
3	9 to 7 years	10	352.97	5	403.79	1	47.11
4	Less than six years	19	753.35	8	119.89	37	342.26
	Total	**35**	**1,551.60**	**16**	**710.92**	**44**	**407.07**

Source: Compiled from information received from three Regional Offices

We observed that in 31 out of 95 cases sales were done after more than six years from the date of possession of assets. Delay in sale resulted in delayed realisation of revenue. We observed that the security available was either in the form of land and building or plant and machinery. Plant and machinery and factory building was subject to depreciation in value. The delay in sale might have led to lesser realisation due to depreciation with the efflux of time. In respect of land there is generally an appreciation in value. The Corporation did not carry out any valuation of assets though it had prescribed a system of valuation of assets at regular intervals. The Corporation could, therefore, not take the benefit of the increased valuation of land.

The Management/ Government stated (October/ December 2016) that the Corporation makes sincere efforts to dispose of the property taken over. It may not, however, always succeed due to reasons like property being in remote area, legal issues regarding land and outstanding statutory dues. The Management assured that more intensive efforts would be made for monitoring the sale of assets at the HO level also.

One instance of delay in the sale of assets due to lapse on the part of the Management is reported below:

In the case of M/s Quality Crimpers Private Limited, the Corporation took over possession of assets in March 1998. The Corporation did not make any effort to sell the asset under the impression that it was under liquidation. On clarity that the unit was not under liquidation, the Corporation started (June 2011) making efforts to sell the asset. The Corporation finally agreed (October 2013) to sell the assets at ₹ 1.72 crore. The delay in the sales had delayed the realisation of revenue.

The Management/ Government stated (October/ December 2016) that the financed machinery of the unit was lying with the banks who also had a second charge over the assets. The bank gave its consent for sale in June 2011 and the sale was made in October 2013.

The reply is not convincing as the delay in the sale cannot be attributed to the banks giving its consent for sale in June 2011. The records show that the Corporation became aware of the assets not being with the liquidator only in November 2010 though the asset was taken over by it in 1998. The process of obtaining permission from the bank started only after that date and hence was obtained in June 2011. Thus, the delay cannot be attributed to the permission not been obtained from the bank.

It is recommended that valuation of available assets should be done at regular intervals as directed by HO in its circulars. The efforts of ROs in selling available security should be regularly monitored at the HO level to avoid delays as pointed out above.

Delayed recovery action resulting in accounts remaining outstanding

3.5.6.3 Where the Corporation was a secured creditor, the SFCA and SARFAESI Act entitled the Corporation to take over the management of the defaulting unit. For the assets provided as security, the Corporation could initiate action[60] for taking over possession and sale of the security of the defaulting unit. We observed delays in taking action for sale of security and invoking of available personal guarantee. Instances of inadequate action by the Corporation are given below:

- M/s Sweetliner Investment & Finance Private Limited (SIFL) was disbursed (August 1996 to May 1997) hire purchase loan of ₹ 2.85 crore. This loan was guaranteed against security of plant and machinery and personal guarantee of its directors. M/s Shaan Housewares Limited (SHWL), having the same directors as SIFL, was also sanctioned (March 1997) term loan of ₹ 2.20 crore. This loan was guaranteed against security of plant and machinery and collateral security of plot at Mahabaleshwar. SIFL never purchased the financed machinery. The site of SIFL was in the possession of GIIC when inspected by the Corporation (July 1999).

The Corporation filed (October 2004) criminal complaint against the directors of SIFL for non-acquisition of machinery. It also filed a civil miscellaneous application (CMA) (May 2005) for invoking personal guarantee in respect of SIFL. SHWL was a fake company which was never in existence as disclosed in the criminal complaint filed against the director (October 2004). The CMA and the criminal complaint were not followed up leading to an outstanding of ₹ 76.83 crore from SHWL and ₹ 26.28 crore from SIFL as on March 2016.

[60] Under Section 29 of SFCA and Section 13 of SARFAESI Act.

The Management/ Government stated (October/ December 2016) that it had filed a criminal complaint in respect of SIFL and SHWL in October 2006. It further stated that the CMA filed in respect of SIFL had been transferred to Commercial Court in July 2016. The Management, however, did not give the action/ follow up done by them for the period 2006 to 2016.

· M/s Innovative Prints Forms Limited (unit) was sanctioned (February 1997) hire purchase loan of ₹ 1.50 crore. This was against security of machinery and personal guarantee of its three directors. No instalments were paid by the unit since June 1997. Show Cause Notices issued against the unit were returned as the unit was taken over by the Court Receiver of Mumbai.

The Corporation did not have documentary proof of personal property of guarantors. In view of this, the CMA filed against the directors (July 2003) for invocation of guarantee was withdrawn (March 2010). The action taken by the Corporation thereafter was not available on the record. The reasons for delay of six years in filing CMA and for not taking documentary proof of property of directors were not available on record. The outstanding dues of the unit worth ₹ 14.78 crore remained unsettled as on March 2016.

The Management/ Government confirmed (October/ December 2016) that it had not taken documentary proof of the property of the personal guarantors. It was not a general practice in the Corporation to obtain such details or to obtain affidavit from personal guarantors.

In view of the above, the possibility of any further recovery appears remote.

· M/s Mono Acriglass Industries Private Limited (unit) was financed (January 1998) to the extent of ₹ 5.75 crore jointly by the Corporation, GIIC and Gujarat Industrial Cooperative Bank. The share of the Corporation in the loan was ₹ 2.40 crore. This loan of ₹ 5.75 crore was against *pari-passu*[61] charge over primary and collateral security worth ₹ 8.58 crore and personal guarantee of the directors. The unit stopped paying dues from March 2000. No action was taken to jointly take over the available assets for realisation of the dues.

During the period 2004 to 2014, the unit made many appeals before the BIFR and AAIFR for declaring the unit as sick. All the appeals of the unit were set aside at different levels. The unit finally filed a case in the Honourable High Court of Gujarat (November 2014) for quashing the orders of BIFR and AAIFR. The financing agencies did not sell the available security or invoke the guarantees in spite of many opportunities for the same. Due to not taking action, the unit account remained outstanding for ₹ 48.43 crore as on 31 March 2016.

The Management/ Government stated (October/ December 2016) that as the unit had been taken over by GIIC, it could not take over the asset under SFC Act or SARFAESI Act.

[61] *Pari-passu* describes situations where two or more assets, securities, creditors or obligations are equally managed without any display of preference.

The reply is not convincing as GIIC had given its consent to the Corporation to initiate action under SARFAESI Act in July 2012 itself.

· M/s Rama Filament Private Limited (unit) was sanctioned (September 1999) working capital loan of ₹ 1.50 crore. The loan was sanctioned against mortgage of plot admeasuring 3,541 sq. mtrs as collateral security. The Corporation came to know that the mortgaged land was a new tenure agricultural land[62] only in December 2007. This was when the land was to be auctioned due to the default of the unit. The land has not been sold till date as the conversion of the land to old tenure is still pending (September 2016).

The Corporation failed to ascertain the nature of the land mortgaged and delayed action for its subsequent conversion. This led to land valuing ₹ 8.68 crore (as on December 2011) remaining unsold. The unit account remained outstanding for ₹ 81.06 crore as on March 2016.

The Management/ Government stated (October/ December 2016) that it had applied (November 2008) to the Collector for permission to sell the land in accordance with the Land Revenue laws. It was also stated that the permission was not received till date.

· M/s Rotoflex Industries Limited (unit) was sanctioned five loans of ₹ 4.36 crore during 1994-1998. The loans were sanctioned against security of machinery, collateral security of office premises and personal guarantee of its directors. The unit started defaulting during 2000-2003. The Corporation took possession (August 2008) of the plant and machinery and attempted (January 2010) sale which was not successful. The Corporation did not take over the collateral security.

In between 1999 and 2006 the unit preferred five appeals to BIFR for declaring the unit as sick. All of the appeals were dismissed. The unit was subsequently declared sick by BIFR in July 2010. An appeal by the Corporation against this order to AAIFR was rejected (April 2012). In November 2013, BIFR passed an order for winding up the unit. Appeals made by the Corporation to AAIFR and Gujarat High Court against the winding up were rejected (May 2015/ April 2016).

The unit having been wound up, the assets now vest with the official liquidator and the Corporation cannot sell the same. Due to delay on the part of the Corporation in taking over the assets, the outstanding dues of the unit as on 31 March 2016 was ₹ 236.67 crore. As seen from the above chronology, there were many instances prior to the winding up when the collateral security could have been taken over. This was not done.

