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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31ST MARCH 2008

COMMERCIAL

GOVERNMENT OF MAHARASHTRA

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Preface

Government commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories:

- Government companies,
- Statutory corporations, and
- Departmentally managed commercial undertakings.

2. This report deals with the results of audit of Government companies and Statutory corporations and has been prepared for submission to the State Government under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India (Civil) – State Government.

3. Audit of the accounts of Government companies is conducted by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956.

4. In respect of the Maharashtra State Road Transport Corporation, which is a Statutory corporation, the CAG is the sole auditor. As per the State Financial Corporations (Amendment) Act, 2000, the CAG has the right to conduct the audit of accounts of Maharashtra State Financial Corporation in addition to the audit conducted by the Chartered Accountants, appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. In respect of Maharashtra State Warehousing Corporation, the CAG has the right to conduct the audit of accounts in addition to the audit conducted by the Chartered Accountants, appointed by the State Government in consultation with the CAG. The sole audit of accounts of Maharashtra 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. In respect of Maharashtra Electricity Regulatory Commission, the CAG is the sole auditor. The Audit Reports on the annual accounts of the Corporations/Commission are forwarded separately to the State Government.

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2007-08 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2007-08 have also been included, wherever deemed necessary.

6. The audit in relation to material included in the Audit Report has been conducted in accordance with the Auditing Standards.

Overview

1. Overview of Government Companies and Statutory Corporations

As on 31 March 2008, the State had 80 Public Sector Undertakings (PSUs) comprising of 76 Government companies and four Statutory corporations, as against 77 PSUs as on 31 March 2007. Out of 76 Government companies, 49 were working, while 27 were non-working Government companies. All the four Statutory corporations were working corporations.

(Paragraph 1.1)

The total investment in working PSUs was Rs 28,488.27 crore as on 31 March 2008 as against Rs 24,562.69 as on 31 March 2007. The total investment in non-working PSUs was Rs 791.35 crore and Rs 794.24 crore respectively during the same period.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of capital, loans, and grants/subsidies disbursed to the working PSUs increased from Rs 3,093.70 crore in 2006-07 to Rs 3,781.10 crore in 2007-08. The State Government guaranteed loans aggregating Rs 106.72 crore to working PSUs during 2007-08. The total amount of outstanding loans guaranteed by the State Government to working PSUs as on 31 March 2008 was Rs 8,774.53 crore.

(Paragraph 1.5)

Two working Government companies and two Statutory corporations finalised their accounts for the year 2007-08 within the stipulated period. The accounts of 47 working Government companies and two working Statutory corporations were in arrears for periods ranging from one to 13 years as on 30 September 2008. The accounts of 21 non-working Government companies were in arrears for periods ranging from one to 22 years as on 30 September 2008. Three Companies were under liquidation.

(Paragraphs 1.6 and 1.19)

According to the latest finalised accounts, 23 working Government companies and three working Statutory corporations earned profit aggregating Rs 512.59 crore and Rs 210.68 crore respectively. Against this, 21 working Government companies and one Statutory corporation incurred loss aggregating Rs 1,379.90 crore and Rs 9.75 crore respectively as per their latest finalised accounts. Of the 21 loss incurring working Government companies, five companies had accumulated losses aggregating Rs 2,042.18 crore, which exceeded their aggregate paid-up capital of Rs 35.91 crore. The only loss incurring Statutory corporation had accumulated losses aggregating Rs 622.37 crore, which exceeded its paid-up capital of Rs 62.64 crore.

(Paragraphs 1.7,1.9 and 1.11)

2. Performance Audit relating to Government Companies

Performance Audits relating to **Operational performance of Maharashtra State Police Housing and Welfare Corporation Limited, Operational performance of Shivshahi Punarvasan Prakalp Limited and Power Purchase Management in Maharashtra State Electricity Distribution Company Limited** were conducted and some of the main findings are as under:

Operational performance of Maharashtra State Police Housing and Welfare Corporation Limited

The Company established in March 1974, was functioning as an implementing agency of the State Government on 'no profit no loss' basis and the expenditure in excess of income is allocated to projects. The planning and execution process of the Company was defective due to works not being taken up despite administrative approvals and receipt of funds. There were cases of diversion of funds, poor monitoring, avoidable expenditure due to inordinate delay in issue of work order and unjustified termination of contracts and non-negotiations with contractors.

The Company spent Rs 22.13 crore over and above the funds of Rs 66.63 crore received against 16 works by diverting the funds of other works. Funds of Rs 100.27 crore received for 33 works were not utilised.

The Company did not invoke the risk and cost clause for recovery of Rs 23.24 crore being the additional expenditure incurred on subsequent work orders.

There were cases of overpayments of Rs 40.47 lakh due to incorrect adoption of price indices and incorrect totals.

There were irregularities in appointments of architects and Project Management Consultants (PMCs). There were instances of overpayments/ irregular payments to architects and PMCs to the tune of Rs 1.30 crore and Rs 13 lakh respectively.

Internal controls including internal audit were inadequate in comparison with the magnitude of works involved. There was lack of adequate monitoring in execution/completion of works as well as in handing over of completed works.

(Chapter 2.1)

Operational performance of Shivshahi Punarvasan Prakalp Limited

The Company was formed as a separate entity to speed up the Slum Rehabilitation programme in Mumbai Metropolitan Region. Despite availability of funds, the State Government did not release the entire share capital to the Company leading to financial crunch and delays in implementation of schemes. The Company had taken up 10 SR Schemes involving construction of 10,673 tenements. Five schemes were completed prior to 2003-04 and out of the remaining five schemes, three were yet to be completed. No further schemes were taken up after 1998-99. The role of the Company therefore remained negligible. There were irregularities in payments made to contractors on account of escalation claims and bonus. The Company had no system to test check the quality and quantity of work certified by the consultants. Internal control system was weak due to non segregation of duties of the departments and poor monitoring of various functions.

The Company extended undue benefits of Rs 21.44 crore to contractors on account of escalation claims and bonus by violating the terms of contracts.

The Company suffered a loss of interest of Rs 6.94 crore due to delay in execution of agreement for sale of 889 flats in SR Scheme at Dindoshi.

The Company extended undue benefit of Rs 64.42 lakh to a private party by fixing lower rent/security deposit for Permanent Transit Camps given on rent.

The Company completed construction of 7,649 Rehabilitation/Project Affected Persons tenements, transit camps and saleable tenements and handed over 6,715 tenements. The balance 934 tenements completed during January 2002 to April 2007, were yet to be allotted/sold.

(Chapter 2.2)

Power Purchase Management in Maharashtra State Electricity Distribution Company Limited

The Company was established in June 2005 for distribution of electricity in the State. The shortfall in supply of power increased from 9,908 MUs in 2003-04 to 19,092 MUs in 2007-08. Due to non augmentation of generation capacity by Maharashtra State Power Generation Company Limited during the last five years' period under review, the Company had to resort to purchase of costly power from outside agencies which too was not sufficient to cater to the requirement of power in the State. Huge shortfall of power led to increased load shedding ranging from 2.5 to 15 hours. The scope of internal audit did not cover the power purchase activity including payments.

The Company did not avail its entire allocation from cheaper Central sources to the full extent during the three year period of 2005-06 to 2007-08 and had to incur additional extra expenditure of Rs 374.79 crore on purchase of power on short term basis.

In the absence of penal clauses in contractual provisions the Company had to purchase power from costly sources resulting in financial outgo of Rs 31.38 crore. Defective agreement for banking of power resulted in avoidable extra expenditure of Rs 48.72 crore.

The Maharashtra Electricity Regulatory Commission (MERC) disallowed Rs 96 crore of the Company due to violation of load regulations. The MERC also disallowed purchase of power of Rs 7.39 crore due to excess Transmission and Distribution losses over norms. The wheeling charges of Rs 4.08 crore could not be recovered from consumers due to disallowance by MERC.

(Chapter 2.3)

3. Transaction Audit Observations

Audit observations included in this Chapter highlight deficiencies in the management of PSUs, involving serious financial irregularities. The irregularities pointed out are broadly of the following nature:

- Loss of revenue of Rs 34.66 crore in five cases due to incorrect working of upfront toll price, defective contract clauses, delay in finalisation of bids, incorrect estimation of toll revenues and sale of plots at concessional rates.

(Paragraphs 3.10,3.11,3.13,3.14 and 3.19)

- Extra/wasteful/avoidable unfruitful expenditure of Rs 18.33 crore in 11 cases due to award of contracts without proper planning, procurement of meters against the expired contracts, hasty decisions of Company, purchases of fire protection equipment locally, violation of Coastal Regulation Zone norms, investment in unviable projects, purchase of playground equipments, delay in finalisation of tenders *etc.*

(Paragraphs 3.2, 3.6, 3.7, 3.9, 3.12, 3.15, 3.16, 3.17, 3.18, 3.20 and 3.21)

- Irregular payments of Rs 3.33 crore on account of encashment of leave.

(Paragraph 3.1)

- Non recovery of dues and lease rent resulted in loss of Rs 0.60 crore in two cases.

(Paragraphs 3.3 and 3.4)

- Shortfall of Rs 0.52 crore in security deposit and misappropriation by bill collection agents of Rs 0.09 crore.

(Paragraph 3.5)

- Non/short recovery of penalty of Rs 6.63 crore due to lack of uniformity in penalty clauses and absence of fair competition among contractors due to non relevant eligibility criteria.

(Paragraph 3.8)

Gist of some of the important audit observations is given below:

City and Industrial Development Corporation of Maharashtra Limited awarded contract without land ownership which resulted in wasteful expenditure of Rs 93 lakh.

(Paragraph 3.2)

Maharashtra State Electricity Distribution Company Limited did not revise the security deposit from bill collection agents and there was a shortfall of Rs 52.35 lakh. The bill collection agent misappropriated Company's revenue and Rs 8.80 lakh remained unrecovered.

(Paragraph 3.5)

Hasty decision of the **Maharashtra State Power Generation Company Limited** to install Coal Mill Reject Handling System in all Power Stations simultaneously resulted in idle investment of Rs 12.06 crore, besides non achievement of intended benefits of lesser maintenance cost and pollution free environment. The Parli Thermal Power Station procured Fire Protection Equipments locally on urgent basis resulting in extra expenditure of Rs 41.61 lakh. Besides, material worth Rs 33.87 lakh was also lying as surplus in Stores.

(Paragraphs 3.7 and 3.9)

Maharashtra State Road Development Corporation Limited suffered a loss of Rs 21.31 crore due to adoption of lower traffic growth rate contrary to Government notification, incorrect rates of toll and incorrect working of net present value of the upfront toll price. The Company also suffered loss of potential revenue of Rs nine crore non inclusion of provisions for recovery of additional toll revenue in the contract terms and conditions. The Company delayed finalisation of advertisement revenue bids and subsequent agreement resulting in loss of revenue of Rs 66.66 lakh.

(Paragraphs 3.10, 3.11 and 3.13)

Maharashtra State Road Transport Corporation rejected price increase claims of the supplier and resorted to local purchases and incurred extra avoidable expenditure of Rs 1.27 crore.

(Paragraph 3.18)

Maharashtra Industrial Development Corporation allotted land for Textile park at a concessional rate without Government approval resulting in a loss of Rs 3.20 crore. The Corporation incurred wasteful expenditure of Rs 56.50 lakh on consultant fee for a project which was abandoned due to non receipt of necessary permissions from the Municipal Corporation of Greater Mumbai.

(Paragraphs 3.19 and 3.21)

Chapter I

1. Overview of Government Companies and Statutory Corporations

Introduction

1.1 As on 31 March 2008 there were 76 Government companies (49 working and 27 non-working companies•) and four working Statutory corporations as against 73 Government companies (51 working companies and 22 non-working companies) and four working Statutory corporations as on 31 March 2007 under the control of the State Government. During the year 2007-08 three[#] new companies came under the audit purview of the Comptroller and Auditor General of India (CAG). In addition, the State had formed (5 August 1999) the Maharashtra Electricity Regulatory Commission (MERC) whose audit is conducted by the CAG under Section 104(2) of the Electricity Act, 2003[$]. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors appointed by the CAG as per the Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per the provisions of Section 619 of the Companies Act, 1956. The audit arrangements in respect of Statutory corporations are as shown below:

Sl. No.	Name of the Statutory corporations	Authority for audit by the Comptroller and Auditor General of India	Audit arrangement
1	2	3	4
1.	Maharashtra State Road Transport Corporation	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
2.	Maharashtra State Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Statutory audit by Chartered Accountants and supplementary audit by CAG
3.	Maharashtra State Warehousing Corporation	Section 31(8) of the Warehousing Corporations Act, 1962	Statutory audit by Chartered Accountants and supplementary audit by CAG
4.	Maharashtra Industrial Development Corporation	Maharashtra Industrial Development Act, 1961 and Section 19(3) of CAG's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit entrusted by the State Government to CAG.

• Non-working companies are those which are defunct and are under the process of liquidation/closure/merger.

[#] Dhopave Coastal Power Limited, Nagpur Flying Club (P) Limited and Maharashtra State Electric Power Trading Company (P) Limited.

[$] The erstwhile Electricity Regulatory Commission Act, 1998 repealed by the Electricity Act, 2003.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 The total investment[$] in 53 working PSUs (49 Government companies and four Statutory corporations) at the end of March 2008 as against 55 working PSUs (51 Government companies and four Statutory corporations) at the end of March 2007 was as follows:

(Amount: Rupees in crore)

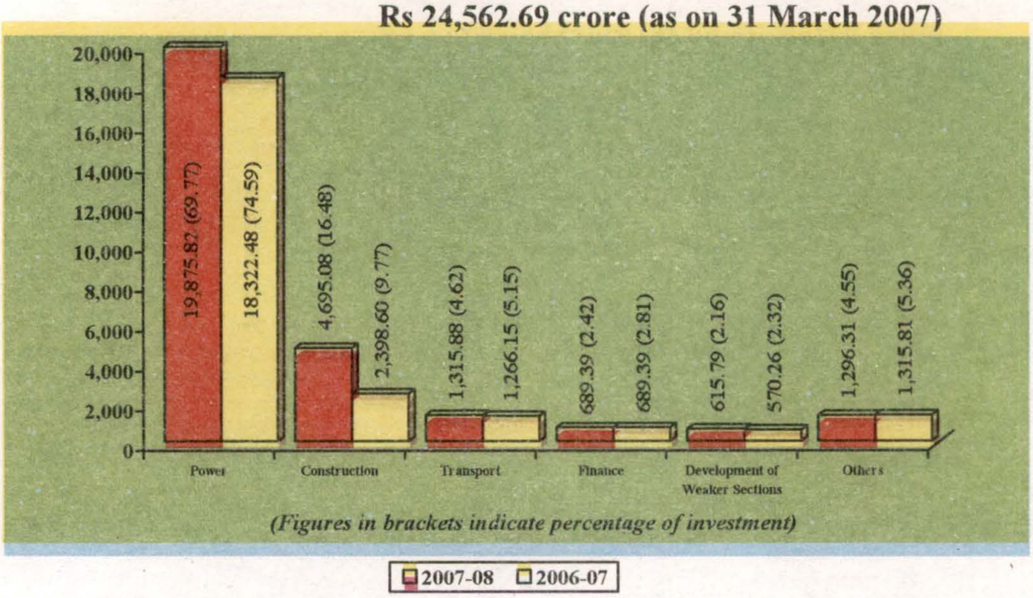
Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loans[•]	Total
2006-07	55	10,223.23	148.54	14,190.92	**24,562.69**
2007-08	53	10,823.50	190.85	17,473.92	**28,488.27**

Sector wise investment in working Government companies and Statutory corporations

The investment (equity and long term loans) in various sectors and percentage thereof at the end of March 2008 and March 2007 are shown below in the bar charts:

Sector wise investment in working PSUs as on 31 March 2008 and 31 March 2007
(Amount - Rupees in crore)

Total investment : Rs 28,488.27 crore (as on 31 March 2008)
Rs 24,562.69 crore (as on 31 March 2007)



[$] Investment by way of equity, share application money and loans in working PSUs by State Government is Rs 2,780.06 crore as per the data furnished by the PSUs (**Annexure 1**) whereas as per the Finance Accounts 2007-08, the amount is Rs 5,763.37 crore. The difference is under reconciliation.

[•] Long term loans mentioned in Paragraphs 1.2, 1.3, 1.4 and 1.22 are excluding interest accrued and due on such loans.

Working Government companies

1.3 The total investment in working Government companies at the end of March 2007 and March 2008 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Investment in working Government Companies			
		Equity	Share application money	Loans	Total
2006-07	51	9,079.31	148.53	13,348.00	**22,575.84**
2007-08	49	9,520.38	190.84	16,743.32	**26,454.54**

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in **Annexure 1**.

As on 31 March 2008, the total investment in working Government companies comprised of 36.71 *per cent* equity capital and 63.29 *per cent* loans as compared to 40.87 *per cent* equity capital and 59.13 *per cent* loans as on 31 March 2007.

Working Statutory corporations

1.4 The total investment in the working Statutory corporations at the end of March 2007 and March 2008 was as follows:

(Amount: Rupees in crore)

Name of corporation	2006-07		2007-08	
	Capital	Loans	Capital	Loans
Maharashtra State Road Transport Corporation	1,072.57	193.58	1,231.77	84.11
Maharashtra State Financial Corporation[Δ]	62.65	626.74	62.65	626.74
Maharashtra State Warehousing Corporation[Δ]	8.71	15.00	8.71	12.15
Maharashtra Industrial Development Corporation	---[#]	7.60	---[#]	7.60
Total	**1,143.93**	**842.92**	**1,303.13**	**730.60**

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is given in **Annexure 1.**

As on 31 March 2008, the total investment in working Statutory corporations comprised of 64.08 *per cent* equity capital and 35.92 *per cent* loans as compared to 57.58 and 42.42 *per cent* respectively as on 31 March 2007.

[Δ] Figures for 2007-08 are provisional and as provided by the Corporations.
[#] The Corporation did not have the equity share capital.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to working Government companies and working Statutory corporations are given in **Annexures** 1 and 3.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to 2007-08 are given below:

(Amount : Rupees in crore)

Particulars	2005-06				2006-07				2007-08			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	10	71.90	1	138.57	7	429.89	1	148.76	8	168.55	1	159.20
Loans given from budget	2	1,260.98	--	--	1	94.30	--	--	1	86.58	--	--
Other grants/ subsidy	13	771.71	--	--	8	2,420.75	--	--	11	3,207.57	1	159.20
Total outgo	**18**$^{\Delta}$	**2,104.59**	**1**$^{\Delta}$	**138.57**	**14**$^{\Delta}$	**2,944.94**	**1**$^{\Delta}$	**148.76**	**15**$^{\Delta}$	**3,462.70**	**1**$^{\Delta}$	**318.40**

During the year 2007-08, the Government had guaranteed loans aggregating Rs 106.72 crore, obtained by three[@] working Government companies. No guarantees were given to the Corporations during 2007-08. At the end of the year, guarantees amounting to Rs 8,774.53 crore against 10 working Government companies (Rs 8,766.93 crore) and one Statutory corporation (Rs 7.60 crore) were outstanding. The guarantee commission paid/payable (including that for previous years) to the Government by nine working Government companies (Rs 654.09 crore) and by one Statutory corporation (Rs 4.92 crore) during 2007-08 was Rs 659.01 crore. Seventeen companies and one Statutory corporation had not supplied the information relating to guarantee fee paid or payable to the State Government.

Finalisation of accounts by working PSUs

1.6 The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with

$^{\Delta}$ Actual number of Companies/Corporations which received budgetary support in the form of equity, loans, grants and subsidy from State Government.

[@] Maharashtra State Handlooms Corporation Limited, Shivshahi Punarvasan Prakalp Limited and Shabri Adivasi Vitta Va Vikas Mahamandal Limited.

Section 19 of Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. These are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective statutes.

As could be noticed from **Annexure 2,** out of 49 working Government companies and four Statutory corporations, two# working Government companies and two$ Statutory corporations had finalised their accounts for the year 2007-08 within the stipulated period. During the period from October 2007 to September 2008, 25 working companies finalised 36 accounts of previous years. Similarly, during this period, one Statutory corporation finalised one account for previous year.

The accounts of 47 working Government companies and two Statutory corporations were in arrears for periods ranging from one to 13 years as on 30 September 2008, as detailed below:

Sl. No.	Number of working		Period for which accounts were in arrears	Number of years for which accounts were in arrears	Reference to Sl. No. of Annexure 2	
	Government Companies	Statutory corporation			Government Companies	Statutory corporation
1	1	--	1995-96 to 2007-08	13	A-33	--
2	4	--	1996-97 to 2007-08	12	A-25,26,27 and 46	--
3	1	--	1998-99 to 2007-08	10	A-23	--
4	1	--	1999-00 to 2007-08	9	A-3	--
5	1	--	2002-03 to 2007-08	6	A-29	--
6	3	--	2003-04 to 2007-08	5	A-5,7 and 30	--
7	5	--	2004-05 to 2007-08	4	A-4,9,16,34 and 49	--
8	3	--	2005-06 to 2007-08	3	A-6,28 and 32	--
9	11	--	2006-07 to 2007-08	2	A-13,15,17, 18,19, 20, 21, 22, 31, 37 and 47	--
10	17	2	2007-08	1	A-2,8,10,11, 12,14,35,36, 38,39,40,41, 42,43,44,45 and 48	B-2 and 3
Total	**47**	**2**				

Maharashtra Agro Industries Development Corporation Limited and Western Maharashtra Development Corporation Limited.

$ Maharashtra State Road Transport Corporation and Maharashtra Industrial Development Corporation.

The State Government had invested Rs 4,135.90 crore (Equity: Rs 347.96 crore; loans: Rs 317.23 crore and grants/subsidy: Rs 3,470.71 crore) in 18 working PSUs during the years for which accounts have not been finalised as detailed in **Annexure 4**. In the absence of finalisation of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments of the Government were apprised quarterly by the Accountant General regarding arrears in finalisation of accounts, adequate measures had not been taken by the Government and as a result, the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure 2**. Besides, statements showing the financial position and working results of individual working Statutory corporations for the latest three years are given in **Annexures 5** and **6** respectively.

According to the latest finalised accounts, out of 49 working Government companies and four working Statutory corporations, 21 companies and one corporation had incurred losses for the respective years aggregating Rs 1,379.90 crore and Rs 9.75 crore respectively; whereas 23 companies and three corporations (Maharashtra State Road Transport Corporation, Maharashtra State Warehousing Corporation and Maharashtra Industrial Development Corporation) earned an aggregate profit of Rs 512.59 crore and Rs 210.68 crore respectively. Three companies (Dhopave Coastal Power Limited, Nagpur Flying Club (P) Limited and Maharashtra State Electric Power Trading Company (P) Limited) had not submitted their first accounts, one company (Maharashtra State Police Housing and Welfare Corporation Limited) had capitalised excess of expenditure over income and one company (Krupanidhi Limited) had recovered excess of expenditure over income from its shareholders.[&]

[&] Maharashtra Small Scale Industries Development Corporation Limited and others.

Working Government companies

Profit earning working Government companies

1.8 Two[#] companies which finalised their accounts for 2007-08 by September 2008 earned an aggregate profit of Rs 7.67 crore but did not declare any dividend. The State Government had not formulated any policy for payment of minimum dividend by the PSUs.

Similarly, out of 42[Δ] working Government companies which finalised their accounts for previous years by September 2008, 21 companies earned an aggregate profit of Rs 504.92 crore and only 11[♦] Companies earned profit for two or more successive years.

Loss incurring working Government companies

1.9 Of the 21 loss incurring working Government companies, five[$] working Government companies had accumulated losses aggregating Rs 2,042.18 crore, which exceeded their aggregate paid-up capital of Rs 35.91 crore.

Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support in the form of equity, loans, grants and subsidy, *etc.* According to available information, the total financial support so provided by the State Government by way of grants during 2007-08 to one company (Maharashtra State Road Development Corporation Limited), out of these five companies amounted to Rs 8.70 crore.

Working Statutory corporations

Profit earning Statutory corporations

1.10 Two[@] working Statutory corporations which finalised their accounts for 2007-08 by September 2008 earned an aggregate profit of Rs 190.33 crore but did not declare any dividend. The State Government had not formulated any policy for payment of minimum dividend by the PSUs.

Similarly, out of two Statutory corporations which finalised their accounts for previous years by September 2008, one corporation (Maharashtra State

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[#] Serial No. A-1 and A-24 of **Annexure-2**.

[Δ]Excluding three companies (Sl. No.A-42, 43 and 44 of **Annexure 2**) which had not submitted their first accounts; one company (Sl. No.A-13 of **Annexure 2**) which had capitalised excess of expenditure over income; and one company (Sl. No.A-45 of **Annexure 2**) which had recovered excess of expenditure over income from its shareholders.

[♦] Sl. No. A-11, 12, 16, 28, 30, 34, 35, 36, 38, 39 and 47 of **Annexure 2**.

[$] Maharashtra Fisheries Development Corporation Limited, Maharashtra State Farming Corporation Limited, Maharashtra State Road Development Corporation Limited, Maharashtra State Powerlooms Corporation Limited and Maharashtra State Handlooms Corporation Limited.

[@] Sl. No.B-1 and B-4 of **Annexure 2**.

Warehousing Corporation) earned a profit of Rs 20.35 crore and declared a dividend of Rs 1.74 crore.

Loss incurring Statutory corporation

1.11 The only loss incurring working Statutory corporation (Maharashtra State Financial Corporation) which finalised its accounts for previous year by September 2008, had an accumulated loss of Rs 622.37 crore, which exceeded its paid up capital of Rs 62.64 crore.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in **Annexure 7.**

The disbursements in respect of Maharashtra State Financial Corporation, had decreased from Rs 1.12 crore in 2005-06 to Nil in 2006-07 and the overdue amount increased from Rs 1,285.13 crore in 2005-06 to Rs 1,312.99 crore in 2006-07.

Return on capital employed

1.13 As per the latest finalised accounts (up to September 2008), the capital employed[$] worked out to Rs 28,666.18 crore in 43[•] working companies and total return[#] thereon was Rs 1,285.83 crore (4.49 *per cent*) as compared to a total return of Rs 793.34 crore (3.29 *per cent*) in the previous year (accounts finalised up to September 2007). Similarly, the capital employed and total return thereon in the case of working Statutory corporations as per their latest finalised accounts (up to September 2008) worked out to Rs 1,326.42 crore and Rs 315.04 crore (23.75 *per cent)* respectively as against the total return of Rs 130.24 crore (12.21 *per cent*) in the previous year (accounts finalised up to September 2007). The details of capital employed and total return on capital employed in the case of working Government companies and Statutory corporations are given in **Annexure 2**.

Power Sector Reforms

1.14 The erstwhile Maharashtra State Electricity Board was restructured and four new State Government Companies were formed with effect from

[$]Capital employed represents net fixed assets (including capital works-in-progress) *plus* working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

[•]This does not include three companies (Sl. No. A-42, 43 and A-44 of **Annexure 2**) whose first accounts are awaited, one company (Sl. No.A-13 of **Annexure 2**) which had capitalised its excess of expenditure over income, one company (Sl. No.A-45 of **Annexure 2**) which had recovered its excess of expenditure over income from its shareholders and one company (Sl. No. A-48 of **Annexure 2**) whose part expenditure (financial and Administrative Expenses) was recouped from Government grant.

[#]For calculating total return on capital employed, interest on borrowed fund is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

6 June 2005. Accelerated Power Development Reforms Programme, a Government of India Scheme, was implemented in the State from 2002-03 onwards for upgradation of the distribution network with the objective of reducing Transmission and Distribution (T&D) losses and Aggregate Technical & Commercial (AT&C) losses to 10 and 15 *per cent* respectively.

The T&D losses of the Maharashtra State Electricity Distribution Company Limited decreased from 34.85 *per cent* in 2006-07 to 29.11 *per cent* in 2007-08.

Maharashtra Electricity Regulatory Commission

1.15 Maharashtra Electricity Regulatory Commission (Commission) was formed on 5 August 1999 under Section 17 of the Electricity Regulatory Commissions Act, 1998* with the objective of determining electricity tariff, advising on matters relating to electricity generation, transmission, distribution *etc*., in the State. Its orders under section 62 of Electricity Act, 2003 are appealable before the Central Appellate Tribunal. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. The audit of accounts of the Commission is conducted by the CAG under Section 104(2) of the Electricity Act, 2003. The Commission had finalised its accounts up to 2005-06 (as on 30 September 2008) and had an excess of income$ over expenditure amounting to Rs 8.17 crore during the year.

Non-working Public Sector Undertakings (PSUs)

Investment in Non-working PSUs

1.16 The total investment in 22 non-working PSUs and 27 non-working PSUs (all Government companies) at the end of March 2007 and March 2008 respectively was as follows:

(Amount: Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loans	Total
2006-07	22	321.33	0.20	472.71	**794.24**
2007-08	27	336.87	0.50	453.98	**791.35**≈

*Since repealed by the Electricity Act, 2003.

$The income includes grants of Rs 0.83 crore received from State Government.

≈ Investment by way of equity, share application money and loans in non-working PSUs by State Government is Rs 693.74 crore as per the data furnished by the PSUs (**Annexure 1**) whereas as per the Finance Account 2007-08, the amount is Rs 391.80 crore. The difference is under reconciliation.

The classification of the non-working PSUs is as under:

(Amount: Rupees in crore)

Status of non-working PSUs	Number of companies	Investment in companies	
		Equity	Long-term loans
Under liquidation	3[Δ]	20.50	0.58
Under closure	10	264.20	296.79
Others[♦]	14	52.67	156.61
Total	27	**337.37**	**453.98**

(Note: There is no non-working Statutory corporation)

Of the above 27 non-working PSUs, 13 Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for one to 22 years. Substantial investment of Rs 582.07 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.17 There was no budgetary outgo in the form of equity and loans by the State Government in respect of non-working PSUs[#] during 2007-08.

Total establishment expenditure of non-working PSUs

1.18 The year-wise details of establishment expenditure incurred by non-working companies (there is no non-working Statutory corporation in the State) and the sources of financing them during the last three years up to 2007-08 are given below:

(Amount: Rupees in lakh)

Year	Number of PSUs[+]	Total establishment expenditure	Financed by		
			Disposal of investment/assets	Government by way of loans	Others[@]
2005-06	10	413.97	63.18	22.01	328.78
2006-07	14	464.29	5.98	5.00	453.31
2007-08	9	817.65	1.04	198.94	617.67

[Δ] Sl. No.C-3, 11 and 26 of **Annexure 1.**

[♦] Activities have been stopped, accounts are yet to be finalised and action has not been initiated for their closure.

[#] Information in respect of three companies was not received (Irrigation Development Corporation of Maharashtra Limited, Sahyadri Glass Works Limited and The Overseas Employment and Export Promotion Corporation of Maharashtra Limited).

[+] There was no establishment expenditure in respect of remaining non-working companies.

[@] Financed by holding company.

Finalisation of accounts by non-working PSUs

1.19 Out of 27 non-working Government companies, three[Σ] companies finalised their accounts for the year 2007-08. The accounts of 21 non-working companies were in arrears for periods ranging from one to 22 years as on 30 September 2008. Three[®] companies were under liquidation.

Financial position and working results of non-working PSUs

1.20 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure 2.**

The net worth* of 27 non-working Government companies against their paid-up capital of Rs 337.07 crore was Rs (-) 698.99 crore. These companies suffered cash loss of Rs 55.72 crore and their accumulated loss worked out to Rs 1,160.21 crore.

Status of placement of Separate Audit Reports of Statutory Corporations in Legislative Assembly

1.21 The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory Corporations issued by the Comptroller and Auditor General of India, in the State Legislature by the Government.

Sl. No.	Name of Statutory Corporation	Year up to which SAR placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1	Maharashtra State Road Transport Corporation	2006-07	---	---	---
2	Maharashtra State Warehousing Corporation	2006-07	---	---	---
3	Maharashtra State Financial Corporation	2005-06	2006-07	7 April 2008	Being presented to State Legislature.
4	Maharashtra Industrial Development Corporation	2006-07	---	---	---

[Σ]Textile Corporation of Marathwada Limited, The Pratap Spinning, Weaving and Manufacturing Company Limited and Maharashtra State Textile Corporation Limited.