The Management/ Government stated (October/ December 2016) that it was the general practice not to take possession of the assets of the unit as soon as it

[62] New tenure agricultural land is a property wherein Government of Gujarat has a stake and therefore if such land is sold a prescribed percentage of the sales proceeds have to be given to the State Government. Such land can be converted into old tenure land on payment of premium price to the Government and sold without the above restriction.

becoming defaulter. There is always a chance for the unit to be revived and possibility of it paying the dues.

The reply is not convincing as the unit was a defaulter since 2000. There was no justification for not taking over the assets till 2008 as the unit had made five appeals to BIFR during 1999 to 2006.

It is recommended that the Head Office monitor the outstanding cases on a regular basis. This would ensure that such delays as illustrated in our test check can be minimised and recoveries can be ensured wherever possible.

Conclusion

3.5.7 The Corporation stopped all lending activity from 2001-02 and had been concentrating only on recovery activity since then. Recovery proceeds through OTS schemes and sale of assets had been decreasing over the past five years. We observed deficiencies in the formulation and implementation of OTS schemes and in the recovery efforts of the Corporation in the accounts still outstanding.

The OTS scheme for BIFR/ GBIFR units was formulated on the basis of a similar GoG scheme. However, the checks and balances that existed in the GoG scheme were absent in this scheme. The OTS schemes formulated by the Corporation did not envisage valuation of assets as a parameter for deciding the amount for OTS. This resulted in lesser potential realisation of ₹ 12.86 crore in four cases. While implementing the BIFR/ GBIFR OTS, the Corporation did not lay down clear cut guidelines for grant of this OTS to loanees. This led to loss of potential revenue of ₹ 11.30 crore in four cases. In the recovery efforts of outstanding accounts, we noticed instances of lack of follow up of suits filed. There were instances of assets not being sold and personal guarantees not being invoked.

After 14 years of recovery process, the Corporation still had an outstanding of ₹ 15,349.51 crore in respect of 5,520 loanee accounts. The amount outstanding had continuously increased over the years by 109.60 *per cent* due to accumulation of interest and low recoveries. The low recoveries resulted in principal outstanding reducing only at an average rate of 3.67 *per cent* during the period.

Gujarat Industrial Development Corporation

3.6 Short recovery of allotment price

The Corporation violated its own approved policy for allotment of adjoining plots which resulted in short recovery of ₹ 3.41 crore

Gujarat Industrial Development Corporation (the Corporation) allots plots/ sheds on lease for 99 years in the Industrial Estates. It recovers Allotment Price (AP) from them. The Corporation issued a policy for allotment of adjoining[63] plots through a Circular dated 28 August 2012. It stated that the existing allottees could apply for vacant plots adjoining to their existing plots for expansion of projects. The benefit of *out of turn priority* (OTP) in allotment for the adjoining plots was provided to the existing allottees of both *saturated*[64] and *normal*[65] estates. For the allotment of the adjoining plots, a premium of 20 *per cent* on the prevailing AP in the estate was chargeable. This was over and above the AP for the plots.

In three cases[66], the Corporation while allotting the adjoining plots to the existing allottees in Sanand II Estate had short recovered the allotment price. It had either not recovered the applicable premium of 20 *per cent* or short recovered the premium at a lower rate of 10 *per cent*. The details are given in **Table 3.7**:

Table 3.7: Table showing the short recovery from allotment of adjoining plots

Name of the allottee		**M/s Emcure Pharmaceuticals Limited (EPL)**	**M/s Multicolor Steels (India) Pvt. Ltd. (MSL)**	**M/s Harsha Gandhi Prop Pure Temptation Ltd. (HGT)**
Original Plot	Plot No.	SM-14	PE-43	WP-14
	Allotment date	December 2013	January 2013	March 2012
	Area (in sq. mtrs)	57,159.00	10,000.00	2,000.00
Adjoining Plot	Plot No.	SM-15 and 16/1	PE-46	WP-13, 15 and 16
	Allotment date	March 2015	January 2014	September 2012
	Area (in sq. mtrs)	68,271.28	9,999.96	6,600.00
Prevailing rate of AP during allotment of adjoining plot (₹/sq. mtr.)		3,420	3,250	3,225
Premium charged for adjoining plot (₹/sq. mtr.)		342 (10 *per cent*)	Nil	Nil
Premium payable at 20 *per cent* for adjoining plot as per Policy (in ₹/sq. mtr.)		684	650	645
Short recovery of premium on Allotment price for the adjoining plot (in Rupees)		2,33,48,778 (at 10 *per cent*)	64,99,974 (at 20 *per cent*)	42,57,000 (at 20 *per cent*)
Total Short recovery (in Rupees)				**3,41,05,752**

Source: Information collected from the records of the Corporation

The Corporation, in violation of its policy, did not charge any premium for allotment of adjoining plots to two allottees (i.e., M/s MSL and M/s HGT). It also charged lesser premium in respect of one allottee (i.e., M/s EPL). This had led to short recovery of the allotment price to the extent of ₹ 3.41 crore.

The Management stated (October 2016) that it provides *out of turn priority* to certain categories of persons and for allotment of adjoining plots. An applicant while applying to the Corporation for any allotment has to mention whether his application is under the general or OTP category. As per the Circular dated 28 August 2012, the basic condition for deserving adjoining plot is that the existing plot needs to be utilised. In all the three cases, the applications were received as general category applicant and not as OTP. Hence, they were not

63 Adjoining plots for this policy meant plots next to the boundary of the existing plot and also plots separated by road but within the periphery of 100 metres radius.

64 Saturated estate is an estate where most of the plots have been allotted and further plots can be allotted only through auction except in the case of adjoining plots. The Corporation displays a list of saturated estates on its website.

65 Normal estates are estates other than saturated estates where allotment is made on first come first serve basis.

66 We observed these cases in May 2013, May 2014 and December 2015.

considered as application for adjoining plot and no premium was recovered. In case of M/s MSL, the allottee had already surrendered the adjoining plot allotted in January 2014. In case of M/s EPL, the Corporation took a conservative approach and charged 10 *per cent* additional premium as per Circular dated 26 June 2002.

The reply is not convincing. In all the three cases the allottees had applied for adjoining plots under General category. Not charging the premium for adjoining plot just because the applicant had applied under the general category highlights the loopholes in the application process. It defeated the very purpose of the policy. In respect of M/s MSL, the Corporation's response was misleading as the possession of the adjoining Plot No. PE-46 was handed over to M/s MSL during April 2014. The premium was payable at the time of allotment of the adjoining plot. The subsequent surrender of the plot does not affect the premium payable at the time of allotment. Similarly, the Corporation had arbitrarily charged 10 *per cent* additional premium instead of 20 *per cent* in case of M/s EPL and did not charge any additional premium in cases of M/s MSL and M/s HGT. The practice of allotting adjoining plot was not followed uniformly and was left to the discretion of the Corporation. Audit is of the view that the request for adjoining plot by an allottee is meant for expansion of project and has definite commercial interests. The manner in which the allotment has to be made should be transparent and uniform without causing any loss to the Government exchequer.

The matter was reported to Government/ Management (June 2016); the Government reply is awaited (December 2016).

(GURVEEN SIDHU)
Ahmedabad **Accountant General**
The **(Economic & Revenue Sector Audit) Gujarat**

Countersigned

New Delhi **(SHASHI KANT SHARMA)**
The **Comptroller and Auditor General of India**

Annexures

Annexure 1

Statement showing investments made by the State Government in PSUs whose accounts are in arrears

(*Referred to in paragraph 1.11*)

(Figures in columns 4 & 6 to 8 are ₹ in crore)