[®] Irrigation Development Corporation of Maharashtra Limited, Sahyadri Glass Works Limited and The Overseas Employment and Export Promotion Corporation of Maharashtra Limited.

*Net worth represents paid-up capital *plus* free reserves less accumulated loss.

Results of audit of accounts of PSUs by Comptroller and Auditor General of India

1.22 During the period from October 2007 to September 2008, 72 accounts of 49 Government companies and corporations (27 working companies, 19 non-working companies and three Statutory corporations) were selected for audit. The net impact of the important audit observations issued as a result, of audit of their accounts was as follows:

Sl. No.	Details	Number of accounts			(Amount: Rupees in crore)		
		Government companies		Statutory corporations	Government companies		Statutory corporations
		Working	Non-working		Working	Non-working	
1	Decrease in profit	5	--	2	71.84	--	5.73
2	Increase in profit	6	--	1	197.35	--	5.38
3	Increase in loss	2	--	1	18.70	--	12.62
4	Decrease in loss	1	--	--	38.61	--	--
5	Non-disclosure of material facts	3	--	2	19.06	--	88.70

Some of the major errors and omissions noticed in the course of audit of annual accounts of some of the above companies and corporations are mentioned below:

Important comments of Statutory Auditors in case of working Government companies

Western Maharashtra Development Corporation Limited, Pune (2006-07)

1.23 The profit was overstated by Rs 14.62 crore due to non provision of doubtful loans granted under Educated Unemployed Scheme.

Maharashtra Agro Industries Development Corporation Limited, Mumbai (2006-07)

1.24 The profit has been overstated by Rs 4.20 crore due to short provision towards gratuity liability as per actuarial valuation.

Maharashtra Tourism Development Corporation Limited, Mumbai (2002-03)

1.25 The Company had not provided for Rs 1.71 crore towards old doubtful loans and advances and Rs 3.75 crore towards estimated interest on State Government loan.

Shivshahi Punarvasan Prakalp Limited, Mumbai (2003-04)

1.26 The Company had written back excess provision made in respect of estimated losses of the projects of Rs 28.07 crore. Writing back of excess provision towards loss has resulted in overstatement of profit.

Maharashtra State Electricity Transmission Company Limited, Mumbai (2006-07)

1.27 The Company had not provided for depreciation on fixed assets acquired during the year. Due to this, the depreciation charged for the year is understated by an estimated amount of Rs 9.11 crore and surplus and value of fixed assets overstated by Rs 9.11 crore.

Maharashtra State Power Generation Company Limited, Mumbai (2006-07)

1.28 The profit was overstated by Rs 9.50 crore due to non accountal of cost of Rotor obtained on replacement basis from National Thermal Power Corporation at Chandrapur Thermal Power Station (TPS).

Important comments arising from Supplementary audit in case of working Government companies

Maharashtra State Power Generation Company Limited (2006-07)

1.29 The Company decided to write off Rs 7.26 crore being the cost of residential quarters in November 2006. However, the same was not accounted for. This has resulted in overstatement of fixed assets and profit by Rs 7.26 crore.

1.30 The Company had provided for Rs 101.13 crore towards arrears of pay revision as against Rs 31.19 crore resulting in understatement of profit and overstatement of current liabilities by Rs 69.94 crore.

Maharashtra State Electricity Distribution Company Limited (2006-07)

1.31 The Company had not recognised the unbilled revenue (revenue for energy supplied and bills not issued) to the extent of Rs 36.95 crore. This has resulted in understatement of revenue and overstatement of loss by Rs 36.95 crore.

Important comments of Statutory Auditors in case of Statutory corporations

Maharashtra State Financial Corporation, Mumbai (2006-07)

1.32 In respect of the borrowing made by the Financial Corporation, no provision has been made for the interest payable for an amount of Rs 41.31 crore.

Important comments arising from Supplementary audit in case of Statutory corporations

Maharashtra State Financial Corporation (2006-2007)

1.33 The Corporation has not provided for Rs 4.53 crore being guarantee fee, Rs 0.31 crore being interest on loan and Rs 1.25 crore towards interest on subvention loan payable to the Government of Maharashtra resulting in understatement of loss for the year to the extent of Rs 6.09 crore.

1.34 In respect of 51 cases of doubtful loans for more than three years (DA-3) during the year 2006-07 there is short provisioning for Non Performing Assets by Rs 6.54 crore which has resulted in understatement of loss and overstatement of loans and advances by Rs 6.54 crore.

Internal audit/internal control

1.35 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including the internal control/internal audit system in the Government companies audited in accordance with the directions issued to them by the Comptroller and Auditor General of India under Section 619(3)(a) of the Companies Act, 1956 and to identify the areas which needed improvement. An illustrative resume of major recommendations/comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of State Government companies is indicated below:

Nature of recommendations/ comments made by the Statutory Auditors	Number of Companies where recommendations/ comments were made	Reference to serial number of Annexure 2
Inadequate financial control	1	A-47
No regular/satisfactory reconciliation of accounts	3	A-34, 46 and C-7
Inadequate internal audit system	20	A-2, 5, 8, 9, 10, 15, 26, 28, 34, 46, 47, 49 and C-4, 6, 7, 9, 10, 14, 16 and 23
Non formulation of investment policy	15	A-2, 5, 10, 15, 24, 26, 46, 49 and C-4, 7, 8, 9, 10, 14 and 23
Non/improper maintenance of fixed assets registers	11	A-10, 24, 26, 28, 34, 35, 46 and C-6, 9, 10 and 23
Maximum-minimum levels of stocks were not prescribed	6	A-2, 15, 34, 35, 47 and C-7

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

1.36 During October 2007 to September 2008, the COPU held 14 meetings and discussed four paragraphs and three reviews pertaining to the Audit Reports (Commercial) for the years 2003-04 to 2004-05. The discussion of Audit Reports up to 2004-2005 has been completed by COPU. The Audit Report for 2005-06, containing three reviews and 17 paragraphs, has been taken up for discussion by COPU as of December 2008. The Audit Report (Commercial) for the year 2006-07, containing six reviews and 28 paragraphs was placed in the State Legislature on 30 December 2008.

619 B Companies

1.37 There were four companies (all working) falling under the purview of Section 619-B of the Companies Act, 1956. **Annexure 8** gives the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest finalised accounts.

Chapter II

2. Performance reviews relating to Government Companies

Maharashtra State Police Housing and Welfare Corporation Limited

2.1 Operational performance

Highlights

Considering the satisfaction level of 70 *per cent* of sanctioned strength as requirement of quarters, there was a shortage of 39,113 quarters as of May 2008. In 24 units satisfaction level was below 10 *per cent*.

(Paragraph 2.1.10)

The Company spent Rs 22.13 crore over and above the funds of Rs 66.63 crore received against 16 works by diverting the funds of other works. Funds of Rs 100.27 crore received for 33 works were not utilised.

(Paragraph 2.1.12)

The Company did not invoke the risk and cost clause for recovery of Rs 23.24 crore being the additional expenditure incurred on subsequent work orders.

(Paragraph 2.1.16)

There were cases of overpayments of Rs 40.47 lakh due to incorrect adoption of price indices and incorrect totals.

(Paragraph 2.1.19)

There were irregularities in appointments of architects and Project Management Consultants (PMCs). There were instances of overpayments/irregular payments to architects and PMCs to the tune of Rs 1.30 crore and Rs 13 lakh respectively.

(Paragraphs 2.1.21 and 2.1.22)

Internal controls including internal audit were inadequate in comparison with the magnitude of works involved. There was lack of adequate monitoring in execution/completion of works as well as in handing over of completed works.

(Paragraphs 2.1.23 and 2.1.24)

Introduction

2.1.1 Maharashtra State Police Housing and Welfare Corporation Limited (Company) was established by the State Government on 13 March 1974 under the Companies Act, 1956 with the following main objectives:

- To formulate and execute housing schemes for the benefit of serving and retired employees of the Government of Maharashtra (GoM) in the Police, Jail, Home Guards (HGs)# and Civil Defence Departments (CDDs)#;
- To undertake construction of buildings for the housing of employees of the GoM in Police, Jail, HGs and CDDs;
- To undertake construction of different types of Administrative and Executive buildings for use and occupation by officers and employees of the GoM in the Police, Jail, HGs and CDD.

The Company is functioning on "No Profit No Loss" basis being an implementing agency of the Government and the expenditure in excess of income is allocated to projects. The Company is under the Administrative control of the State Home Department. The overall supervision of the Company is vested with the Board of Directors (BoD)♣ appointed by the GoM. The day-to-day management of the Company is looked after by the Vice Chairman and Managing Director, who is assisted by General Manager, Chief Engineer and Chief Accounts Officer.

Scope of Audit

2.1.2 The performance audit was conducted during January to April 2008 to assess the operational performance of the Company with regard to award of works, payments to the contractors/architects/Project Management Consultants (PMCs), execution/completion and handing over of works/houses, investment of surplus funds, administrative expenditure of the Company for the last five years ending 31 March 2008. Out of 53 works awarded during the period 2003-08, audit scrutinised all the 15 works valuing Rs 10 crore and above, nine works (out of 18 works) valuing Rupees five to 10 crore and six works (out of 20 works) valuing Rupees one crore to five crore.

#Added vide Special Resolution passed in Annual General Meeting held on 27 September 2007.

♣BoD comprises Chairman (Ex-officio Additional Chief Secretary, Home Department), Vice Chairman and Managing Director (appointed by the GoM), two Directors from Police Department (Ex-officio DGP of Maharashtra and Commissioner of Police, Mumbai) and four Directors one each from Home Department (Special), Housing and Special Assistance Department, Urban Development Department and Public Works Department of GoM.

Audit objectives

2.1.3 The objectives of the performance audit were to assess whether:

- the targets for execution of works were fixed with reference to completion schedule of works and the achievements were consistent with the targets;
- reasonable care was taken in preparing the estimates for executing the works;
- the works were executed economically, effectively and efficiently;
- the completed works were handed over to the user Departments in time;
- accuracy in payments to contractors/consultants was ensured and Liquidated Damages (LD) for delays were levied as per contract terms; and
- an effective internal control mechanism existed.

Audit criteria

2.1.4 The following audit criteria were adopted:

- Annual targets fixed in the Action Plan;
- Cost estimates prepared by the Company;
- Directions issued by the Home Department (administrative department of the Company) from time to time;
- General conditions of contract, terms and conditions of construction contracts and standard agreements with job workers;
- Operating procedures prescribed by the Company; and
- Budget estimates.

Audit methodology

2.1.5 For the purpose of collection of data and gathering evidence, the following audit methodology was adopted:

- Examination of Agenda papers and minutes of meetings of the BoDs;
- Scrutiny of estimates, offers received against tenders, contract documents, correspondence with the clients; and
- Interaction with the Management and issue of audit enquiries.

Audit findings

2.1.6 The audit findings were reported to the Government/Management in May 2008 and discussed in the meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE) held on 4 July 2008, which was attended by the Vice Chairman and Managing Director and General Manager of the Company and Assistant Inspector General of Police from the Office of Director General of Police, Maharashtra. The views of the Management have been taken into account while finalising the review.

The audit findings are discussed in the succeeding paragraphs.

Financial position

2.1.7 The Company, being an implementing agency of the Government, is functioning on "No Profit No Loss" basis and the expenditure in excess of income is allocated to projects. The working results of the Company for the five year period 2003-08 are given below:

Particulars	2003-04	2004-05	2005-06	2006-07 (Provisional)	2007-08 (Provisional)
I. Revenue	*(Rupees in crore)*				
i) Interest on short term investment	3.99	2.60	3.93	8.03	7.71
ii) Other miscellaneous income	0.10	0.14	0.26	0.13	0.18
Total of I	**4.09**	**2.74**	**4.19**	**8.16**	**7.89**
II. Expenditure					
i) Government guarantee fees	2.97	2.45	1.86	1.32	0.80
ii) Personnel cost	0.61	0.76	0.86	1.08	1.12
iii) Financial expenditure	13.81	12.02	9.70	7.36	5.68
iv) Depreciation and other expenditure	0.80	0.87	0.86	0.88	0.89
Total of II	**18.19**	**16.10**	**13.28**	**10.64**	**8.49**
III. Balance expenditure allocated to projects (II-I)	**14.10**	**13.36**	**9.09**	**2.48**	**0.60**

(Source: Annual Accounts of the Company)

Non utilisation of funds

2.1.8 The Company executes the schemes of construction of Administrative Buildings and Residential Quarters for the Police, Jail, Home Guards (HGs) and Civil Defence Department (CDD) of GoM.

Government of India (GoI) introduced (2000-01) the scheme of Modernisation of Police Force (MPF) to improve the efficiency of State Police Force. The Company has been functioning as an implementing agency for the housing and building components of the scheme. Under this scheme, GoI and State Government's contribution was 50:50 till 2002-03, 60:40 during 2003-04 and 2004-05 and 75:25 from 2005-06 onwards. During the period 2001-02 to 2007-08, the Company received grants of Rs 517.59 crore for projects under MPF schemes and Rs 23.14 crore under non-MPF schemes of which

Rs 394 crore and Rs 14.98 crore, respectively, were spent as shown in the table below:

Year	MPF Scheme					Other than MPF scheme	
	Funds received from				Funds spent		
	GoI	GoM	State plan	Total		Funds received	Funds spent
	(Rupees in crore)						
2001-02	7.46	7.46	---	14.92	8.84	---	0.03
2002-03	56.85	56.85	---	113.70	22.02	---	0.92
2003-04	11.85	7.90	---	19.75	59.78	5.60	5.16
2004-05	20.76	13.84	---	34.60	30.46	0.80	1.87
2005-06	33.46	11.16	---	44.62	48.06	4.30	2.16
2006-07	26.06	8.69	114.00	148.75	86.57	1.00	0.90
2007-08	32.81	10.94	97.50	141.25	138.27	11.44	3.94
Total	**189.25**	**116.84**	**211.50**	**517.59**	**394.00**	**23.14**	**14.98**

(Source: Information furnished by the Company)

It was observed in audit that funds of Rs 131.75 crore (Rs 123.59 crore under MPF schemes and Rs 8.16 crore in other schemes) received for 121 works remained unutilised. Of this unutilised amount, Rs 95.06 crore was received for 64 works which were not taken up for execution so far. The balance 57 works for which Rs 36.69 crore was received were under execution. The delay in execution was mainly due to defective planning in execution of works which are discussed in detail in the succeeding paragraphs.

Planning for activities

2.1.9 The Company implements the projects after these are approved under the MPF scheme and requisite funds are made available to it by the Commissioner of Police, Mumbai and DGP's office.

Police Housing requirement

2.1.10 The DGP's office aims at achieving a 70 *per cent* level of satisfaction regarding availability of housing for police personnel. As per records of DGP's office, which is the controlling office for the Police Department, the sanctioned strength of the Police force, accommodation available and shortage in availability of quarters during the period 2004-05 to May 2008 was as under:

Particulars	2004-05	2006-07	2007-08 (till May 2008)
Total sanctioned strength	1,48,731	1,59,225	1,77,176
Quarters required for achieving 70 *per cent* satisfaction level	1,04,112	1,11,458	1,24,023
Quarters available♦	84,401	84,009	83,351
Shortage of quarters	19,711	27,449	39,113#
Percentage of availability (satisfaction level)	57	53	47

(Source: Information furnished by the Company)

♦Number of available quarters reduced due to conversion of small quarters into bigger quarters and abandonment of old quarters not fit for occupation.

Shortage worked out after considering 1,559 quarters under construction.

Further analysis of satisfaction level of all the 98 Units[•] as on 29 May 2008 revealed as under:

Percentage of satisfaction level	Below 10	11 to 25	26 to 50	51 to 70	71 to 100	Above 100
Number of units (total 98 units)	24	7	28	22	14	3

It would, thus, be seen from the above that in 24 units satisfaction level was below 10 *per cent*, which included 21 units where satisfaction level was NIL.

Defective planning for execution of works

2.1.11 The Board of Directors (BoDs) of the Company accords Administrative Approvals (AAs) for the works on receipt of intimation of requirement from the user Departments and sends the same to Government of Maharashtra (GoM) for seeking approval of Government of India (GoI) under Modernisation of Police Force (MPF) scheme. It was observed that by the time the work was approved under MPF scheme a period of one to two years had already elapsed and the cost estimates increased. Considering the increase in costs, the AAs were revised frequently.

In this connection the following discrepancies were noticed:

AAs accorded during 2003-08

- Out of 63 AAs given by the Company during 2003-08, in only two cases works were completed, in 27 cases works were in progress and in balance 34 cases works were not awarded (March 2008).
- Out of 34 cases, in 21 cases (AA for Rs 430.45 crore) funds were not received and in balance 13 cases (AA for Rs 191.61 crore) though funds of Rs 47.76 crore were received during 2002-08, they were at the planning or tendering stage.

AAs accorded prior to 2003-04

- Out of 48 AAs given prior to 2003-04 (during 1999-2000 to 2002-03), in 12 cases works were not taken up (March 2008).
- Out of above 12 cases, in eight cases funds had not been received and remaining four cases where funds worth Rs 20.67 crore were received during 2002-08, the same were at planning/tendering stage.

Thus, there were delays in execution of works even though administrative approvals were accorded and also the funds were received in many cases.

[•] Unit means controlling authority for allotment of quarters.

Physical performance

2.1.12 After introduction of the MPF scheme in 2000-01 by the GoI, the Company mainly executed the works approved under that scheme. During the period 2001-08, the Company received funds of Rs 540.73 crore under the MPF/State Plan and other schemes, of which the Company spent Rs 408.98 crore (March 2008).

The details of projects for which funds were received *vis-a-vis* the projects taken up for execution and completed, in progress during 2001-08, are tabulated below:

(Rupees in crore)

Type of works	Funds received		Works completed			Work in progress			Works at tender/planning stage			Total amount spent (Rupees)
	No. of works	Amount (Rupees)	Nos.	Amount (Rupees)		Nos.	Amount (Rupees)		Nos.	Amount (Rupees)		
				Received	Spent		Received	Spent		Received	Spent	
MPF Schemes												
Housing	31	238.87	10	82.94	90.43	15	144.10	109.19	6	11.83	0.33	199.95
Building	42	117.51	13	24.76	29.68	17	75.97	87.34	12	16.78	0.24	117.26
Mega City	5	10.00	2	5.00	5.00	---	---	---	3	5.00	---	5.00
FSL & Training	1	1.00	1	1.00	1.00	---	---	---	---	---	---	1.00
Coastal Security	1	4.61	---	---	---	1	4.61	3.19	---	---	---	3.19
State Plan	21	76.66	---	---	---	9	10.00	10.57	12	66.66	0.27	10.84
PWD	34	58.57	14	22.81	22.81	11	35.76	21.91	9	---	1.67	46.39
Home Guard	1	10.37	1	10.37	10.37	---	---	---	---	---	---	10.37
Total	**136**	**517.59**	**41**	**146.88**	**159.29**	**53**	**270.44**	**232.20**	**42**	**100.27**	**2.51**	**394.00**
Other than MPF schemes												
Bharat Reserve Battalion	1	2.80	---	---	---	1	2.80	0.16	---	---	---	0.16
XI Finance	130	7.50	130	7.50	7.50	---	---	---	---	---	---	7.50
Commission	4	1.40	---	---	---	2	0.50	0.12	2	0.90	---	0.12
Anti Naxalite	1	11.44	---	---	---	1	11.44	3.60	---	---	---	3.60
Other Schemes	20	---	---	---	---	---	---	---	20	---	3.60	3.60*
Total	**156**	**23.14**	**130**	**7.50**	**7.50**	**4**	**14.74**	**3.88**	**22**	**0.90**	**3.60**	**14.98**
Grand total	**292**	**540.73**	**171**	**154.38**	**166.79**	**57**	**285.18**	**236.08**	**64**	**101.17**	**6.11**	**408.98**

(Source: Information furnished by the Company)

The Company spent Rs 22.13 crore over and above the funds of Rs 66.63 crore received against 16 works completed.

In this connection the following points were observed:

- Out of 23 completed works under Housing and Building, the Company spent Rs 88.76 crore on 16 works in excess of sanctioned funds of Rs 66.63 crore received. This was done by diverting funds of Rs 22.13 crore received for other works. Supplementary funds of Rs 22.13 crore for those 16 works were not yet recouped.

* Utilised from funds received against MPF schemes.

Funds of Rs 100.27 crore received for 33 works were not yet utilised.

- For 33 works under Housing, Building, Mega City and State Plan for which funds of Rs 100.27 crore were received during 2001-06, the works had not been taken up for execution so far (June 2008) and were at planning/tender stage only.
- Out of Rs 58.57 crore received for 34 works to be got executed through Public Works Department (PWD), the Company paid the PWD Rs 46.39 crore till March 2008, which included Rs 1.67 crore for nine works against which no funds/approvals were received under MPF.

Thus, the irregular diversion of funds as mentioned above would adversely affect other projects for which funds were received and non execution of these projects would escalate cost of the projects not taken up for execution.

The Management stated (August 2008) that the available funds on other projects under tendering/planning stage were diverted to avoid stoppage of ongoing works for want of funds and the Company later on requested for release of funds for such works and received grants. It further stated that the diversion had not adversely affected any projects.

However, the delay in taking up the projects would ultimately result in time and cost overruns. Besides, the funds diverted for other works have not been recouped.

Execution of works

2.1.13 The housing projects of less than 50 quarters and administrative building projects costing less than Rupees one crore are executed through the State PWD as deposit works. The housing projects with more than 50 quarters and building projects costing more than Rupees one crore are executed by the Company by awarding the works to contractors with day-to-day supervision of works through PMCs.

The discrepancies in award of works and execution of works, noticed during performance audit are discussed below:

Inordinate delay in issue of work order and unjustified termination of two contracts

2.1.14 The Company invited tenders for construction of Administrative Building for Criminal Investigation Department (CID) Nagpur, CID Pune and Hostel Building for Police Training School (PTS) at Nagpur in April 2004. The lowest offers from National India Construction and Engineers (NICE) for all the three works were accepted by the Company and work orders for two works (CID Nagpur and PTS Nagpur) were issued in July 2004 at total cost of Rs 3.22 crore. However, when the work order for CID Pune was under issue, NICE withdrew (16 December 2004) their offer for the said work on the ground of inordinate delay in issue of work order and increase in the rates of materials, machinery and manpower.

The Company decided (February 2005) not to issue orders for CID Pune and decided to cancel the other two allotted works (CID Nagpur and PTS Nagpur) on the grounds of unsatisfactory performance on those two works and also due to suspension of works on another project (550 quarters at Nagpur) earlier (March 2003) awarded to them.

Thereafter the Company invited (April 2005) fresh tenders for these three works and awarded (between June and September 2005) the works to the lowest bidders. The rates accepted against the fresh tenders were higher by 56 to 74 *per cent* than the rates accepted against the original tenders. Due to inordinate delay in issue of work order for CID Pune and unilateral termination of two works at Nagpur, which was unwarranted as NICE had withdrawn offers for CID Pune only, the Company had to incur extra expenditure of Rs 4.20 crore on three works as per details given below:

	CID, Nagpur	PTS, Nagpur	CID, Pune
Lowest rates against original tenders	Rs 5,900 per square metre	Rs 5,700 per square metre	Rs 5,745 per square metre
Rates accepted on re-tendering	Rs 9,550 per square metre	Rs 8,910 per square metre	Rs 9,985 per square metre
Difference in rates	Rs 3,650 per square metre	Rs 3,210 per square metre	Rs 4,240 per square metre
Percentage increase	61.86	56.32	73.80
Area to be constructed	2,499 square metre	3,063 square metre	5,439 square metre
Extra expenditure (Rupees in lakh)	91.21	98.32	230.61
		Total extra expenditure	**Rs 420.14 lakh**

(Source: Information furnished by the Company)

There was avoidable expenditure of Rs 4.20 crore due to inordinate delay in issue of work orders and unjustified termination of two contracts.

Thus, injudicious decision to cancel the contracts for the Nagpur works and delay in finalising the tender of the Pune work resulted in extra expenditure of Rs 4.20 crore.

The Management stated (August 2008) that the two works at Nagpur were withdrawn due to slow progress of work of the contractor. However, withdrawal of work on the plea of slow progress was incorrect as these works were awarded in monsoon season (July 2004) and Company was aware that progress would speed up only after the monsoon. Further, the linkage of performance of progress of earlier awarded work with currently awarded work was not correct as there was no justification to allot the works to the same contractor if his earlier performance was not satisfactory.

Extra expenditure due to non negotiation with contractor

2.1.15 The work for construction of 172 quarters (total built up area 8,441.602 square metre) at Washim was awarded (August 2004) to Rawasa Construction, Mumbai at a total cost of Rs 6.08 crore (at the rate of Rs 7,210 per square metre which was lower by 18.27 *per cent* below the estimated rates of Rs 8,822 per square metre). The contractor had justified (May 2004) its lower rates/offer on the grounds that more than 50 *per cent* of plant and machinery, technical/non-technical staff, unskilled labour, *etc.* were idle and engaging them on the project would be profitable for them.

Audit scrutiny revealed that even before this work was awarded, the Company was in the process of taking a decision not to construct Type-I quarters and the BoD approved this decision in June 2004. Despite this decision, the Company awarded (August 2004) the work of construction of Type-I-120 quarters (5,409.504 square metre) to the contractor. After three months of commencement of the work, the Company advised (December 2004) the contractor to change the type of all the 120 quarters from Type-I to Type-II (5,997.43 square metre). The Company's architect, based on the advice of the Company, submitted the additional financial implications at current District Scheduled Rate (DSR). They furnished two proposals - one (Rs 1.35 crore) without reducing the estimates by 18.27 *per cent* (initial offer) and the other (Rs 55.62 lakh) with reduction. Clause 6 of the Agreement* provided for mutual negotiation of rates for additional/altered works.

Accordingly, the contractor requested (17 January 2005) for a meeting in the first week of February, which was turned down by the Company on the same date stating that the time was too long. The Company awarded (March 2005) the altered work of Type-II quarters without negotiation with an additional financial implication of Rs 1.35 crore.

There was avoidable extra expenditure of Rs 79.54 lakh due to non negotiation with contractor.

Thus, the Company incorrectly awarded the contract for construction of Type-I quarters despite a policy decision not to construct this Type of quarters. Further, not negotiating with the contractor despite permissible contract conditions, the Company incurred additional financial burden of Rs 79.54 lakh (Rs 135.16 lakh – Rs 55.62 lakh).

The Management stated (August 2008) that no rates were mentioned in the tender for additional works of Type-II quarters and hence the contractor was paid at current schedule of rates. The fact remains that the Company did not negotiate with the contractor for rates despite his request for a meeting.

Failure to invoke risk and cost clause in contracts

2.1.16 As per Clause 15 of the terms and conditions of contract on delaying the performance of the contract on the part of the contractor, the Company could take possession of the work and employ any other agency to complete the work at the risk and cost of the contractor. In the following three cases the Company terminated works on the grounds of slow progress and the same works were awarded to other contractors at higher rates. However, the Company did not raise any claim towards extra cost to be incurred for

* Clause 6 of the Agreement states that if the additional or altered work includes any class of work for which no rate is specified in the contract, then such class of work shall be carried out at schedule of rates of the Division or at the rates mutually agreed between the Engineer-in-charge and the contractors, whichever is lower.

completion of those works (August 2008).

(Rupees in lakh)

Name of the work	Name of the contractor (date of work order, scheduled date of completion)	Contract value and quantum of work completed, date of termination	Value of balance work	Name of the new contractor (date of work order)	Contract value for balance work	Difference
1	2	3	4	5	6	7 (6-4)
550 police quarters at Nagpur	National (India) Contractors & Engineers (28 March 2003, 27 September 2004)	1,743.48 1,092.48 (23 November 2005)	651.00	KETI Contractor (I) Limited (6 February 2007)	1,529.90	878.90
442 police quarters at Wanwadi (Pune)	ECP Housing (I) Private Limited (19 July 2004, 18 July 2006)	1,778.18 567.10 (14 September 2006)	1,211.08	Shalaka Engineers (5 December 2007)	2,275.00	1,063.92
186 police quarters at Ratnagiri	Sainath Enterprises (13 April 2005, 12 October 2006)	830.30 265.70 (15 February 2007)	564.60	Eagle Construction Company (24 December 2007)	945.58	380.98
					Total	**2,323.80**

(Source: Information furnished by the Company)

There was additional financial burden of Rs 23.24 crore on the Company due to non-invoking the risk and cost clause.

Thus, the Company, by not raising any claim as per the contract conditions incurred additional expenditure of Rs 23.24 crore.

During the ARCPSE meeting the Management stated (July 2008) that it was under the impression that the claim could be raised only after completion of work.

Since those works were awarded as lump sum contract, the possible additional expenditure could have been worked out and initial claim could have been raised to avoid the claim becoming time barred.

The Management in its reply stated (August 2008) that the letters for recovery from contractors were being issued. Further developments were awaited (December 2008).

Works executed through PWD

The Company could not ensure proper and timely utilisation of funds meant for works to be executed through PWD.

2.1.17 During 2002-08 the Company received Rs 58.57 crore for the works to be executed through PWD. Of this amount, Rs 46.39 crore were paid to Director General of Police's office for distribution to various units of PWD till March 2008.

In this connection the following deficiencies were noticed:

- Funds received in the year were distributed in the next year leaving a huge balance of Rs 12.17 crore with the Company as on 31 March 2008.

Payments included Rs 1.67 crore towards nine projects for which no grants were received.

- Funds of Rs 5.21 crore paid prior to 2000-01, were also not reconciled with the PWD records.
- Savings of Rs 40.89 lakh were not yet claimed from the respective units of PWD due to non-reconciliation.
- The details like date of actual payment to the PWD units and progress of works were not available either with the Company or with the DGP's office.

Due to inadequate monitoring of works by way of monthly/quarterly review of progress of each work, the Company could not ensure proper and timely utilisation of funds.

Non-levy of penalty

2.1.18 As per clause 22 of the Conditions of Contract, the work shall throughout the stipulated period of the contract proceed with due diligence and if contractor defaults therein he shall pay as compensation an amount equal to one *per cent* of tendered value or such smaller amount as may be decided by the Company per day subject to maximum 10 *per cent* of work order value.

It was seen that in the following three cases the Company did not levy any penalty though the progress of work was very slow since the beginning.

Name of the work	Schedule date of completion / Work order value (Rupees in crore)	Percentage of work completed up to 31 March 2008	Remarks
168 quarters at Nandurbar	12 January 2006 8.32	45	Contract revived three times after termination. Work restarted on 04 February 2008
Three class rooms at PTS[#] Nanveej	15 October 2007 1.47	16	The contractor failed to complete the work despite extension granted up to 31 March 2008
Hostel Building at WPTS[•], Solapur	15 October 2007 1.38	50	The contractor failed to complete the work despite extension granted up to 29 February 2008

Though the penal provisions were available as per contract conditions, the same were not invoked for one reason or another. Non levy of penalty as per clause 22 *ibid* worked out to Rs 1.12 crore (10 *per cent* of the work order value).

[#] Police Training School. [•] Women Police Training School.

Overpayment to Contractors

2.1.19 Audit noticed cases of overpayment to the contractors as discussed in following paragraphs:

The Company made overpayments of Rs 40.47 lakh due to incorrect adoption of price indices.

- Scrutiny of price variation bills of the selected works revealed that the Company made overpayments of Rs 38.13 lakh towards price variation in 11 cases due to incorrect adoption of price indices/totalling errors. On being pointed out by audit, the Company has recovered Rs 26.71 lakh in seven cases. The balance amount of Rs 11.42 lakh in four cases was yet to be recovered (August 2008).

- While passing Running Account (RA) bills pertaining to the work of 460 quarters at Nashik at the Company level, corrections in quantities as well as in amounts were made on certain pages. However, corrected totals were not mentioned on each page. Instead, corrected total amount was shown only at the last page of the RA bills. Audit checks revealed that the actual totals were less than the corrected totals written on the last page and considered for payments, resulting in overpayment of Rs 2.34 lakh. As the corrected total was not written on each page of RA bills from RA bill No.15 onwards, the possibility of further overpayment cannot be ruled out.