Sl. No.	Name of the Public Sector Undertaking	Year up to which accounts finalised	Paid up capital	Period of accounts pending finalisation	Investment made by State Government during the year in which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A	**Working Government Companies**						
1	Gujarat Agro Industries Corporation Limited	2014-15	8.08	2015-16	0.00	0.00	638.10
2	Gujarat Sheep and Wool Development Corporation Limited	2013-14	4.31	2015-16	0.00	0.00	12.08
				2014-15	0.00	0.00	9.28
3	Gujarat State Handloom and Handicrafts Development Corporation Limited*	2013-14	12.06	2015-16	0.00	0.00	41.06
4	Gujarat Minorities Finance and Development Corporation Limited	2014-15	10.00	2015-16	9.09	1.50	0.50
5	Gujarat Gopalak Development Corporation Limited	2012-13	6.50	2015-16	0.00	0.00	1.15
				2014-15	0.00	0.00	0.45
				2013-14	1.00	0.00	0.43
6	Gujarat Livelihood Promotion Company Limited	2012-13	0.05	2015-16	0.00	0.00	75.30
				2014-15	0.00	0.00	30.71
				2013-14	0.00	0.00	108.36
7	Gujarat Scheduled Caste Most Backward Development Corporation$$	No accounts finalised		2015-16	0.00	0.00	0.25
8	Gujarat State Police Housing Corporation Limited	2014-15	50.00	2015-16	0.00	0.00	319.33
9	Gujarat Urja Vikas Nigam Limited	2014-15	8,930.34	2015-16	2,989.00	0.00	0.95
10	Gujarat Informatics Limited	2014-15	18.51	2015-16	0.00	0.00	169.45
11	Sardar Sarovar Narmada Nigam Limited	2014-15	44,129.53	2015-16	4,105.07	0.00	0.00
12	Gujarat Water Infrastructure Limited	2014-15	145.02	2015-16	5.00	0.00	653.00
	Total A (Working Government Companies)		**53,314.40**		**7,109.16**	**1.50**	**2,060.40**
B	**Working Statutory Corporations**						
1	Gujarat State Road Transport Corporation	2013-14	1,359.34	2015-16	358.95	256.00	536.54
				2014-15	386.62	200.00	713.89
	Total B (Working Statutory Corporations)		**1,359.34**		**745.57**	**456.00**	**1,250.43**
	Grand Total (A + B)		**54,673.74**		**7,854.73**	**457.50**	**3,310.83**

Information was not furnished by sixteen working Companies, *viz.*, Gujarat State Land Development Corporation Limited, Gujarat Industrial Investment Corporation Limited, Gujarat Women Economic Development Corporation Limited, Infrastructure Finance Company Gujarat Limited, Gujarat Safai Kamdar Vikas Nigam Limited, Gujarat Thakor and Koli Vikas Nigam Limited, Gujarat State Rural Development Corporation Limited, Gujarat State Mining Resource Corporation Limited, Gujarat Foundation for Mental Health and Allied Sciences, BISAG Satellite Communication, Gujarat Rural Industries Marketing Corporation Limited, Gujarat State Aviation Infrastructure Company Limited, Gujarat State Road Development Corporation Limited, Gujarat Water Resources Development Corporation Limited, Gujarat State Forest Development Corporation Limited, Gujarat Medical Services Corporation Limited which have arrears of accounts in 2015-16.

A new Company Gujarat Nomadic Denotified Tribes Development Corporation was incorporated on 14 August 2015. No information has been received from the Company. Hence, the same in not depicted in this Annexure.

$$ This Company has not submitted any accounts since its incorporation i.e. 01 October 2014. It has therefore two accounts in arrears. However, the information was received from the Company only for the year 2015-16. Hence, previous year's data is not available.

* In case of Gujarat State Handloom and Handicrafts Development Corporation Limited, though accounts for 2014-15 are in arrears but the above data for 2014-15 is not available. Hence, the same is not depicted above.

Annexure 2

Summarised financial position and working results of Government Companies and Statutory Corporations as per their latest finalised financial statements/accounts

(Referred to in paragraph 1.15)
(Figures in columns 5 to 12 are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital[#]	Long term Loans outstanding at the end of the year	Accumulated Profit (+)/ Loss(-) (A)	Turnover (B)	Net Profit/ Loss (C)	Net Impact of Accounts Comments (D)	Capital employed (E)	Return on capital employed (F)	Percentage of return on capital employed	Manpower as on 31 March 2016
1	2	3	4	5	6	7	8	9	10	11	12	13	14
A	**Working Government Companies**												
Agriculture & Allied													
1	Gujarat Agro Industries Corporation Limited	2014-15	2015-16	8.08	20.00	49.35	314.78	18.51	0.00	130.11	19.45	14.95	143
2	Gujarat State Seeds Corporation Limited	2015-16	2016-17	3.93	0.00	0.00	139.81	36.03	0.00	169.24	36.03	21.29	126
3	Gujarat State Land Development Corporation Limited	2013-14	2015-16	5.89	58.13	-110.97	479.88	0.04	0.00	-45.59	1.95	NA	658
4	Gujarat Sheep and Wool Development Corporation Limited	2013-14	2015-16	4.31	0.00	-0.35	2.81	-0.75	0.00	10.96	-0.75	NA	103
Sector wise Total				**22.21**	**78.13**	**-61.97**	**937.28**	**53.83**	**0.00**	**264.72**	**56.68**	**21.41**	**1,030**
Finance													
5	Gujarat Industrial Investment Corporation Limited	2014-15	2015-16	256.98	80.13	-122.21	11.49	4.29	0.00	271.99	4.29	1.58	56
6	Gujarat State Handloom and Handicrafts Development Corporation Limited	2013-14	2016-17	12.06	7.69	-55.80	17.64	-2.53	--	-36.05	-0.87	2.41	163
7	Gujarat State Investments Limited	2015-16	2016-17	1,042.77	879.85	682.11	90.81	90.38	--	2,656.73	90.38	3.40	5
8	Gujarat Women Economic Development Corporation Limited	2010-11	2013-14	7.02	0.00	--	0.00	$	--	7.02	--	--	20
9	Gujarat State Financial Services Limited	2015-16	2016-17	86.28	435.85	636.36	2,144.38	90.87	0.00	1,185.57	2,136.74	180.23	21
10	Gujarat Minorities Finance and Development Corporation Limited	2014-15	2016-17	10.00	20.23	-14.58	4.36	0.65	0.00	15.75	2.40	15.24	26

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital#	Long term Loans outstanding at the end of the year	Accumulated Profit (+)/ Loss(-) (A)	Turnover (B)	Net Profit/ Loss (C)	Net Impact of Accounts Comments (D)	Capital employed (E)	Return on capital employed (F)	Percentage of return on capital employed	Manpower as on 31 March 2016
1	2	3	4	5	6	7	8	9	10	11	12	13	14
11	Infrastructure Finance Company Gujarat limited	2009-10	2010-11	2.50	0.00	-0.75	--	0.19	--	2.50	0.19	7.60	--
12	Gujarat Gopalak Development Corporation Limited	2012-13	2015-16	6.50	15.88	2.51	0.60	0.61	0.00	25.05	0.82	3.27	12
13	Gujarat Safai Kamdar Vikas Nigam Limited	2014-15	2015-16	5.00	96.42	0.00	4.67	3.41	0.00	127.22	4.89	3.84	64
14	Gujarat Thakor and Koli Vikas Nigam Limited	2013-14	2015-16	5.90	22.03	4.78	0.91	1.79	0.00	32.79	2.11	6.43	14
15	Gujarat Livelihood Promotion Company Limited	2012-13	2014-15	0.05	0.00	-0.08	0.00	0.25	--	-0.03	0.25	NA	1,508
16	Gujarat Scheduled Caste Most Backward Development Corporation£	£	£	£	£	£	£	£	£	£	£	£	8
17	Gujarat Nomadic and Denotified Tribes Development Corporation£	£	£	£	£	£	£	£	£	£	£	£	£
Sector wise Total				**1,435.06**	**1,558.08**	**1,132.34**	**2,274.86**	**189.91**	**0.00**	**4,288.54**	**2,241.20**	**52.26**	**1,897**
Infrastructure													
18	Gujarat State Rural Development Corporation Limited	2013-14	2014-15	0.58	0.00	-1.33	0.00	0.21	0.00	-0.74	0.21	NA	116
19	Gujarat Ports Infrastructure and Development Company Limited	2015-16	2016-17	18.00	0.00	8.81	0.00	1.41	0.00	26.81	1.41	5.26	6
20	Gujarat State Police Housing Corporation Limited	2014-15	2015-16	50.00	0.00	--	0.00	##	0.00	50.00	--	--	370
21	Gujarat Growth Centres Development Corporation Limited	2013-14	2016-17	36.35	0.00	-0.32	0.00	0.00	0.00	36.03	0.00	NA	0
22	Gujarat State Road Development Corporation Limited	2014-15	2015-16	5.00	48.37	7.38	42.38	0.22	--	60.75	7.50	12.35	26
23	Gujarat Urban Development Company Limited	2014-15	2015-16	26.00	0.00	32.97	8.30	8.49	0.00	58.97	8.49	14.40	61
24	Gujarat Industrial Corridor Corporation Limited	2014-15	2015-16	10.00	0.00	-0.50	0.00	-0.40	--	9.50	-0.40	NA	1
25	Metro Link Express for Gandhinagar and Ahmedabad (MEGA) Company Limited	2015-16	2016-17	1,637.21	246.05	16.31	0.00	36.78	130.89	1,587.57	36.79	2.32	124