Appointment of Architects and Project Management Consultants

2.1.20 The Company appoints architects for preparation of detailed drawings, estimates and tender documents and the Project Management Consultants (PMCs) to undertake full supervision of construction works. The following discrepancies were noticed in audit:

Irregularities in appointment of architects and PMCs

2.1.21 Prior to October 2002, the Company used to invite competitive offers from architects and PMCs from a list of architects and PMCs empanelled with them. The Company constituted (October 2002) a Committee for empanelment and selection of architects/PMCs. The BoD appointed architects and PMCs at a fixed rate of two and three *per cent* respectively of the works cost, from the list prepared by the Committee.

The system of empanelment vis-a-vis actual allotment of works to Architects/ PMCs was not effective and lacked transparency.

In this connection the following was noticed in audit:

- Though the list of architects and PMCs was to be reviewed and updated every two years as directed (April 2000) by the BoD no such updation was done by the Company. A register was not maintained to indicate the details of qualification, experience of the technical personnel engaged by the firms, the details of works allotted to them and the performance during the execution of said works, *etc.*

- Work allotment to the architects and PMCs was to be decided based on merit, region and category of work and considering the number of works in hand at the time of appointment. However, no such criteria were followed and direct appointment letters were issued to the architects and PMCs without any recorded justifications.

- Though the region wise list was prepared and sufficient number of architects and PMCs were also empanelled regionally, the Company without any recorded justifications awarded seven works to architects and eight works to PMCs outside this list.

- Five architects and seven PMCs listed under category 'C' (capable for works costing less than Rs 10 crore) were awarded works valuing more than Rs 10 crore *i.e.* beyond their capacity to execute the works.

- The Company appointed architects for supervision of six works although a separate empanelment list of PMCs was available for supervision of project implementation. The reasons for the deviation were not on record.

Thus, the system of empanelment of architects and PMCs *vis-a-vis* actual allotment of work was not effective and lacked transparency.

Incorrect payment to architects and PMCs

2.1.22 As per BoD's Resolution (12 May 2005), in case of architects whose agreements were more than five years old on the date of construction work order, fees were to be paid for pre-tender activities on the originally accepted project cost and for post-tender activities on the estimated cost put to tender or tender cost, whichever was lower for ongoing works.

The Company made incorrect payments of Rs 1.30 crore to architects.

Out of 21 architects, whose works were in progress as on May 2005, in 15 cases fees were paid on the revised cost of works though the agreements were not more than five years old on the date of work orders. This had resulted in incorrect payment of Rs 1.30 crore to the architects.

Similarly, as per the same Resolution the professional fees to those PMCs who quoted their rates in competition as per the earlier system (which existed prior to October 2002) were to be paid on the basis of the revised cost put to tender or tender cost, whichever was lower for ongoing works for post tender activities.

Out of 44 work orders placed after May 2005, in 31 cases PMCs were appointed before May 2005. Scrutiny of payments made to PMCs revealed that in 11 cases fees were paid based on revised estimated cost for pre-tender activities also. This was incorrect, as it was to be paid on post tender activities only. This resulted in incorrect payments of Rs 12.85 lakh to the PMCs.

Internal controls

2.1.23 The nature of activities of the Company involves large payments to the contractors/architects/PMCs, as evident from the fact that the Company placed 53 work orders to the tune of Rs 428.36 crore during 2003-08. The measurement of works and detailed scrutiny of bills of contracts are highly critical areas requiring detailed check by the Company's own staff.

The following deficiencies were noticed in the Internal control mechanism:

There was inadequate internal control including internal audit and monitoring of transactions.

- The prescribed procedure of Measurement Book recording/checking for works was not followed.

- The original works were not supervised directly by Company's Engineers and only nominal percentage checking had been prescribed. It was necessary that the Company's Engineers should check the RA bills with due care by cross checking the measurements recorded by the PMC, their field records, consumption statements, actual site visit, *etc.* It was noticed that this was not being done and RA bills were passed and paid within one or two days of their receipt.

- The Company had only six persons as technical staff comprising one Executive Engineer, three Deputy Engineers and two Junior Engineers who were involved in office work as well as actual supervision of ongoing works at a number of places throughout Maharashtra. Such staffing was grossly inadequate in comparison to the magnitude of works involved.

- The PMCs have to deploy certain number of staff on the work site so as to make day-to-day supervision more effective. However, deployment of prescribed number of staff by the PMCs, was not ascertained by the Company before making payments.

- Internal Audit consisted of only one Internal Audit Officer and two Accounts Assistants who merely conducted pre-audit of the works bills.

- Despite increase in the volume of work of the Company the technical as well as Internal Audit Wing had not been strengthened adequately. Statutory Auditors had also expressed similar view through their Audit Reports.

Monitoring

2.1.24 Monitoring of commencement and completion of projects in time and handing over thereof to the user Department was very crucial, considering the business and objectives of the Company. The Board of Director (BoD) of the Company approved the projects and the tenders invited for those projects. The task of day-to-day monitoring and supervision of work was entrusted to specially appointed PMCs as mentioned earlier. However, the Company did not ascertain the deployment of adequate staff by the PMCs.

It was seen that Management Information System was not in place in the Company, to inform the BoD periodically of the progress of the projects approved by it. As mentioned earlier, many projects were administratively approved by the BoD but not taken up by the Company.

Though review meetings were conducted by Managing Director for each work, the overall progress of the total works approved and under progress was not brought to the notice of the BoD. The monitoring was inadequate as out of 18 works completed during 2003-08, only four works were completed within the scheduled period and the balance works were completed after delays ranging from two to 26 months. Similarly out of 18 cases handed over, in five cases delay was ranging from two to 10 months in handing over the completed works to the user Departments, which resulted not only in blocking of funds but also deprived the police personnel of the benefits of housing facility.

Acknowledgement

2.1.25 Audit acknowledges the co-operation and assistance extended by different levels of Management at various stages of conducting this performance audit.

The matter was reported to the Government (May 2008); their reply was awaited (December 2008).

Conclusion

The construction of quarters and administrative building for Police Department was not commensurate with the actual requirements and there was a shortage of 39,113 quarters as on May 2008. The planning and execution process of the Company was defective due to works not being taken up despite administrative approvals and receipt of funds. There were cases of diversion of funds, poor monitoring, avoidable expenditure due to inordinate delay in issue of work order and unjustified termination of contracts and non-negotiations with contractors. Overpayments/irregular payments to contractors and architects/PMCs were noticed due to inadequate internal control. There was lack of adequate monitoring in execution/completion of works as well as handing over of completed works.

Recommendations

The Company may:

- **strengthen its planning and execution process to avoid time and cost overruns.**
- **ensure that the system of award of works to contractors/ architects/PMCs is transparent and satisfactory.**
- **strengthen the internal control mechanism to avoid overpayments to contractors and monitoring mechanisms to complete works and ensure handing over of completed works in time to user Departments.**

Shivshahi Punarvasan Prakalp Limited

2.2 Operational performance

Highlights

The State Government contributed Rs 115 crore towards share capital of the Company though it had collected Rs 425 crore from two State Government agencies for the purpose. Shortfall in contribution resulted in financial crunch affecting the implementation of schemes.

(Paragraph 2.2.7)

The Company had taken up (1998-99) only 10 Slum Rehabilitation (SR) Schemes involving construction of 10,673 tenements at a total cost of Rs 528.50 crore as against 25,000 tenements decided by the State Government. No further schemes were taken up by the Company thereafter. Five schemes were completed during 1998-2002 and out of the remaining five, three were yet to be completed.

(Paragraphs 2.2.12 and 2.2.13)

The Company extended undue benefits of Rs 21.44 crore to contractors on account of escalation claims and bonus by violating the terms of contracts.

(Paragraphs 2.2.14, 2.2.16 and 2.2.17)

The Company suffered a loss of interest of Rs 6.94 crore due to delay in execution of agreement for sale of 889 flats in SR Scheme at Dindoshi.

(Paragraph 2.2.22)

The Company completed construction of 7,649 Rehabilitation/Project Affected Persons tenements, transit camps and saleable tenements and handed over 6,715 tenements. The balance 934 tenements completed during January 2002 to April 2007, were yet to be allotted/sold.

(Paragraph 2.2.23)

The Company extended undue benefit of Rs 64.42 lakh to a private party by fixing lower rent/security deposit for Permanent Transit Camps given on rent.

(Paragraph 2.2.25)

Introduction

2.2.1 The State Government established (December 1995) Slum Rehabilitation Authority (SRA) to serve as an independent Planning Authority for Slum Rehabilitation (SR) Schemes in Mumbai Metropolitan Region and to facilitate the slum rehabilitation process. In order to speed up the Slum Rehabilitation Program, the State Government formed (September 1998) Shivshahi Punarvasan Prakalp Limited (Company) as a separate Government Company under the administrative control of the Housing Department, Government of Maharashtra (GoM). The main objectives of the Company are as under:

- planning and implementation of housing schemes including redevelopment of slums in urban areas in Mumbai Metropolitan Region;
- focusing on shelter needs of economically weaker sections and low income groups; and
- construction and building activities.

The overall management of the Company is vested with the Board of Directors (BoDs).* The day-to-day management of the Company is looked after by the Managing Director (MD) who is assisted by a Joint Managing Director (JMD), a Chief Engineer and General Manager Finance/Marketing.

The Company did not have independent executives. The work of MD was looked after by the Secretary (Housing Department) and the engineering works were seen by Chief Engineer, Maharashtra Housing and Area Development Authority (MHADA).

Scope of Audit

2.2.2 The present performance audit covers the operational performance of 10 SR Schemes taken up by the Company as its own schemes. The scrutiny includes planning and implementation processes, payments to contractors/Project Management Consultants (PMCs)/architects and handing over of completed tenements. Besides, in 30 other schemes, which were sanctioned for implementation through private developers, Company's role was confined to act merely as a financier. Hence, the aspects relating to the financial assistance provided for these schemes and recoveries made there against have only been covered in the review.

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*Board of Directors comprised of Minister (Housing) as Chairman, Minister of State (Housing) as Vice Chairman and Principal Secretary/Secretaries of Housing, Finance and Urban Development Departments, Metropolitan Commissioner (MMRDA) and Chief Executive Officers of SRA and MHADA as Directors.

The irregularities regarding sale of Transferable Development Right (TDR)* were commented upon in **paragraphs no. 4.12** and **4.21** of Audit Reports (Commercial), Government of Maharashtra for the year 2004-05 and 2006-07 respectively. **Paragraph no. 4.12** of Audit Report for 2004-05 was discussed (May 2007) and recommendations issued (July 2007) by the Committee on Public Undertakings (COPU). The COPU recommended for investigation of sale of TDR and directed to fix responsibility. The Action Taken Notes on the recommendations of COPU were awaited (December 2008).

Audit objectives

2.2.3 The audit objectives were to ascertain whether:

- the stated objectives of the Company have been fulfilled;
- the funding arrangements were properly planned and adequate;
- the planning process of Company's own SR Schemes and implementation thereof was efficient and effective;
- payments to contractors/consultants and levy of penalty for delays were as per the terms of contracts;
- the procedure for identification of beneficiaries was foolproof;
- tenements were completed and handed over to beneficiaries within the scheduled time; and
- the system of internal control and monitoring in the Company was adequate and effective.

Audit criteria

2.2.4 The following criteria were adopted:

- Physical and financial targets fixed under the Schemes;
- Terms and conditions of the contracts;
- Recommendations of the Project Management Consultants; and
- Guidelines issued by the State Government.

* TDR is a right granted to the Company by SRA/Municipal Corporation of Greater Mumbai for sale of unused floor space index permissible for the land on which SR Scheme is implemented as per Development Control Regulations. The purchaser can use TDR purchased by him in other places as specified by the sanctioning authority.

Audit methodology

2.2.5 Audit used a mix of the following methodologies:

- Examination of agenda papers and minutes of BoDs meetings, contract documents, budget files, *etc*.;
- Scrutiny of Government decisions/policies;
- Analysis of data collected; and
- Discussions with officials of the Company/Housing Department of GoM.

Audit findings

2.2.6 The audit findings were reported to the State Government/Management in May 2008 and discussed in the meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE) held on 11 July 2008. The meeting was attended by the Secretary (Housing Department), GoM (who was also the Managing Director of the Company), Chief Engineer and General Managers (Finance, Marketing and Engineering) of the Company. The views of the State Government and the Management have been taken into account while finalising the review.

The audit findings are discussed in the succeeding paragraphs.

Capital structure and borrowings

Share capital

Shortfall in contribution of share capital by the State Government resulted in financial crunch affecting implementation of schemes.

2.2.7 The authorised share capital of the Company as on 31 March 2008 was Rs 600 crore apportioned into 60 crore shares of Rs 10 each to be contributed by the State Government by arranging funds equally from two State Government Agencies *viz.*, Maharashtra Housing and Area Development Authority (MHADA) and Mumbai Metropolitan Region Development Authority (MMRDA). The paid up capital as on 31 March 2008 was Rs 115 crore. Audit observed that the State Government received Rs 425 crore from MHADA (Rs 300 crore) and MMRDA (Rs 125 crore) by March 1999 but extended Rs 115 crore only as contribution towards share capital of the Company. As a result, the Company faced financial crunch for implementation of own schemes.

During ARCPSE meeting, Management stated (11 July 2008) that the Government did not release the full amount towards Company's share capital as further disbursement of loans to private developers was stayed (October 1999) by the Government. The Secretary (Housing Department), however, assured in the meeting that the matter would be looked into and funds would be released to the Company for strengthening its activities.

Borrowings

2.2.8 The Company had borrowed (March 2000-March 2003) Rs 78.22 crore (Rs 58.22 crore at the rate of 13.75/14 *per cent* and Rs 20 crore at the rate of 10 *per cent*) from Housing and Urban Development Corporation Limited (HUDCO) and paid Rs 33.33 crore towards interest for the period from March 2000 to June 2007. The entire HUDCO loan was repaid by September 2007 and the borrowings of the Company as on 31 March 2008 stood at Rs 32 lakh.

Subsidy

2.2.9 The Company received (February 2007-April 2008) a total subsidy of Rs 2.16 crore equally from the State and Central Governments under the Valmiki Ambedkar Awas Yojana (VAMBAY) for construction of 360 tenements for Below Poverty Line families from Scheduled Caste/Tribe and Other Backward Classes.

Financial position and working results

2.2.10 The financial position and working results of the Company for the last five years ended March 2008 were as under:

(Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
Liabilities					
a. Paid up capital	115.00	115.00	115.00	115.00	115.00
b. Reserves and surplus	-	-	-	-	49.38
c. Borrowings	36.30	33.03	25.83	15.05	0.32
d. Current liabilities and provisions	91.40	75.55	64.46	114.25	102.41
Total	**242.70**	**223.58**	**205.29**	**244.30**	**267.11**
Assets					
a. Gross block	4.00	4.06	4.13	4.15	4.24
b. Less: Depreciation	0.94	1.16	1.36	1.56	1.66
c. Net fixed assets	3.06	2.90	2.77	2.59	2.58
d. Current assets, loans and advances (including Work In Progress)	200.62	177.05	151.49	185.11	264.53
e. Profit and loss account (accumulated losses)	39.02	43.63	51.03	56.60	-
Total	**242.70**	**223.58**	**205.29**	**244.30**	**267.11**
Revenue					
(i) Sales					
(a) Transferable Development Rights	9.87	7.99	10.19	20.27	16.67
(b) Saleable buildings	-	2.17	-	1.06	120.13
Total Sales	**9.87**	**10.16**	**10.19**	**21.33**	**136.80**
Net Sales (after adjusting prior period sales)	8.78	10.16	10.16	21.33	136.80
(ii) Interest income	10.17	5.25	3.34	3.89	4.06
(iii) Other income	0.64	0.41	0.62	0.52	53.24
Total Revenue (I)	**19.59**	**15.82**	**14.12**	**25.74**	**194.10**
Expenditure					
(i) Cost of sale (Cost of construction, PMC charges, interest on loan and other miscellaneous expenses)	35.52	13.89	28.03	19.88	82.65
(ii) Administrative and other expenses	1.88	2.33	2.21	2.19	4.39
(iii) Interest written off	-	15.57	6.02	-	-
(iv) Financial charges	0.91	3.06	2.50	2.71	1.73
(v) Depreciation	0.18	0.20	0.20	0.19	0.17
(vi) Provision for loss/(withdrawal of excess provision) on projects	(28.07)	(15.85)	(21.44)	5.62	(0.80)
Total Expenditure (II)	**10.42**	**19.20**	**17.52**	**30.59**	**88.14**
Profit/(Loss) (I-II) before Tax	**9.17**	**(3.38)**	**(3.40)**	**(4.85)**	**105.96**

Note: Figures for 2004-05 to 2007-08 are provisional.

(Source: Annual Accounts of the Company)

As per Accounting System followed by the Company, the expenditure on construction, consultancy charges, interest during construction period and other related expenditure are accounted for under Current Assets (Work In Progress). On sale of houses/allotment of tenements, the proportionate construction cost is deducted from the Work In Progress and charged to Profit and Loss Account.

While reviewing the above data, the following were observed:

- Accounts from the year 2004-05 onwards were in arrears.
- Reserve and Surplus of Rs 49.38 crore at the end of March 2008 represented the profit after appropriations during the year 2007-08. The profit earned (Rs 105.96 crore) was mainly on account of sale of houses under Dindoshi Scheme for Rs 120 crore.
- No age-wise analysis of Sundry Debtors (Rs 5.51 crore) and other outstanding advances (Rs 29.46 crore) as of March 2008 was done by the Company for ensuring timely recovery thereof.
- The Company incurred losses during the years 2004-05 to 2006-07 due to delayed implementation of projects. Further, excess interest receivable from private developers towards loan at the rate of 17.50 *per cent* (reduced to 10 *per cent*) amounting to Rs 21.59 crore was also written off during 2004-05 and 2005-06 adding to the losses.

Financial assistance to private developers

Recovery of interest at lower rate from private developers resulted in extra financial outgo of Rs 6.76 crore for the Company.

2.2.11 There were SR Schemes sanctioned by SRA for implementation through private developers. Private developers were, however, unable to raise funds from the open market due to defective title of the land provided under these schemes. The Company had therefore sanctioned Rs 536.10 crore as loan, equivalent to 70 *per cent* of the project cost to 15 private developers who were to execute 30 SR Schemes involving construction of 14,809 rehabilitation tenements. As per terms of agreement, developers were liable to refund the said loan with interest at 17.5 *per cent* per annum in three-four annual installments and the loan was to be fully repaid within one year from the date of completion of the schemes. The Company disbursed (April to September 1999) Rs 73.85 crore and discontinued further disbursement from October 1999 in view of Government's instructions (October 1999) to put on hold the earlier decisions till further orders. As the Company could not provide full financial assistance to the developers, it was decided (June 2004) to reduce the interest rate to be recovered at 10 *per cent* per annum on simple interest basis. The borrowing rate of loan of Rs 58.22 crore from HUDCO was 13.75/14 *per cent* per annum. Thus, recovery of interest from private developers at lower rate resulted in extra financial outgo of Rs 6.76 crore for the Company during January 2000 to December 2004.

It was further noticed that the Company had given 100 *per cent* assistance of Rs 2.98 crore to two[&] private developers. The benefit of recovery of interest at reduced rate of 10 *per cent* was extended to these developers and interest of Rs 36.51 lakh (Akruti: Rs 35.87 lakh and Ashwal: Rs 0.64 lakh) were waived.

Planning

Slum Rehabilitation Schemes of the Company

2.2.12 The State Government decided (September 1998) initially to provide two lakh houses free of cost to Slum Dwellers/Project Affected Persons[∇] (PAPs) under SR Scheme by December 1999 out of total requirement of eight lakh houses in Mumbai Region. The tenements with carpet area of 225 square feet each to be allotted free of cost were to be constructed by private developers and Government agencies. Implementing agencies were to recoup the construction cost of free tenements by selling the additional construction/TDR permissible under the SR Scheme. The State Government directed (September 1998) the Company to construct 25,000 tenements as its own schemes. Based on this decision, the Company (1998-99) planned to implement 10 SR Schemes by awarding construction contracts to private contractors. Technical aspects were to be looked into by Project Management Consultants (PMCs) under overall supervision of the Company.

Development Control Regulations for Greater Mumbai 1991, amended from time to time, stipulated the criteria for construction of rehabilitation/PAP tenements and saleable houses/TDR. As per criteria prescribed under the said Regulations the *ratio* of rehabilitation and saleable components was 1:0.75 in Mumbai City, 1:1 in suburban area and in a difficult area like Dharavi it was 1:1.33. The maximum floor space index (FSI) to be utilised on site was 2.5. If the FSI sanctioned was more than 2.5, the difference between sanctioned and maximum permissible FSI (2.5) was to be treated as TDR. The option of TDR was also available if there were constraints in development of saleable component. In this connection, audit observed the following:

- The Company had not prepared overall guidelines for implementation of own schemes at the time of commencement of these schemes in 1998-99.

- Though the construction contracts were awarded to private parties and anticipated completion by December 2000, the Company could not maintain the schedule as the initial problems such as access to site/removal of huts *etc.* were not foreseen by the Company.

- The Company had not made any attempt to assess the demand for PAP tenements from Project Implementing Agencies (PIAs)* before

[&]Akruti Nirman Private Limited: Rs 1.10 crore and Ashwal Properties Private Limited: Rs 1.88 crore.

[∇]Individuals shifted from the land belonging to other Government Agencies required for public utility.

*Airport Authority of India, Municipal Corporation of Greater Mumbai (MCGM), MMRDA, MSRDC, Public Works Department.

commencement of schemes. The Company had to await feedback on demand assessment from PIAs for unallotted tenements. The Company also had to modify five schemes (Antop Hill, Dindoshi, Shed Complex, Rahul Nagar and Turbhe Mandale schemes) frequently (ranging from two to six times) during execution by changing number of PAP tenements and area of saleable houses/TDR. Thus, the planning approach of the Company was *adhoc* and not systematic which contributed to delay in implementation. Three schemes (Rahul Nagar, Shed Complex and Turbhe Mandale) were yet to be completed (November 2008).

- Although the Company had prepared scheme wise estimates, these could not be compared with actuals as estimates underwent major revisions due to frequent modifications in schemes.

- The requirement of working capital was not properly planned resulting in financial crunch in the Company.

- No new schemes were taken up for implementation by the Company after 1998-99.

Implementation of own Schemes

2.2.13 The Company planned to implement (1998-99) 10 SR Schemes as its own schemes at a total project cost of Rs 528.50 crore for construction of 10,673 tenements on the land made available by MHADA as well as land occupied by slum dwellers. The details of schemes implemented were as under:

Sl. No,	Name of the scheme	No. of tenements projected (No. of tenements actually completed)	Stipulated date of completion (Actual date of completion)	Extent of delay (in months)	Projected cost (Actual cost incurred up to March 2008) (*Rupees in crore*)	Projected revenue (Actual revenue received up to March 2008) (*Rupees in crore*)
1	2	3	4	5	6	7
A. Schemes completed up to 2002-03						
1.	Milind Nagar, Dharavi	80 (80)	September 1998 (September 1998)	--	1.36 (0.62)*	1.51 (1.51)
2.	Transit Camp, Dharavi	136 (136)	February 2000 (March 2000)	1	2.00 (1.36)	--@ (--)
3.	Shivprasad CHS, Wadala	65 (65)	March 2000 (January 2001)	9	1.63 (1.46)	0.68 (0.68)
4.	Antop Hill, Wadala	934 (934)	December 2000 (November 2002)	23	42.55 (36.96)	45.98 (36.68)
5.	ABC Builder, Dharavi	576 (576)	-- (January 2001)	--	1.00$ (1.00)$	10.36 (10.06)
B. Schemes completed during 2003-08						
6.	Matunga Labour Camp, Dharavi	271 (271)	September 2000 (October 2006)■	72	10.57 (7.66)	11.28 (2.60)
7.	Dindoshi	3,548 (3,548)	December 2000 (Rehabilitation buildings completed in December 2001, saleable buildings partly completed)	60^	228.11 (180.83)	234.47 (114.88)
C. Incomplete schemes (as of November 2008)						
8.	Shed Complex, Dharavi	422 (42)	July 2000 # (Physically completed in July 2000)	95^	15.53 (11.36)	11.87 (--)
9.	Rahul Nagar, Sewree	784 (462)	August 2000/ March 2005 (Partly completed)	39^	37.75 (18.48)	56.20 (3.97)
10.	Turbhe Mandale, Mankhurd	3,857 (1,535)	August 2000 (Partly completed)	94^	188.00 (103.54)	281.20 (149.97)
	Total	**10,673 (7,649)**			**528.50 (363.27)**	**653.55 (320.35)**

Note:- (1). Project cost includes cost of construction, consultancy charges, expenditure on land development and other administrative charges. (2) Total number of tenements projected/completed includes rehabilitation/PAP, transit camp and saleable tenements.

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* The scheme was partly completed by MHADA by incurring expenditure of Rs 0.58 crore.

@ The scheme was exclusively for transit camps to be used by the Company.

$ The scheme was executed by the private developer but the allotment of tenements was done by the Company and therefore it is taken under the purview of the review.

■ Date of completion is taken from the month of receiving occupancy certificate which was received in two stages in January 2005 and finally in October 2006.

^ This has been worked out up to June 2008 in respect of incomplete schemes. Delay in Dindoshi schemes has been worked up to December 2005 as the contract was terminated in January 2006 and saleable property was sold on 'as is where is basis'.

\# The construction work was completed but other infrastructural work such as water and sewerage line was pending.

It could be seen from the above that the Company had completed 7,649 tenements by March 2008 out of 10,673 tenements planned to be completed. The Company projected revenue of Rs 653.55 crore as against projected cost of Rs 528.50 crore.

Schemes completed during 1999-2002

2.2.14 As seen from the above, the five schemes (Sl. No. 1 to 5) involving construction of 1,791 tenements were completed during September 1998 to November 2002 and there were delays ranging from one to 23 months in actual completion compared to the scheduled dates of completion.

Irregular bonus payment of Rs 66.66 lakh was made by the Company by violating the contract conditions.

In case of *Antop Hill, Wadala Scheme*, the scope of the work was revised (December 1999) from six rehabilitation buildings and three saleable buildings to nine rehabilitation buildings (696 tenements) and one saleable building (238 tenements). As per the terms of contract, the bonus at the rate of Rs 15 per square foot/month was payable if the entire project put to tender was completed before the stipulated period of 15 months from the date of work order (6 August 1999). The condition also stipulated that bonus should not be paid in case of extension on any account whether at the cause of the contractor or the employer or due to any other reasons. However, the Company paid (April-August 2003) bonus of Rs 66.66 lakh based on individual completion of five buildings (A-1, A-4, B-1,C-I and S-1) reckoning 15 months period from the date of release of revised scope for each building. The payment of bonus was irregular as it was paid separately for each of the aforesaid five buildings considering their individual completion dates rather than completion of project as a whole as per terms of contract.

The Management in its reply (July 2008) which was endorsed by the Government (December 2008), stated that the project was modified several times and implemented in phases. Thus, the bonus was paid on completion of individual buildings. The reply was not to the point as the payment of bonus was contrary to the terms of the contract and the Company also had initially rejected the claim.

Completed schemes during 2003-08

2.2.15 It could be seen from the table under **paragraph no. 2.2.13** that two schemes *(Matunga Labour Camp and Dindoshi)* were completed during 2003-08. The Company incurred expenditure of Rs 188.49 crore on these two schemes up to March 2008 as against total project cost of Rs 238.68 crore. There was delay of five to six years in completion of schemes.

Audit noticed the following:

- In *Matunga Labour Camp Scheme* there was delay in getting approval for revised scheme resulting in delay of three to four years in receipt of occupancy certificates. The Housing Department, GoM allotted (June 2006) 128 tenements to slum dwellers. The occupancy certificate for these tenements was received from SRA in October 2006. The Company, however, had not physically handed over these tenements to the slum

Funds of Rs 3.62 crore of the Company remained blocked due to lack of co-ordination among different agencies.

dwellers (November 2008). Thus, the tenements constructed at a cost of Rs 3.62 crore (as proportionately worked out) remained idle since October 2006 till date (November 2008).

The Management in its reply (July 2008) which was endorsed by the Government (December 2008), stated that the decision for allotment was entirely dependent on co-ordination and co-operation of different agencies. However, the Company's funds of Rs 3.62 crore remained blocked due to lack of co-ordination among Municipal Corporation of Greater Mumbai (MCGM) and departments of Housing and Urban Development of the State Government.

- The Company had awarded (April 1999) the construction of 4,475 PAP tenements under *Dindoshi Scheme* to V. R. Mittal for Rs 96.81 crore. The scope of the scheme was modified in October 1999 to improve the viability of the scheme. As per revised scheme, 3,548 tenements (2,659 PAP tenements including 45 amenity tenements and 889 saleable houses) were to be constructed along with related infrastructural works. The revised value of the construction contract was Rs 112.44 crore. The actual cost of the construction increased to Rs 150.47 crore mainly due to change in specifications, laying of water pipe line, construction of approach road, execution of extra items *etc*.

The construction of saleable buildings was, however, completed up to 90 *per cent* by April 2004. The contractor was not ready to execute the balance 10 *per cent* work due to non payment of his various claims of Rs 60.55 crore. The contract was terminated in January 2006 and all buildings were sold for Rs 120 crore[Δ] in January 2007 on "as is where is basis" as discussed in **paragraph no. 2.2.22** *infra*.

Incomplete schemes

2.2.16 As seen from the table under **paragraph no. 2.2.13** *supra* three schemes were yet to be completed (November 2008). In this connection audit observed the following:

- Under the *Shed Complex Scheme, Dharavi*, the Company constructed (September 2001) four buildings (422 tenements) at a total cost of Rs 11.36 crore. Out of the above, 42 tenements were allotted (2006-07) to the slum dwellers. However, infrastructural work such as water supply and sewerage line for remaining 380 tenements could not be completed due to non removal of two slum dwellers. The dispute of removal of two slum dwellers remained unresolved with MCGM. Thus, the 380 tenements physically completed at a total cost of Rs 10.23 crore remained idle (November 2008). The fact of buildings lying unused was reported in **paragraph no. 4.14** of Report of the Comptroller and Auditor General of India (Commercial), Government of Maharashtra for the year ended 31st March 2006. The Company had not made any significant progress in the matter (November 2008).

[Δ] Actual amount received Rs 114.88 crore as of March 2008.

- Out of a total of 784 tenements under *Rahul Nagar Scheme* the construction of 124 rehabilitation/PAP tenements was completed in March 2001. The construction of remaining 660 tenements (338 rehabilitation tenements and 322 saleable houses) was awarded (February 2003) to Ashoka Builders for Rs 15.71 crore. As per terms of contract, escalation on cement and steel was payable besides escalation due to introduction/change in law. The entire work was to be completed by March 2005. However, the construction of two saleable buildings (242 houses) was partly completed (36 *per cent*) by January 2007 and the work of the third saleable building (80 houses) was yet to be taken up (November 2008). The Company stated (April-July 2008) that work could not be completed due to non removal of five huts, shifting of transit tenements, alteration in building plan due to nala *etc*. Thus, due to lack of effective monitoring, funds of Rs 3.51 crore remained blocked up in two incomplete buildings.

- The contract for construction of 3,857 tenements under *Turbhe-Mandale Scheme* was awarded (May 1999) to Jog Engineering Limited, Pune for Rs 78.67 crore. The work was to be completed by August 2000. As per contract condition, escalation on material other than cement and steel was not payable. The BoDs, however, approved (October 2006) specific escalation of Rs 7.93 crore approximately on such material component to speed up the delayed work out of which Rs 4.43 crore was on material already used in completed work and remaining Rs 3.50 crore on material required to complete the pending work.

The Company extended undue benefit of Rs 2.44 crore to the contractor by considering incorrect price index.