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital#	Long term Loans outstanding at the end of the year	Accumulated Profit (+)/ Loss(-) (A)	Turnover (B)	Net Profit/ Loss (C)	Net Impact of Accounts Comments (D)	Capital employed (E)	Return on capital employed (F)	Percentage of return on capital employed	Manpower as on 31 March 2016
1	2	3	4	5	6	7	8	9	10	11	12	13	14
26	Gujarat State Aviation Infrastructure Company Limited**	2014-15	2015-16	0.05	0.00	0.08	0.32	0.00	0.00	0.13	0.00	NA	16
27	Dholera International Airport Company Limited	2015-16	2016-17	54.39	0.00	6.93	0.00	4.30	0.00	61.32	4.30	7.01	0
28	Dholera Industrial City Development Limited£	£	£	£	£	£	£	£	£	£	£	£	4
Sector wise Total				**1,837.58**	**294.42**	**70.33**	**51.00**	**51.01**	**130.89**	**1,890.34**	**58.30**	**3.08**	**724**
Manufacture													
29	Gujarat Mineral Development Corporation Limited	2015-16	2016-17	63.60	0.00	572.92	1,189.40	336.63	0.00	3,366.71	336.63	10.00	1,594
30	Gujarat State Petroleum Corporation Limited	2015-16	2016-17	257.93	17,038.97	-536.91	10,613.19	-875.00	0.00	24,094.21	-868.60	NA	469
31	Alcock Ashdown (Gujarat) Limited	2015-16	2016-17	51.00	53.40	-495.97	0.64	5.14	560.68	-389.16	25.28	NA	96
32	GSPC (JPDA) Limited	2015-16	2016-17	97.39	0.00	-146.12	0.00	-8.89	0.00	-0.94	-8.89	NA	0
33	GSPC LNG Limited	2015-16	2016-17	304.63	102.44	-0.02	0.00	***	0.00	257.05	--	NA	41
34	Gujarat State Mining and Resources Corporation Limited	2013-14	2014-15	0.05	0.00	-0.02	0.00	-0.01	--	-0.03	-0.01	NA	0
35	GSPC Offshore Limited	2015-16	2016-17	0.05	0.00	-0.32	0.00	-0.32	0.00	-0.27	-0.32	NA	0
36	GSPC Energy Limited	2015-16	2016-17	0.05	0.00	-0.32	0.00	-0.32	0.00	-0.27	-0.32	NA	0
Sector wise Total				**774.70**	**17,194.81**	**-606.76**	**11,803.23**	**-542.77**	**560.68**	**27,327.3**	**-516.23**	**NA**	**2,200**
Power													
37	Gujarat Power Corporation Limited	2015-16	2016-17	425.41	30.54	427.22	39.25	21.59	0.00	873.54	26.84	3.07	35
38	Gujarat State Electricity Corporation Limited	2015-16	2016-17	1,786.28	6,671.98	1,546.76	7,985.87	173.92	--	12,296.10	910.90	7.41	7,475
39	Gujarat State Energy Generation Limited	2015-16	2016-17	348.38	379.45	-408.28	364.17	116.18	0.00	365.78	224.53	61.38	15
40	Gujarat Energy Transmission Corporation Limited	2015-16	2016-17	643.70	6,266.34	1,613.26	2,459.40	302.79	--	10,799.99	973.04	9.01	12,220
41	Dakshin Gujarat Vij Company Limited	2015-16	2016-17	315.11	119.74	387.77	11,077.14	87.62	--	1,355.48	189.80	14.00	6,733
42	Madhya Gujarat Vij Company Limited	2015-16	2016-17	347.05	200.61	232.07	5,224.80	61.45	--	1,368.87	141.78	10.36	7,523

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital#	Long term Loans outstanding at the end of the year	Accumulated Profit (+)/ Loss(-) (A)	Turnover (B)	Net Profit/ Loss (C)	Net Impact of Accounts Comments (D)	Capital employed (E)	Return on capital employed (F)	Percentage of return on capital employed	Manpower as on 31 March 2016
1	2	3	4	5	6	7	8	9	10	11	12	13	14
43	Paschim Gujarat Vij Company Limited	2015-16	2016-17	2,957.59	572.30	107.78	11,702.74	31.99	--	4,349.72	271.45	6.24	13,037
44	Uttar Gujarat Vij Company Limited	2015-16	2016-17	417.22	104.68	137.05	8,823.80	74.45	--	1,724.79	269.33	15.62	7,949
45	Gujarat Urja Vikas Nigam Limited	2014-15	2015-16	8,930.34	231.67	-349.98	33,772.66	101.85	0.00	8,553.09	132.86	1.55	282
46	GSPC Pipavav Power Company Limited	2015-16	2016-17	861.84	1,290.61	-315.26	666.11	75.32	0.00	1,837.19	227.62	12.39	21
47	Bhavnagar Energy Company Limited	2015-16	2016-17	775.63	2,993.84	-8.19	0.00	-1.77	0.00	3,761.29	-1.77	NA	63
Sector wise Total				**17,808.55**	**18,861.76**	**3,370.20**	**82,115.94**	**1,045.39**	**0.00**	**47,285.84**	**3,366.38**	**7.12**	**55,353**
Service													
48	Gujarat Water Resources Development Corporation Limited	2013-14	2015-16	31.49	0.00	-27.63	70.64	0.89	0.00	363.16	0.89	0.25	2,349
49	Tourism Corporation of Gujarat Limited	2015-16	2016-17	20.00	7.50	159.33	40.71	58.30	1.93	186.94	58.30	31.19	225
50	Gujarat State Forest Development Corporation Limited	2014-15	2015-16	6.32	0.00	35.48	39.00	6.88	0.00	59.97	6.89	11.49	173
51	Gujarat Industrial and Technical Consultancy Limited	2015-16	2016-17	0.20	0.00	1.87	5.92	0.89	0.00	2.07	0.89	43.00	31
52	Gujarat State Civil Supplies Corporation Limited	2015-16	2016-17	10.00	0.00	12.12	2,229.26	9.27	0.00	22.12	9.46	42.77	1,219
53	Gujarat State Petronet Limited	2015-16	2016-17	563.34	789.04	2,990.38	991.92	667.86	0.00	4,757.49	744.74	15.65	224
54	Gujarat Informatics Limited	2014-15	2015-16	18.51	8.59	106.90	9.63	27.98	0.19	149.98	31.29	20.86	75
55	Guj Info Petro Limited	2015-16	2016-17	0.05	0.00	16.68	21.57	8.79	0.00	43.89	8.79	20.03	82
56	Gujarat Foundation for Mental Health and Allied Sciences	2010-11	2013-14	0.02	0.00	0.00	0.00	β	--	NA	0.00	NA	1
57	Dahej SEZ Limited	2014-15	2015-16	46.05	0.00	85.67	45.18	22.80	0.00	131.72	25.55	19.40	27
58	Sabarmati Gas Limited	2015-16	2016-17	20.00	71.14	119.69	720.07	14.89	0.00	356.50	28.44	7.98	115
59	Guj-Tour Development Company Limited	2014-15	2015-16	18.40	0.00	2.77	0.00	1.71	0.00	21.17	1.71	8.08	0
60	GSPL India Gasnet Limited	2015-16	2016-17	212.02	0.00	4.69	0.00	1.74	0.00	216.71	1.74	0.80	41
61	GSPL India Transco Limited	2015-16	2016-17	168.90	0.00	4.87	0.00	1.30	0.00	173.77	1.30	0.75	46
62	BISAG Satellite Communication	2014-15	2015-16	39.08	0.27	6.70	0.00	3.78	0.00	7.02	3.78	53.85	1

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital#	Long term Loans outstanding at the end of the year	Accumulated Profit (+)/ Loss(-) (A)	Turnover (B)	Net Profit/ Loss (C)	Net Impact of Accounts Comments (D)	Capital employed (E)	Return on capital employed (F)	Percentage of return on capital employed	Manpower as on 31 March 2016
1	2	3	4	5	6	7	8	9	10	11	12	13	14
63	Gujarat Medical Services Corporation Limited	2014-15	2015-16	2.50	0.00	2.20	0.00	0.73	--	4.70	0.73	15.53	92
64	Gujarat Gas Limited	2015-16	2016-17	137.68	1,707.56	315.90	6,105.86	252.25	0.00	3,810.34	497.27	13.05	1,076
65	Narmada Clean Tech	2015-16	2016-17	82.94	31.85	-26.88	44.34	-2.35	--	277.13	-0.21	NA	65
Sector wise Total				**1,377.50**	**2,615.95**	**3,810.74**	**10,324.10**	**1,077.71**	**2.12**	**10,584.68**	**1,421.56**	**13.43**	**5,842**
Miscellaneous													
66	Gujarat Rural Industries Marketing Corporation Limited	2014-15	2015-16	13.00	2.61	11.65	128.56	9.07	--	28.44	9.07	31.89	50
67	Sardar Sarovar Narmada Nigam Limited	2014-15	2015-16	44,129.53	1,276.71	0.00	0.00	***	0.00	43,540.17	NA	NA	3,148
68	Gujarat Water Infrastructure Limited	2014-15	2015-16	145.02	0.00	-131.34	224.52	-91.37	--	3,655.93	-60.39	NA	333
Sector wise Total				**44,287.55**	**1,279.32**	**-119.69**	**353.08**	**-82.30**	**0.00**	**47,224.54**	**-51.32**	**NA**	**3,531**
Total A (All sector wise working Government Companies)				**67,543.15**	**41,882.47**	**7,595.19**	**1,07,859.49**	**1,792.78**	**693.69**	**1,38,865.96**	**6,576.57**	**4.74**	**70,577**
B	**Working Statutory Corporations**												
Agriculture & Allied													
1	Gujarat State Warehousing Corporation	2013-14	2015-16	4.00	0.00	1.61	7.83	2.11	0.75	10.21	2.11	36.56	88
Sector wise Total				**4.00**	**0.00**	**1.61**	**7.83**	**2.11**	**0.75**	**10.21**	**2.11**	**36.56**	**88**
Finance													
2	Gujarat State Financial Corporation	2015-16	2016-17	89.11	661.68	-2,339.72	11.67	-104.99	0.00	769.69	16.10	2.09	74
Sector wise Total				**89.11**	**661.68**	**-2,339.72**	**11.67**	**-104.99**	**0.00**	**769.69**	**16.10**	**2.09**	**74**
Infrastructure													
3	Gujarat Industrial Development Corporation*	2015-16	2016-17	0.00	0.00	1,491.73	554.17	75.67	0.00	11,019.11	75.67	0.69	1,130
Sector wise Total				**0.00**	**0.00**	**1,491.73**	**554.17**	**75.67**	**0.00**	**11,019.11**	**75.67**	**0.69**	**1,130**
Service													
4	Gujarat State Road Transport Corporation	2013-14	2016-17	1,359.34	2,648.94	-2,537.08	2,603.34	-132.45	520.83	1,503.97	-130.78	NA	39,962
Sector wise Total				1,359.34	2,648.94	-2,537.08	2,603.34	-132.45	520.83	1,503.97	-130.78	NA	39,962
Total B (All sector wise working Statutory Corporations)				**1,452.45**	**3,310.62**	**-3,383.46**	**3,177.01**	**-159.66**	**521.58**	**13,302.98**	**-36.90**	**NA**	**41,254**
Grand Total (A + B)				**68,995.60**	**45,193.09**	**4,211.73**	**1,11,036.50**	**1,633.12**	**1,215.27**	**1,52,168.94**	**6,539.67**	**4.30**	**1,11,831**
C	**Non working Government Companies**												
Agriculture & Allied													
1	Gujarat Fisheries Development Corporation Limited	1998-99	2002-03	1.94	µ	4.01	28.13	-1.05	--	0.87	-0.90	NA	0

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital#	Long term Loans outstanding at the end of the year	Accumulated Profit (+)/ Loss(-) (A)	Turnover (B)	Net Profit/ Loss (C)	Net Impact of Accounts Comments (D)	Capital employed (E)	Return on capital employed (F)	Percentage of return on capital employed	Manpower as on 31 March 2016
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
2	Gujarat Dairy Development Corporation Limited	2015-16	2016-17	10.46	75.10	-122.75	0.00	-0.35	0.00	-1.37	-0.26	NA	5
Sector wise Total				**12.40**	**75.10**	**-118.74**	**28.13**	**-1.40**	**0.00**	**-0.50**	**-1.16**	**NA**	**5**
Finance													
3	Gujarat Small Industries Corporation Limited (under liquidation)	2006-07	2007-08	4.00	µ	-74.93	0.00	-3.62	--	3.21	-0.31	NA	0
4	Gujarat Leather Industries Limited (under liquidation)	2001-02	2002-03	1.50	µ	-6.67	0.00	0.00	--	0.00	0.00	--	0
5	GSFS Capital and Securities Limited (under liquidation)	2013-14	2014-15	5.00	0.00	9.05	1.18	0.98	0.00	15.01	0.98	6.53	0
Sector wise Total				**10.50**	**0.00**	**-72.55**	**1.18**	**-2.64**	**0.00**	**18.22**	**0.67**	**3.68**	**0**
Infrastructure													
6	Gujarat State Construction Corporation Limited	2015-16	2016-17	5.00	53.40	-48.82	0.00	-0.71	0.00	10.78	0.07	0.65	0
Sector wise Total				**5.00**	**53.40**	**-48.82**	**0.00**	**-0.71**	**0.00**	**10.78**	**0.07**	**0.65**	**0**
Manufacture													
7	Gujarat State Textile Corporation Limited (under liquidation)	1996-97	1997-98	46.46	µ	0.00	0.00	0.00	--	0.00	0.00	--	0
8	Gujarat State Machine Tools Limited	2014-15	2015-16	0.54	2.69	-2.97	0.00	-0.07	0.00	0.25	-0.07	NA	0
9	Gujarat Communications and Electronics Limited (under liquidation)	2000-01	2001-02	12.45	µ	-104.74	5.57	-34.13	--	0.00	-34.13	--	0
10	Gujarat Trans-Receivers Limited	2014-15	2015-16	0.29	3.57	-6.06	0.00	µ	--	-2.17	0.00	--	0
11	Gujarat Fintex Limited (under liquidation, subsidiary of GSTC)	1994-95	1995-96	₹ 200 only	µ	0.00	0.00	0.00	--	0.00	0.00	--	0
12	Gujarat Siltex Limited (under liquidation, subsidiary of GSTC)	1994-95	1995-96	₹ 200 only	µ	0.00	0.00	0.00	--	0.00	0.00	--	0
13	Gujarat Texfab Limited (under liquidation, subsidiary of GSTC)	1994-95	1995-96	₹ 200 only	µ	6.04	0.00	0.00	--	0.00	0.00	--	0
14	Naini Coal Company Limited	2011-12	2013-14	0.05	0.00	0.05	0.00	0.10	--	0.10	0.10	100.00	0
Sector wise Total				**59.79**	**6.26**	**-107.68**	**5.57**	**-34.10**	**0.00**	**-1.82**	**-34.10**	**NA**	**0**
Total C (All sector wise non working Government Companies)				**87.69**	**134.76**	**-347.79**	**34.88**	**-38.85**	**0.00**	**26.68**	**-34.52**	**NA**	**5**
Grand Total (A + B + C)				**69,083.29**	**45,327.85**	**3,863.94**	**1,11,071.38**	**1,594.27**	**1,215.27**	**1,52,195.62**	**6,505.15**	**4.27**	**1,11,836**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital#	Long term Loans outstanding at the end of the year	Accumulated Profit (+)/ Loss(-) (A)	Turnover (B)	Net Profit/ Loss (C)	Net Impact of Accounts Comments (D)	Capital employed (E)	Return on capital employed (F)	Percentage of return on capital employed	Manpower as on 31 March 2016
1	2	3	4	5	6	7	8	9	10	11	12	13	14

(A) Accumulated Profit/Loss represents the balance of surplus/deficit of the Statement of Profit and Loss as depicted in the Balance Sheet.

(B) The Turnover of the Company represents the main source of income of the PSU based on the nature of activity undertaken.

(C) Net Profit/Loss represents Profit/Loss Before Tax as depicted in the statement of Profit and Loss account of the entity.

(D) Impact of accounts comments include the comments of Statutory Auditors and CAG indicating decrease in profit/ increase in losses for the year for which final comments of CAG have been issued upto 30 September 2016.

(E) Capital employed in case of Companies/Corporations preparing their accounts based on Revised Schedule VI is the sum of "Shareholders' Funds" and "Long Term Borrowings". However, the shareholders' Funds here do not include share application money. Also, Long Term Borrowings do not include debts maturing within 12 months. In case of Companies/Corporation preparing their accounts based on old schdedule VI, Capital employed is "Net fixed Assets including Capital works in progress plus working capital".