It was observed in audit that the Management had worked out the above escalation by considering price index of November 1998 instead of September 2000. This was not correct as the contractor had already considered likely price rise up to August 2000 in his quoted rates as per tender condition and thus index of September 2000 was the valid base for payment of escalation. The escalation on material already used in completed work thus worked out to Rs 2.48 crore only instead of Rs 4.43 crore (revised to Rs 4.92 crore). The Company had already paid Rs 1.47 crore out of Rs 4.92 crore and the balance of Rs 3.45 crore was adjusted against pending advances/interest of the contractor. Thus, the Company extended undue benefit of Rs 2.44 crore to the contractor.

The Management in its reply (July 2008) which was endorsed by the Government (December 2008), stated that the escalation on material other than cement and steel was approved by the BoDs and the escalation formula was adopted as per Government Resolution (GR), Public Works Department (PWD) issued in January 1992 according to which base index was to be taken as 28 days prior to the date of submission of tender.

The reply is misleading since rates quoted were inclusive of likely price rise up to August 2000.

Contract management

2.2.17 Construction contracts which were awarded to private contractors had a general clause for payment of escalation. The escalation clause included in various construction contracts was as under:

Clause 70.1: "The price variation shall be restricted to cement and steel only during the operative period of the contract".

Clause 70.2: "If after the date, 28 days prior to the date of submission of tender for the contract, there occurs changes to any National or State statute, ordinance or other law or any introduction of such statute, ordinance, law which causes additional or reduced cost to the contractor other than under sub Clause 70.1, in the execution of the contract, such additional or reduced cost shall be determined by the Engineer and shall be added to or deducted from the contract price."

In the absence of clarity in contract clause, the regularity of payment of escalation of Rs 18.33 crore to contractors towards Labour/POL component remained doubtful.

Audit observed that the scope of Clause 70.2 was not well defined. The clause did not clarify the admissibility of escalation on Labour and Petrol, Oil and Lubricant (POL) nor was the formula for payment of such escalation prescribed in the clause.

Test check of five major contracts[#] (value: Rs 236.25 crore) revealed that the Company paid total escalation of Rs 18.33 crore on Labour component (Rs 11.06 crore) and POL component (Rs 7.27 crore) to five contractors during May 2001 to December 2007 within the scope of Clause 70.2.

In the absence of clarity in escalation clause, however, the admissibility of escalation of Rs 18.33 crore paid to the contractors remained doubtful.

The Management in its reply (July 2008) which was endorsed by the Government (December 2008), stated that the price escalation for Labour and POL was as per the Government notification issued from time to time and was covered by Clause 70.2 and that the issue was reported to the BoD in December 2001. It further assured that the clause would be made clear in future contracts. The reply was indicative of the ambiguity that existed in the contract clause.

Monitoring mechanism

2.2.18 With a view to introduce an effective monitoring mechanism for implementation of schemes, the Company decided (January 1999) to appoint PMCs/architects from the panel of MHADA for technical works. PMCs were to act in the capacity of engineers of the Company and were responsible to complete all pre tender and post tender activities related to evaluation of technical bids, execution of contract agreement, day to day supervision of works, measurement of work, quality controls and verification of contractor's

[#] Dindoshi, Matunga Labour Camp, Shed Complex, Turbhe-Mandale and Wadala.

bills *etc*. Architects were to help the Company in planning, investigation/ surveys and preparation of drawing and estimates *etc*. Accordingly, the Company appointed PMCs/architects for monitoring the execution of eight[@] schemes. Out of eight schemes it was observed that for six schemes* both PMCs and architects were appointed, for one scheme (Shiv Prasad Co-operative Housing Society, Wadala) only architect was appointed and for the remaining one scheme (Transit Camp Dharavi) only PMC was appointed. Thus, there was inadequate assessment of the actual requirement of technical expertise leading to appointments being made in an *adhoc* and overlapping manner.

The Company paid total fees of Rs 17.17 crore (PMCs: Rs 11.20 crore and architects: Rs 5.97 crore) till March 2008.

The Company made excess payment of Rs 3.13 crore to PMCs in violation of terms of agreements for Turbhe Mandale Scheme which was commented upon (**paragraph no. 4.22**) in the Report of the Comptroller and Auditor General of India (Commercial)-Government of Maharashtra for the year 2006-07.

Irregular reimbursement of service tax

2.2.19 As per Agreement, consultation fee at the rate of 1.5 to 2.25 *per cent* of the project cost inclusive of all taxes was payable to architects. Audit noticed that despite the above condition, nevertheless the Company reimbursed Rs 8.31 lakh towards service tax to two architects (Premnath and Associates – Rs 5.42 lakh and Mukesh Mehta – Rs 2.89 lakh) in August 2004/March 2006 on the ground that it was indirect tax and service receiver was liable to reimburse the same. The reimbursement was irregular as it was beyond the scope of contractual obligations. Moreover such claims were not approved by the Joint Managing Director/Managing Director of the Company.

The Management in its reply (September 2008) which was endorsed by the Government (December 2008), stated that service tax is an indirect tax and service provider is bound to recover the same from service receiver. The reply was not acceptable, as the consultants had accepted the fees which were inclusive of all taxes. Moreover, such reimbursement was not made to PMCs whose terms of appointment were similar to that of the above architects.

Inadequate monitoring

2.2.20 The monitoring mechanism to watch the proper execution of schemes through PMCs was inadequate and required to be strengthened for effective and better utilisation of resources.

- Though the Company paid total fee of Rs 17.17 crore to PMCs and architects, it did not prepare any structured provisions for monitoring their functioning as has been cited above.

[@]Two schemes (ABC Builder and Milind Nagar) were monitored by the Company's own engineers.

*Antop Hill, Dindoshi, Matunga Labour Camp, Rahul Nagar, Shed Complex and Turbhe Mandale Schemes.

- Though the Company had appointed PMCs for monitoring the execution of projects, there was no mechanism to ensure that works were completed in time. The time overrun in six schemes (Antop Hill, Dindoshi, Matunga Labour Camp, Rahul Nagar, Shed Complex and Turbhe Mandale) ranged from 23 to 95 months.

- As the payments to the contractors for works were made by the Company on the basis of measurements recorded by the PMCs, it was necessary for the Company to prescribe test check of measurements taken by PMCs. No test check of measurement was carried out by the Company officials to ensure the accuracy of measurements recorded by PMCs.

- As per the terms of contract with contractors, the sample unit of material and finishes completed by the contractors were to be tested by the Company to ensure the acceptable technical standards of the finished works. However, the Company entirely depended on the PMCs for selection of samples which was a vital component of the testing process. Similarly, cement concrete cubes used for RCC were required to be tested within 28 days from the date of concreting at site laboratory in the presence of the Company's engineers. However, this task was also assigned to PMCs without any involvement of Company officials.

The Management in its reply (March-July 2008) which was endorsed by the Government (December 2008), stated that the PMC had been assigned the full responsibility for supervision of the entire project management since they had the professional skills in the field and the Company did not have requisite technical staff. However, test check should have been exercised as part of an internal control mechanism instead of placing complete reliance on private firms.

Revenue realisation

2.2.21 The Company earned revenue through sale of houses/TDR in open market and recovery of administrative charges from PIAs. As per the latest financial viability reports, the Company projected revenue of Rs 653.55 crore from 10 SR Schemes.

Audit observed the following in this regard:

Loss of interest due to delayed realisation

2.2.22 The Company had taken up (1998-99) construction of 3,548 tenements (2,659 PAP tenements including 45 amenity tenements and 889 saleable flats) under SR Scheme at Dindoshi, Malad. The contractor had completed (April 2004) about 90 *per cent* work of saleable flats and refused (May 2004) to carry out the balance work as the Company did not settle his claims amounting to Rs 60.55 crore. The Company terminated the contract in January 2006 and invited (May 2006) offers for sale of these incomplete flats on "as is where is basis". The Company received (May 2006) response from four parties. Mantri Group was the highest bidder and quoted Rs 102 crore.

The BoDs decided (October 2006) to form a Sub Committee[#] for finalisation of the offers. The Committee negotiated the offer of Mantri Group on 29 November 2006 and the bidder accepted the offer of Rs 120 crore based on Ready Reckoner Rates 2006. The acceptance was communicated to the bidder on 4 January 2007.

The Company suffered a loss of interest of Rs 6.94 crore due to delay in execution of agreement.

As per tender condition the agreement was required to be executed with the bidder within 30 days from the date of acceptance of offer. Bidder was liable to pay Rs 119 crore (after adjusting Earnest Money Deposit of Rupees one crore) in six installments (two installments of Rs 12 crore each and remaining amount in four equal installments) starting within two months from the date of the agreement. It was in the financial interest of the Company to execute the Agreement early to ensure timely receipt of accepted price. However, the Agreement was executed on 30 October 2007 after a delay of more than eight months resulting in loss of interest of Rs 6.94 crore (at the rate of 8.75 *per cent* applicable interest on fixed deposit). The delay was attributed mainly to administrative reasons such as approval of Agreement by Legal Adviser, delayed measurement of pending works, decision on new nomenclature adopted by the bidder, handing over of documents required by bidder *etc.*

The Management in its reply (July 2008) which was endorsed by the Government (December 2008), stated that as per Memorandum and Articles of Association, authorisation of BoD was essential and agreement was executed immediately after BoD's approval in September 2007. The reply was not convincing as the Company could have obtained the authorisation of BoD immediately after acceptance of offer (January 2007) and entered into agreement within stipulated time.

Allotment of tenements

2.2.23 The State Government has not assigned any specific role to the Company in allotment of tenements. The Company takes up construction of PAP tenements as sanctioned by SRA in anticipation of demands from various PIAs. On completion of tenements, saleable tenements are sold in open market through tendering process while PAP tenements are allotted to PAPs/slum dwellers free of cost on their identification by the respective PIAs.

[#]Principal Secretary, Finance, Principal Secretary, Housing, Chief Executive Officer, SRA, Joint Managing Director of the Company and General Manager (Marketing) of the Company.

The Company had taken up construction of 10,673[#] tenements. The scheme wise details of tenements completed, allotted and un-allotted/unsold as of March 2008 were as under:

Name of the Scheme	No. of tenements completed				No. of tenements allotted/sold				No. of tenements unallotted/unsold			
	R/P*	Tr	S	T	R/P	Tr	S	T	R/P	Tr	S	T
1.Milind Nagar, Dharavi	80	--	--	**80**	80	--	--	**80**	--	--	--	--
2.Transit Camp, Dharavi	--	136	--	**136**	--	136	--	**136**	--	--	--	--
3.Shivprasad CHS, Wadala	55	--	10	**65**	54	--	10	**64**	1	--	--	**1**
4.Rahul Nagar, Sewree	334	128	--	**462**	124	128	--	**252**	210	--	--	**210**
5.Antop Hill, Wadala.	696	--	238	**934**	395	--	238	**633**	301	--	--	**301**
6.Dindoshi	2,659	--	889	**3,548**	2,459	--	889*	**3,348**	200	--	--	**200**
7.Turbhe Mandale, Mankhurd	1,535	--	--	**1,535**	1,496	--	--	**1,496**	39	--	--	**39**
8.Matunga Labour Camp, Dharavi	183	--	88	**271**	49[@]	--	39	**88**	134	--	49	**183**
9.Shed Complex, Dharavi	42	--	--	**42**	42	--	--	**42**	--	--	--	--
10.ABC Builder, Dharavi •	576	--	--	**576**	576	--	--	**576**	--	--	--	--
Total	**6,160**	**264**	**1,225**	**7,649**	**5,275**	**264**	**1,176**	**6,715**	**885**	**--**	**49**	**934**

*R/P=Rehabilitation/PAP, Tr. = Transit Camps, S= Saleable and T= Total.

In this connection following observations are made:

The Company was yet to allot/sell 934 tenements which were completed during January 2002 to April 2007.

- As seen from the above, 934 Rehabilitation/PAP and saleable tenements remained unallotted/unsold from various projects completed during January 2002 to April 2007 for want of demand from PIAs. The Company appointed security agencies for watch and ward of these unallotted tenements. The expenditure incurred on watch and ward was to be borne by the Company till allotments were made. Thus, there was a need to take up this issue immediately with various authorities for identifying beneficiaries considering the scarcity of houses in Mumbai. On test check of expenditure incurred on unallotted tenements of two SR Schemes (Dindoshi and Matunga Labour Camp), it was noticed that the Company had incurred expenditure of Rs 39.99 lakh on watch and ward during February 2002 to March 2008.

- The State Government recently took (April 2008) a policy decision for allotment of tenements with carpet area of 269 square feet each under SR

[#]This comprised of 8,625 Rehabilitation/PAP tenements, 264 Transit Camps (136 for Company's use and 128 for MHADA) and 1,784 saleable houses.

*The Company sold these incomplete flats (90 *per cent* work completed) on 'as is where is basis'.

[@]This excludes 128 tenements allotted by the State Government which have not been physically handed over so far to the respective slum dwellers.

Schemes in future instead of 225 square feet as per earlier policy. Since the tenements already constructed/under construction by the Company had carpet area of 225 square feet, the Company might now find it difficult to allot the balance 3,350# Rehabilitation/PAP tenements to slum dwellers under SR Schemes.

- The Company allotted 5,275 tenements to Co-operative Housing Societies formed by slum dwellers/PAPs. As per contract conditions for construction of houses, contractors were liable to attend defects in construction free of cost during defect liability period. The overall performance guarantee period was two years from the date of taking over certificate while it was 10 years for water proofing/anti termite treatment and 15 years for structural stability. It was seen that there was no system for monitoring this contract condition by getting periodical feedback from the tenement holder societies.

The Management in its reply (July 2008) which was endorsed by the Government (December 2008), stated that the Company had not obtained such feedback from the societies but there were regular site visits by PMCs and Engineers of the Company for such maintenance. The fact remains that the Company had not obtained feedback from the respective societies. The Company had also not maintained records of site visits stated to have been done by Company officials to monitor the defects in construction.

Permanent Transit Camps

2.2.24 The Company constructs Permanent Transit Camps (PTCs) to accommodate slum dwellers/PAPs temporarily till they are allotted tenements under SR Scheme. The Company constructed 264 PTCs out of which 136 were for own use and remaining 128 were for use of MHADA. The Company also allots vacant PTCs on rent to private developers who execute SR Schemes.

Short recovery of PTCs rent from private developer

2.2.25 Based on the request by Mahalaxmi Builders who was executing SR Scheme at Dharavi, the Company allotted (May 2000), 108 PTCs on rent out of 136 PTCs constructed by it at Dharavi. The Company fixed the rent at the rate of Rs 600 per month payable from June 2000 with Security Deposit (SD) of Rs 5,000 per PTC. As per terms of allotment, the developer was also liable to pay electricity charges, water charges and maintenance cost of the tenements.

Out of 10,673 tenements the Company was to construct 8,625 rehabilitation/PAP tenements of which 5,275 tenements have been allotted leaving balance 3,350 tenements unallotted/under construction.

In this connection, following irregularities were noticed:

The Company extended undue benefit of Rs 64.42 lakh to a private party by fixing rent/SD at lower rates than that adopted by MHADA.

- The Company follows the policies adopted by MHADA. The MHADA had fixed (March-November 2000) the rent of Rs 1,200 per month/per tenement and SD of Rs 20,000 per PTC to be recovered from the private developers to whom PTCs were allotted on rent. In deviation of the policy, the Company fixed the lower rent (Rs 600 per month per PTC) and SD (Rs 5,000 per PTC). Thus, the Company extended undue benefit of Rs 64.42 lakh (rent: Rs 48.22 lakh# and SD: Rs 16.20 lakh) to the private developer during June 2000 to March 2008.

The Company suffered loss of interest of Rs 18.72 lakh due to non recovery of rent and SD.

- As per terms of allotment, rent for 18 months with SD at the rate of Rs 5,000 per PTC was to be collected in advance. However, the Company did not recover any rent during the first four years and arrears accumulated to Rs 29.50 lakh up to March 2004. Further, the Company recovered SD of Rs 1.35 lakh only as against the agreed amount of Rs 5.40 lakh. The arrears of rent were recovered by the Company during August 2004 to December 2007 leaving the balance of Rs 1.81 lakh unrecovered (June 2008). The delayed recovery of rent arrears resulted in a loss of revenue amounting to Rs 18.72 lakh by way of interest at the rate of 14 *per cent* per annum (interest charged by HUDCO) on the arrears of rent and SD.