(F) Return on Capital Employed has been worked out by adding profit/loss and interest charged to profit and loss account.

Sl. No. A-8, A-11, A-15, A-18, A-22, A-24, A-34, A-56,A-59, A-63, A-68, C-1, C-3, C-4, C-5, C-7, C-9, C-11, C-12, C-13 and C-14 did not submit any accounts during 1st October 2015 to 30 September 2016. Hence, figures as per last year report have been incorporated.

Paid-up Capital includes Share Application Money.

$ Excess of income transferred to Non-plan grant by Company (Sl. No. A-8).

£ In case of A-16, A-17 and A-28 accounts not finalised from date of incorporation to 31 March 2016. (In case of A-16 first two accounts not finalised).

Neither profit nor loss is shown by the Company as excess of expenditure over income is transferred to works completed.

*** Indicates PSU under construction.

β Expenditure incurred set off from grants income.

* State Government made capital contribution in the form of loan, hence, paid-up capital is Nil. However, even the loans have now been repaid.

µ As the accounts are in arrears in respect of Non-working SPSUs at Sl. No. C-1, C-3, C-4, C-7, C-9, C-11, C-12 and C-13 since a long time, the figures of long term loans not available.

** In case of A-26, the company has shown zero profit/loss.

Annexure 3

Statement showing cost of projects, instalments released and present status of selected R-APDRP projects

(Referred to in paragraph 2.1.6 and 2.1.8.4)

(Amount: ₹ in crore)

Name of Project/ Town	Approved project cost	Tendered Cost of the Project	Release of 1st Instalment of funds by PFC		2nd claim of DISCOMs		Release* of 2nd Instalment of funds by PFC		3rd claim of DISCOMs		Release of 3rd Instalment of funds by PFC		Total amount released till March 2016	Present status of work as on July 2016
			Date	Amount	Date	Amount	Date	Amount	Date	Amount	Date	Amount		
Part A														
DGVCL														
Surat	16.36	Total ₹ 42.24 crore contracts for all DGVCL Part A projects.	23.09.2009	3.37	06.12.2012	5.81	29.12.2012	5.81	18.04.2013	4.91	-	-	9.18	Completed
Bharuch	2.67			0.56		0.80		0.80		0.80	-	-	1.36	Completed
Vapi	2.42			0.79		0.73		0.73		0.73	-	-	1.52	Completed
Navsari	2.13			0.53		0.64		0.64		0.64	-	-	1.17	Completed
Bilimora	0.91			0.23		0.27		0.27		0.27	-	-	0.50	Completed
MGVCL														
Baroda	56.70	Total ₹ 125.44 crore contracts for all MGVCL Part A projects.	23.03.2009, 06.07.2009 and 21.10.2009	13.99	24.08.2012	19.95	28.09.2012	19.95	23.06.2015	17.01	-	-	33.94	Completed
Anand	2.13			0.70		0.58		0.58		0.64	-	-	1.28	Completed
Nadiad	2.00			0.61		0.59		0.59		0.60	-	-	1.20	Completed
Borsad	0.96			0.20		0.38		0.38		0.29	-	-	0.58	Completed
Petlad	0.88			0.18		0.35		0.35		0.26	-	-	0.53	Completed
PGVCL														
Amreli	1.80	₹ 56.79 crore for all PGVCL Part A projects.	17.09.2009	0.45	02.05.2012	0.62	09.07.2012	0.55	12.02.2013	0.99	06.06.2013	0.44	1.44	Completed
Bhuj	1.87			0.40		0.46		0.65		0.97		0.45	1.50	Completed
Gandhidham	2.44			0.59		0.42		0.78		3.24		0.59	1.96	Completed
Jamnagar	5.75			1.38		1.84		1.84		2.68		1.39	4.61	Completed
Junagadh	4.40			0.78		1.82		1.70		2.42		1.06	3.54	Completed
Keshod	0.99			0.34		0.55		0.22		0.73		0.24	0.80	Completed
Morbi	2.28			0.82		0.41		0.46		1.12		0.55	1.83	Completed
Rajkot	19.80			7.81		3.87		3.30		7.73		4.80	15.91	Completed
Sihor	0.99			0.30		0.47		0.26		0.64		0.24	0.80	Completed
Wadhwan	3.12			0.90		0.55		0.85		2.31		0.76	2.51	Completed
UGVCL														
Ahmedabad	8.71	₹ 32.37 crore for all UGVCL Part A projects.	14.09.2009	2.42	02.03.2013	5.20	11.06.2013	2.60	28.09.2015	6.93	Yet not Released	-	5.02	Completed
Bavla	0.77			0.23		0.47		0.23		0.60		-	0.46	Completed
Himatnagar	1.74		12.09.2012	0.51		0.97		0.52		1.30		-	1.03	Completed
Palanpur	2.02			0.63		1.24		0.61		1.45		-	1.24	Completed
Visnagar	1.48		28.09.2012	0.47		0.90		0.44		1.12		-	0.91	Completed

Name of Project/ Town	Approved project cost	Tendered Cost of the Project	Release of 1st Instalment of funds by PFC		2nd claim of DISCOMs		Release* of 2nd Instalment of funds by PFC		3rd claim of DISCOMs		Release of 3rd Instalment of funds by PFC		Total amount released till March 2016	Present status of work as on July 2016
			Date	Amount	Date	Amount	Date	Amount	Date	Amount	Date	Amount		
Part B														
DGVCL														
Surat	142.18	Work executed by the Company departmentally	22.09.2010 and 16.03.2011	21.33	-	-	-	-	-	-	-	-	21.33	Completed
Bharuch	15.47		22.09.2010	2.32	-	-	-	-	-	-	-	-	2.32	Completed
Bilimora	4.09		22.09.2010	0.61	-	-	-	-	-	-	-	-	0.61	Completed
Jambusar	3.20		22.09.2010	0.48	-	-	-	-	-	-	-	-	0.48	Completed
MGVCL														
Baroda	58.48	Work executed by the Company departmentally	01.01.2015	8.77	-	-	-	-	-	-	-	-	8.77	WIP(SCADA)
Godhra	37.60		23.09.2010	5.64	-	-	-	-	-	-	-	-	5.64	Completed
Anand	29.22		08.08.2014	4.38	-	-	-	-	-	-	-	-	4.38	WIP
Padra	5.44		23.09.2010	0.82	-	-	-	-	-	-	-	-	0.82	Completed
Borsad	4.61			0.69	-	-	-	-	-	-	-	-	0.69	Completed
Mehdabad	4.25			0.64	-	-	-	-	-	-	-	-	0.64	Completed
PGVCL														
Bhavnagar	62.02	Work executed by the Company departmentally.	23.09.2010	9.30	-	-	-	-	-	-	-	-	9.30	WIP(SCADA)
Botad	8.61			1.29	-	-	-	-	-	-	-	-	1.29	Completed
Dhrangadhra	8.78			1.31	-	-	-	-	-	-	-	-	1.31	Completed
Dwarka	1.81			0.27	-	-	-	-	-		-	-	0.27	Completed
Gondal	8.22			1.23	-	-	-	-	-	-	-	-	1.23	Completed
Jamnagar	145.31			21.80	-	-	-	-	-	-	-	-	21.80	WIP(SCADA)
Jasdan	7.80			1.17	-	-	-	-	-	-	-	-	1.17	Completed
Junagadh	37.84			5.67	-	-	-	-	-	-	-	-	5.67	Completed
Keshod	3.43			0.52	-	-	-	-	-	-	-	-	0.52	Completed
Limbdi	4.90			0.74	-	-	-	-	-	-	-	-	0.74	Completed
Rajkot	156.19			23.43	-	-	-	-	-	-	-	-	23.43	WIP(SCADA)
Veraval	40.33			6.05	-	-	-	-	-	-	-	-	6.05	Completed
Wadhwan	31.35			4.70	-	-	-	-	-	-	-	-	4.70	Completed
UGVCL														
Ahmedabad	68.54	Work completed departmentally.	19.03.2016	0.73	-	-	-	-	-	-	-	-	0.73	WIP (SCADA)
Viramgam	7.69		16.03.2010	1.15	-	-	-	-	-	-	-	-	1.15	Completed

Name of Project/ Town	Approved project cost	Tendered Cost of the Project	Release of 1st Instalment of funds by PFC		2nd claim of DISCOMs		Release* of 2nd Instalment of funds by PFC		3rd claim of DISCOMs		Release of 3rd Instalment of funds by PFC		Total amount released till March 2016	Present status of work as on July 2016
			Date	Amount	Date	Amount	Date	Amount	Date	Amount	Date	Amount		
SCADA														
Surat	14.84	₹ 11.72 crore Turnkey Contract for DGVCL SCADA Part A projects to M/s Chemtrols Ltd.	16.03.2011	4.45	-	-	-	-	-	-	-	-	4.45	WIP
Baroda	26.18	₹ 18.79 crore Turnkey Contract for MGVCL SCADA Part A projects to M/s Chemtrols Ltd.	10.03.2011	7.90	-	-	-	-	-	-	-	-	7.90	WIP
Bhavnagar	16.03	₹ 43.83 crore Turnkey Contract for all PGVCL SCADA Part A projects to M/s Chemtrols Ltd.	18.03.2011	4.80	-	-	-	-	-	-	-	-	4.80	WIP
Jamnagar	21.74			6.52	-	-	-	-	-	-	-	-	6.52	WIP
Rajkot	25.90			7.77	-	-	-	-		-	-	-	7.77	WIP
Ahmedabad	33.82	₹ 21.66 crore Turnkey Contract for UGVCL SCADA Part A project to M/s Chemtrols Ltd.	04.03.2011	10.15	-	-	-	-	-	-	-	-	10.15	WIP

*The release of tranches to DISCOMs is on the basis of utilisation of earlier advance and certified claims submitted to PFC. Hence the amount claimed represents the amount utilised against the previous instalment and will not tally with the amount released.

Annexure 4

Statement showing the saving by DISCOMs before and after R-APDRP projects due to reduction in AT&C loss and potential saving not achieved due to non achievement of AT&C loss targets

(Referred to in paragraph 2.1.9)

Sl No	Project Town	Baseline AT&C losses (in *per* cent for 6 Months)	Before R-APDRP Project			For the year 2015-16			Revenue loss = {(Cl. 7 - 15 *per cent* AT&C losses) X Units sent out} / 1,000 X ARR of 2015-16 (₹ in crore)	*Revenue saved by the DISCOM due to R-APDRP (₹ in crore)
			AT&C losses (in *per cent)*	Units sent out in MUs	Units sold in MUs	AT&C losses (in *per cent*)	Units sent out in MUs	Units sold in MUs		
1	2	3	4	5	6	7	8	9	10	11
						MGVCL				
1	Balasinor	28.74	22.24	14.23	11.07	11.88	20.20	17.80		
2	Baroda	13.72	10.42	1,575.00	1,410.83	5.80	1,855.30	1,747.76		
3	Borsad	27.16	22.17	18.04	14.04	9.62	26.72	24.15		
4	Chaklasi	39.06	25.73	6.83	5.07	18.26	8.49	6.94	0.16	
5	Dabhoi	19.48	19.33	16.99	13.70	10.16	25.10	22.55		
6	Godhra	31.65	33.09	89.24	59.71	20.67	205.14	162.73	6.92	
7	Halol	24.46	21.55	21.19	16.62	12.78	34.90	30.44		
8	Kapadvanj	20.51	25.60	21.86	16.27	9.46	31.50	28.52		
9	Lunawada	30.50	18.36	15.30	12.49	12.59	23.04	20.14		
10	Mehmdabad	26.77	28.31	12.62	9.05	10.95	13.15	11.71		
11	Padra	23.87	28.32	16.00	11.47	11.77	25.07	22.12		
Total				**1,807.30**	**1,580.32**		**2,268.61**	**2,094.86**	**7.08**	
		Units Lost In MUs		**226.98**			**173.75**			**31.67**
						PGVCL				
1	Amreli	31.76	23.34	63.93	49.01	12.95	92.09	80.16		
2	Savarkundla	46.26	50.73	33.23	23.85	42.10	41.02	35.10	6.07	
3	Rajula	44.11	30.02	16.05	11.81	19.26	22.98	18.55	0.53	
4	Kodinar	67.55	66.86	28.73	9.52	46.17	32.77	17.64	5.58	
5	Una	34.83	29.64	26.85	18.81	21.33	36.94	29.06	1.28	
6	Bagasara	45.78	39.40	13.01	9.37	16.65	15.10	12.59	0.14	
7	Bhuj	17.55	18.69	78.03	63.45	9.78	145.24	131.04		
8	Mandvi	26.61	27.92	20.13	15.42	14.36	27.93	23.92		
9	Anjar	25.24	26.58	35.93	27.00	12.24	69.18	60.72		
10	Gandhidham	15.46	21.95	139.87	109.17	14.78	208.43	177.62		
11	Botad	30.84	28.24	63.82	45.80	14.37	85.73	73.41		

Sl No	Project Town	Baseline AT&C losses (in *per* cent for 6 Months)	Before R-APDRP Project			For the year 2015-16			Revenue loss = {(Cl. 7 - 15 *per cent* AT&C losses) X Units sent out} / 1,000 X ARR of 2015-16 (₹ in crore)	*Revenue saved by the DISCOM due to R-APDRP (₹ in crore)
			AT&C losses (in *per cent)*	Units sent out in MUs	Units sold in MUs	AT&C losses (in *per cent*)	Units sent out in MUs	Units sold in MUs		
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
12	Bhavnagar	15.15	18.26	389.06	318.00	7.63	576.30	532.31		
13	Shihor	15.70	19.30	71.17	64.08	7.81	82.96	76.48		
14	Mahuva	19.91	22.44	52.23	40.51	13.38	79.34	68.72		
15	Palitana	34.77	21.41	29.89	23.49	18.53	37.50	30.55	0.72	
16	Gariyadhar	48.01	40.04	20.48	12.28	17.76	16.03	13.18	0.24	
17	Jamnagar	29.02	31.26	430.92	296.21	23.21	626.52	481.09	28.08	
18	Khambhaliya	28.83	18.60	45.94	37.77	16.97	50.42	41.86	0.54	
19	Dwarka	20.51	23.92	14.30	10.88	13.54	23.81	20.59		
20	Junagadh	17.66	20.40	201.29	160.23	12.63	276.41	241.50		
21	Veraval	18.57	29.22	138.79	98.23	13.44	237.79	205.84		
22	Morbi	17.05	16.34	121.14	101.34	11.86	173.24	152.69		
23	Wankaner	31.62	25.34	34.73	25.93	15.66	38.47	32.45	0.14	
24	Keshod	23.82	22.78	36.01	28.76	8.12	46.88	43.07		
25	Mangrol	17.11	22.81	30.35	24.25	6.47	35.82	33.50		
26	Rajkot	17.18	18.18	878.56	718.86	10.35	1,472.70	1,320.20		
27	Gondal	25.45	33.54	73.12	48.60	21.70	86.80	67.97	3.18	
28	Dhoraji	15.27	15.97	71.00	59.66	7.86	90.96	83.81		
29	Jetpur	22.47	20.28	117.79	95.22	9.41	174.45	158.04		
30	Upleta	16.58	19.02	44.54	36.07	8.66	52.05	47.55		
31	Jasdan	25.37	34.88	34.49	22.46	21.55	33.66	26.41	1.20	
32	Limbdi	29.04	32.94	20.22	14.58	16.11	43.87	36.80	0.27	
33	Wadhwan	18.46	23.00	140.97	111.20	12.75	194.89	170.04		
34	Dhangadhra	34.76	33.67	46.13	32.77	23.11	53.87	41.42	2.39	
35	Than	33.23	32.65	62.26	46.28	16.22	78.15	65.47	0.52	
Total				**3,624.96**	**2,810.87**		**5,360.30**	**4,651.35**	**50.88**	
		Units Lost In MUs		**814.09**			**708.95**			**57.41**
DGVCL										
1	Surat	22.71	21.66	814.80	638.31	9.75	1,504.02	1,356.47		
2	Vyara	28.08	20.67	20.78	16.49	17.93	31.91	26.19	0.59	
3	Valsad	22.60	16.95	95.30	79.15	8.10	112.17	109.82		
4	Vapi	22.76	17.49	115.21	95.06	10.98	162.17	149.31		

Sl No	Project Town	Baseline AT&C losses (in *per* cent for 6 Months)	Before R-APDRP Project			For the year 2015-16			Revenue loss = {(Cl. 7 - 15 *per cent* AT&C losses) X Units sent out} / 1,000 X ARR of 2015-16 (₹ in crore)	*Revenue saved by the DISCOM due to R-APDRP (₹ in crore)
			AT&C losses (in *per cent)*	Units sent out in MUs	Units sold in MUs	AT&C losses (in *per cent*)	Units sent out in MUs	Units sold in MUs		
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
5	Bilimora	20.18	16.18	31.56	26.56	8.18	43.06	41.33		
6	Bharuch	18.01	15.73	154.18	131.46	11.58	210.42	205.39		
7	Rajpipla	34.08	25.80	15.63	12.71	15.31	22.68	19.21	0.04	
8	Jambusar	39.21	40.89	13.88	8.90	21.36	19.49	18.63	0.78	
Total				**1,261.34**	**1,008.64**		**2,105.92**	**1,926.35**	**1.41**	
		Units Lost In MUs		**252.70**			**179.57**			**46.29**
						UGVCL				
1	Dehgam	17.10	15.44	16.60	13.76	5.52	26.41	24.95		
2	Viramgam	39.01	39.63	26.60	16.60	22.76	37.35	28.85	1.34	
3	Sanand	26.00	26.17	16.50	12.22	12.74	46.03	40.16		
4	Radhanpur	18.60	22.64	20.46	16.66	13.37	25.65	22.22		
5	Kalol	19.50	18.00	49.76	40.05	9.74	69.19	62.45		
6	Ahmedabad	5.41	13.55	400.84	368.81	6.44	952.75	907.17		
Total				**530.76**	**468.10**		**1,157.38**	**1,085.80**	**1.34**	
		Units Lost In MUs		**62.66**			**71.58**			**-4.14**
	Grand Total (All DISCOMs)	**Units Lost before R-APDRP (in MUs)**		**1,356.43**	**Units Lost in year 2015-16 (in MUs)**		**1,133.85**		**60.71**	**131.23**

* **Revenue saved by the DISCOM due to R-APDRP** = (Units lost in MUs before R-APDRP - Units lost in MUs in 2015-16) / 10 X Average Revenue Realisation *per* unit of the particular DISCOM (₹ 5.95/unit for MGVCL, ₹ 5.46/unit for PGVCL, ₹ 6.33/unit for DGVCL and ₹ 4.64/unit for UGVCL)

Annexure 5

Financial performance of the Emporia of Gujarat State Handloom and Handicrafts Development Corporation Limited

(Referred to in paragraph 3.2.5)

(Figures in columns 3 to 8, 10 to 16 and 18 are ₹ in lakh)

Sl. No.	Location of the Emporia	2013-14								2014-15							
		Target Sales	Purchases^	Salary Expenses	Other Expenses	Total Expenses*	Sales	Actual sale to target sale (%)	Profit/ (Loss)	Target Sales	Purchases^	Salary Expenses	Other Expenses	Total Expenses*	Sales	Actual sales to Target sales (%)	Profit/ (Loss)
1	2	3	4	5	6	7	8	9=(8/3*100)	10=(8-7)	11	12	13	14	15	16	17=(16/11*100)	18=(16-15)
1	Ashram Road, Ahmedabad	400.00	172.35	32.33	22.60	227.28	217.16	54.29	-10.12	350.00	186.70	21.01	22.82	230.52	235.24	67.21	4.72
2	Ambavadi, Ahmedabad	60.00	34.44	9.71	3.16	47.31	43.39	72.32	-3.92	50.00	28.35	9.64	1.60	39.60	35.73	71.45	-3.87
3	Anand	45.00	30.14	4.29	1.61	36.04	37.98	84.40	1.93	50.00	26.48	4.81	1.27	32.55	33.36	66.73	0.81
4	Vastrapur, Ahmedabad	20.00	8.69	11.05	1.28	21.02	10.95	54.75	-10.07	20.00	9.64	12.76	0.78	23.19	12.15	60.74	-11.04
5	Bharuch	30.00	11.70	5.63	0.91	18.24	14.74	49.14	-3.49	30.00	9.39	6.31	0.67	16.37	11.83	39.43	-4.54
6	Bhavnagar	30.00	18.40	6.21	3.02	27.63	23.18	77.26	-4.45	30.00	15.41	6.91	2.38	24.70	19.42	64.74	-5.28
7	Bhuj-1 @	20.00	10.15	0.80	0.69	11.64	12.78	63.92	1.15	20.00	6.04	0.89	0.41	7.34	7.61	38.05	0.27
8	Bhuj-2 @	10.00	3.43	0.80	0.69	4.92	4.32	43.18	-0.60	10.00	6.37	0.89	0.41	7.68	8.03	80.28	0.35
9	Gandhinagar	100.00	104.69	15.32	4.26	124.27	131.91	131.91	7.65	150.00	56.23	13.35	4.18	73.75	70.85	47.23	-2.91
10	Rajkot	50.00	27.60	6.10	1.88	35.58	34.78	69.56	-0.81	50.00	18.67	6.78	1.42	26.87	23.52	47.04	-3.35
11	Rajpipla @	15.00	6.51	0.00	0.44	6.95	8.20	54.68	1.25	15.00	4.88	0.00	0.34	5.23	6.15	41.02	0.93
12	Surat-1	40.00	15.75	7.95	1.95	25.66	19.85	49.63	-5.81	30.00	11.06	8.85	1.68	21.59	13.94	46.47	-7.65
13	Surat-2	30.00	5.10	3.66	3.42	12.18	6.42	21.41	-5.76	20.00	2.90	4.08	2.62	9.60	3.66	18.29	-5.94
14	Surendranagar	40.00	28.80	6.05	0.93	35.79	36.29	90.72	0.50	40.00	28.59	5.62	0.88	35.10	36.02	90.06	0.93
15	Vadodara	75.00	28.18	3.28	5.37	36.83	35.51	47.35	-1.32	75.00	22.17	3.65	5.32	31.13	27.93	37.24	-3.20
	Gujarat Total	**965.00**	**505.93**	**113.18**	**52.21**	**671.33**	**637.47**	**66.06**	**-33.86**	**940.00**	**432.89**	**105.55**	**46.78**	**585.23**	**545.44**	**58.03**	**-39.78**
1	Bangalore	180.00	97.78	23.43	7.50	128.71	123.21	68.45	-5.50	200.00	68.90	18.85	8.54	96.28	86.81	43.41	-9.47
2	Chennai	80.00	10.22	6.65	5.57	22.44	12.88	16.10	-9.56	75.00	36.71	5.78	5.02	47.51	46.25	61.67	-1.26
3	Hyderabad	125.00	75.84	10.36	5.64	91.83	95.56	76.44	3.72	125.00	44.53	7.18	4.55	56.26	56.10	44.88	-0.15
4	Kolkata-1	300.00	209.51	13.66	15.31	238.48	263.99	88.00	25.50	300.00	221.46	11.13	14.10	246.69	279.04	93.01	32.35
5	Kolkata-2	100.00	88.37	4.97	4.46	97.80	111.35	111.35	13.55	100.00	78.10	4.43	4.38	86.91	98.41	98.41	11.50
6	Lucknow	45.00	14.78	8.11	4.83	27.72	18.62	41.38	-9.09	50.00	10.06	5.26	4.32	19.64	12.67	25.35	-6.97
7	Mumbai	300.00	214.49	14.46	5.74	234.69	270.26	90.09	35.57	300.00	246.13	10.78	4.59	261.50	310.13	103.38	48.63
8	New Delhi	300.00	146.70	51.03	22.02	219.76	184.84	61.61	-34.91	300.00	135.69	33.34	21.96	190.99	170.97	56.99	-20.02
	Outside Gujarat Total	**1,430.00**	**857.70**	**132.66**	**71.07**	**1,061.44**	**1,080.71**	**75.57**	**19.27**	**1,450.00**	**841.57**	**96.75**	**67.45**	**1,005.78**	**1,060.38**	**73.13**	**54.61**
	Grand Total	**2,395.00**	**1,363.63**	**245.84**	**123.29**	**1,732.76**	**1,718.18**	**71.74**	**-14.58**	**2,390.00**	**1,274.46**	**202.30**	**114.24**	**1,591.00**	**1,605.83**	**67.19**	**14.82**

^ *Since cost price of finished items is not available with Emporia, the purchases (cost) of finished items are arrived at by de ducting 26 percent of sales value. This calculation is done based on the accounting policy of the Company in respect of valuation of closing stock of finished items.*

* *Total expenses comprise purchase cost, salary expenses and other expenses.*

@ *In respect of Bhuj-1 and Bhuj-2 Emporia, since the salaries and other expenses are combined accounted for, the same has been evenly distributed between the two emporia. The details of salary expenses of Rajpipla Emporium were not available.*