- The developer had also not paid water charges (Rs 4.30 lakh), electricity charges (Rs 4.88 lakh) and other maintenance charges (Rs 1.12 lakh). As of March 2008, the total arrears recoverable were Rs 12.11 lakh (including rent arrears of Rs 1.81 lakh) against which the Company had SD of Rs 1.35 lakh.

The Management in its reply (April/July 2008) which was endorsed by the Government (December 2008), stated that the non payment of rent was informed to SRA and the Company had requested not to issue no objection certificate for the project undertaken by the developer. The Management further stated that the rent of Rs 600 per month was charged by MHADA for ground floor buildings. The reply is not based on facts as the rent charged by MHADA was Rs 1,200 per month per tenement. Further, the prompt recovery of rent was the responsibility of the Company.

Identification of beneficiaries

2.2.26 The State Government has not assigned any specific role to the Company for identification of beneficiaries. As per eligibility criteria prescribed by the State Government, identification of beneficiaries was mainly based on two documents, *i.e.* Ration Card and Voters Card issued by Election Commissioner prior to 1995. Identification was to be ascertained by respective PIAs. However, in case of one PIA (Airport Authority of India (AAI)) the identification was done by the Company. The State Government/Company had not laid down detailed guidelines for ensuring the authenticity of documents

Worked out on the basis of the actual period of occupancy of each PTC by the private developer.

on the basis of which tenements were to be allotted free of cost till January 2008 when the detailed guidelines were issued by the Government. The Company identified 1,990 PAPs of AAI during 2002-03 authenticity of which was doubtful in the absence of the detailed guidelines in this regard. The Company also did not ensure the authenticity of documents by referring the sample cases to the document issuing authorities for verification.

The Management in its reply (July 2008) which was endorsed by the Government (December 2008), stated that the guidelines recently issued by the Government for checking documents would be adopted in future.

Internal Control and Internal Audit

Internal control

2.2.27 Internal control is the mechanism designed to provide reasonable assurance for efficiency of operations, reliability of financial reporting and compliance with applicable laws and statutes. The following deficiencies were noticed in the internal control system of the Company:

- The Company did not have any Manual of Internal Procedures though it was set up as an independent entity in 1998.
- Marketing and accounting functions were not defined, as rent from private builders was being collected by the Marketing Department instead of the Accounts Department of the Company. No bills were issued for the rental dues thereby rendering the monitoring mechanism weak. Earnest Money Deposits (EMD) paid by the bidders were also retained by the Marketing Department rather than the Accounts Department. Demand drafts worth Rs 3.50 crore against EMD were deposited in the bank after delays ranging between 31 and 135 days, as they were lying with the Marketing Department thereby resulting in loss of interest amounting to Rs 3.20 lakh.
- The Company had not test checked the measurement recorded by PMCs as discussed in **paragraph no. 2.2.20** *supra.*

The Management in its reply (July 2008) which was endorsed by the Government (December 2008), stated that these are subjective observations of audit. There is always scope for improvement constantly being endeavoured to achieve. The reply was silent about the non-existence of any working manual of the Company prescribing internal procedure and also the absence of any laid down procedure to be followed by important departments.

Internal audit

2.2.28 Internal audit is an important tool for ensuring a better and effective internal control in an organisation. The Company had appointed (November 1998) a firm of Chartered Accountants (CA) for Internal Audit and finalisation of accounts. Though, the initial appointment was for one year from December 1998, the Company continued their services by renewal till date (March 2008).

It was seen that though there was a pre audit of all Bills including Running Account bills of contractors, Internal Auditors failed to point out the discrepancies highlighted in the review. Monthly Audit Reports pointing out some procedural lapses given by Internal Auditor were also not evaluated/complied and submitted to the MD for further action.

Role of the Company in implementation of SR Schemes

2.2.29 The State Government formed the Company to accelerate the pace of the Slum Rehabilitation Programme for providing eight lakh tenements to slum-dwellers/PAPs in Mumbai Region. The Company had taken up (1998-99) construction of 10,673 tenements out of which 7,649 tenements were completed. The Company allotted/sold 6,715 tenements and balance 934 tenements were yet to be allotted/sold (March 2008).

Audit observed that SRA has been sanctioning SR Schemes on regular basis. SRA has sanctioned 1,184 schemes (2.81 lakh tenements) to private and Government agencies so far (October 2008). The Company had, however, not taken up any scheme after 1998-99. Thus, the role of the Company in implementation of SR Schemes remained negligible. Presently, the Company has only three on-going schemes. The State Government has not made a cost benefit analysis to appraise the performance of the Company *vis-a-vis* that of private developers and taken a considered decision on the existence of the Company.

Acknowledgement

2.2.30 Audit acknowledges the co-operation and assistance extended by different levels of Management at various stages of conducting this performance audit.

Conclusion

The Company was formed as a separate entity to speed up the Slum Rehabilitation programme in Mumbai Metropolitan Region. Despite availability of funds, the State Government did not release the entire share capital to the Company leading to financial crunch and delays in implementation of schemes. The Company had taken up 10 SR Schemes involving construction of 10,673 tenements as against total 1,184 schemes involving construction of 2.81 lakh tenements sanctioned by SRA to private and Government agencies till October 2008. Five schemes were completed prior to 2003-04 and out of the remaining five schemes, three were yet to be completed. No further schemes were taken up after 1998-99. The role of the Company therefore remained negligible. There

were irregularities in payments made to contractors on account of escalation claims and bonus.

The payments to the contractors were released solely on the basis of certification/measurements taken by Project Management Consultants in respect of seven schemes. The Company had no system to test check the quality and quantity of work certified by the consultants. Internal control system was weak due to non segregation of duties of the departments and poor monitoring of various functions.

Recommendations

The Company has potential to re-evolve as a key player in the sphere of affordable urban housing and shelter. As such the Company should:

- **improve contract management practices by ensuring that the clauses in tender documents for payment of escalation and payment of bonus are well defined and accurate;**
- **introduce test check of measurement of work and sampling by the Company's own Engineers in order to monitor the functioning of Project Management Consultants;**
- **take up the issue of unallotted tenements with the Slum Rehabilitation Authority to ensure prompt and full utilisation of created assets;**
- **strengthen the internal control system to improve the working of various departments of the Company; and**
- **the Government needs to conduct a cost benefit analysis to appraise the performance of the Company *vis-a-vis* that of private developers and take a considered decision on the existence of the Company.**

Maharashtra State Electricity Distribution Company Limited

2.3 Power Purchase Management

Highlights

The shortfall in supply of power increased from 9,908 MUs in 2003-04 to 19,092 MUs in 2007-08. The Company could not meet the demand of power despite the purchase of costly power from outside agencies and had to resort to load shedding. Actual load shedding ranged between 2.5 to 15 hours against planned load shedding of one to 12 hours.

(Paragraphs 2.3.7 and 2.3.10)

The Company did not avail its entire allocation from cheaper Central sources to the full extent during the three year period of 2005-06 to 2007-08 and had to incur additional extra expenditure of Rs 374.79 crore on purchase of power on short term basis.

(Paragraph 2.3.12)

In the absence of penal clauses in contractual provisions the Company had to purchase power from costly sources resulting in financial outgo of Rs 31.38 crore. Defective agreement for banking of power resulted in avoidable extra expenditure of Rs 48.72 crore.

(Paragraphs 2.3.13 and 2.3.14)

The Company did not recover the average cost of power through sale of power resulting in loss of revenue. The Company did not achieve the norms of Transmission and Distribution losses fixed by Maharashtra Electricity Regulatory Commission (MERC) for 2006-08.

(Paragraphs 2.3.15 and 2.3.16)

The MERC disallowed Rs 96 crore of the Company due to violation of load regulations. The MERC also disallowed purchase of power of Rs 7.39 crore due to excess Transmission and Distribution losses over norms. The wheeling charges of Rs 4.08 crore could not be recovered from consumers due to disallowance by MERC.

(Paragraphs 2.3.18 and 2.3.19)

Introduction

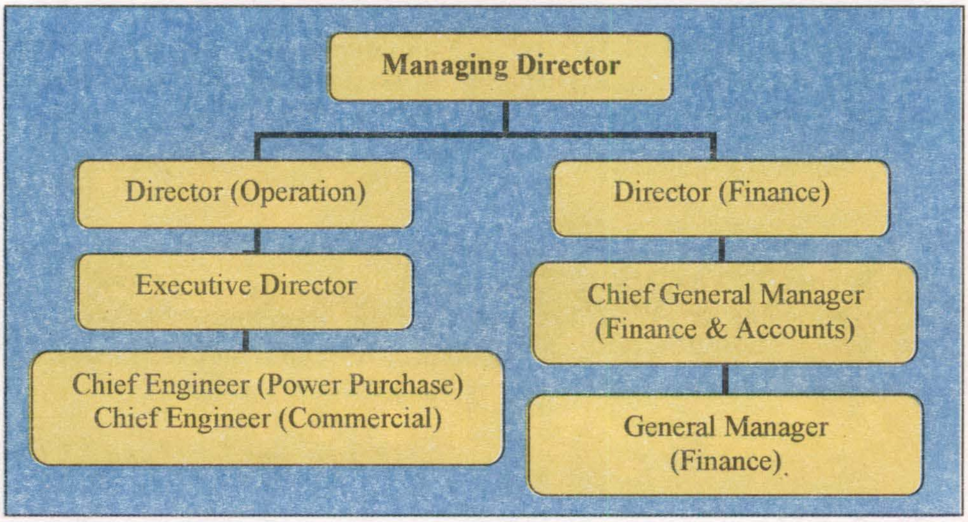
2.3.1 Pursuant to the State Government decision of 24 January 2005, restructuring of the erstwhile Maharashtra State Electricity Board (MSEB) was implemented in June 2005. As a result, MSEB was unbundled into four

Companies* from 6 June 2005. Due to the statutory requirement of the Electricity Act, 2003 for separation of trading functions from generation and transmission functions, the work of distribution of electricity in the State was entrusted to the Maharashtra State Electricity Distribution Company Limited (Company).

The demand for energy was increasing year after year in the State due to industrial development and increased construction activities of commercial and residential complexes. As there was no addition to generation capacity during 2003-07 by the Maharashtra State Power Generation Company Limited (MSPGCL), the Company had to resort to purchase of power from outside agencies to cater to the requirement of power in the State.

The Company enters into Power Purchase agreements with the generation Companies. The Company purchases power on short term basis (up to one year) from five Power Trading Companies* (PTCs) out of 22 short listed PTCs. There were 15 long term agreements (for more than one year) with National Thermal Power Corporation (NTPC) (12 units) and Nuclear Power Corporation of India Limited (NPCIL) (three units). In addition to the above the Company purchases power from TATA Power Company Limited for Mumbai region. The Company also avails power from non conventional energy sources (Captive Power Producers and Wind Mill Developers). The power purchase activity is handled by the Power Purchase cell of the Company.

The organisation chart for Power Purchase Management in the Company is as under:



*MSEB Holding Company Limited, Maharashtra State Power Generation Company Limited, Maharashtra State Electricity Transmission Company Limited and Maharashtra State Electricity Distribution Company Limited.

*Adani Enterprises Private Limited, JSW Power Trading Company Limited, Jindal Power Limited, NTPC Vidyut Vyapar Nigam Limited and PTC India Limited.

Scope of Audit

2.3.2 The Performance Audit conducted during May-June 2008 covers the management of energy purchases made by the Company during April 2003 to March 2008. The records of the Company relating to purchase of power and payments were examined with a view to analyse the power purchase management in the Company. There were 15 long term agreements, of which four agreements pertained to the erstwhile MSEB period. There were 22 PTCs short listed by the Company of which only five PTCs were responding and from whom the power was purchased by the Company on short term basis by issuing work orders without any formal agreements being entered into. All the long term agreements and work orders were examined in audit.

Audit objectives

2.3.3 The objectives of the review were to ascertain whether:

- there was adequate planning for purchase of energy based on forecast/demand/availability;
- energy was purchased economically and efficiently from both long term sources and short term sources with reference to assessment of demand and as per the terms and conditions of agreements;
- the Company complied with the legal requirements, procedures and policy guidelines laid down by the Government, Central Electricity Regulatory Commission (CERC)/Maharashtra Electricity Regulatory Commission (MERC) regarding entering into long term agreements and implementation thereof;
- actual achievements matched with the planned activities and the reasons for deviations/shortfall were properly analysed and remedial action taken; and
- there were adequate internal controls to monitor and control the activities and payments towards purchase of energy.

Audit criteria

2.3.4 The following audit criteria were adopted:

- approved plan and quantum fixed/allotted by CERC/MERC for procurement of energy;
- guidelines issued by Ministry of Power (MoP), Government of India (GoI), State Government, CERC and MERC and provisions of Electricity Act, 2003;

- terms and conditions of the long term agreements and work orders;
- norms fixed by the Company/CERC/MERC and GoI, as applicable, for Transmission and Distribution (T&D) losses; and
- delegation of power, reconciliation statement of power purchased, budget estimates and Management Information System reports.

Audit methodology

2.3.5 Audit followed methodologies as under:

- examination of implementation/execution of guidelines/directions issued by MERC and Annual Revenue Requirement (ARR) submitted by the Company;
- study of implementation/execution of guidelines/directives issued by the Government of Maharashtra (GoM) and MERC for purchase of power, Central Electricity Authority (CEA) Reports;
- scrutiny of agenda and minutes of meetings of Board of Directors (BoDs);
- scrutiny of all the records related to receipt of energy and payments thereof; and
- interaction with the Management.

Audit findings

2.3.6 The Audit findings were reported (July 2008) to the State Government/ Management and discussed (29 August 2008) in the meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE). The meeting was attended by the Deputy Secretary, Energy (Industry, Energy and Labour Department), GoM, Director (Finance), Chief Engineer (PP Cell), Chief Engineer (Commercial), Superintending Engineer (TRC), General Manager (F&A) of the Company. The views expressed by Management/ Government have been taken into consideration while finalising the review.

The audit findings are discussed in the succeeding paragraphs.

Assessment of demand

2.3.7 Assessment of demand and requirement of power is to be calculated on the basis of past consumption, present consumption trends, load growth trends as approved by CEA, T&D losses sustained during the prior period and trends thereof. The aggregate of the above will be represented as future demand of power. MERC being State regulator for power under Electricity Act, 2003, approves the sources of power and tariff revision on the basis of ARR details submitted to it by the Company. The ARRs were not prepared for the years 2004-06. In absence of ARRs for 2004-06, the quantum of approved purchases of 2003-04 was adopted for 2004-06 for working out the shortfall in purchase. This deficiency led to purchases of power in an *adhoc* and unplanned manner.

The details of demand of power based on inputs given by the Company to the 17th Electric Power Survey conducted by CEA, purchases of power approved by MERC and actual power purchased during the period 2003-04 to 2007-08 were as under:

(Million Units)

Year	Demand of power based on load growth approved by CEA	Purchases approved by MERC	Actual power purchased*	Shortfall in demand of power (2-4)	Excess/ (Shortfall) in purchases (4-3)
1	2	3	4	5	6
2003-04	78,667	62,583	68,759	9,908	6,176
2004-05	82,043	62,583	69,840	12,203	7,257
2005-06	86,495	62,583	58,527	27,968	(4,056)
2006-07	91,875	74,907	75,436	16,439	529
2007-08	97,689	76,852	78,597	19,092	1,745

(Source: CEA reports, ARR and Annual accounts)

The shortfall in supply of energy has increased from 9,908 MUs in 2003-04 to 19,092 MUs in 2007-08.

- It is seen from the above that the demand of energy had increased from 78,667 MUs in 2003-04 to 97,689 MUs in 2007-08. The actual purchases had also increased from 68,759 MUs in 2003-04 to 78,597 MUs in 2007-08 and the shortfall in actual purchase of energy had increased from 9,908 MUs in 2003-04 to 19,092 MUs in 2007-08.

- There was no addition to the generation capacity during the period 2003-07 by the MSPGCL and the Company had to resort to purchases of power from outside agencies.

- The huge shortfall in demand of power led to load shedding implemented by the Company which ranged between 2.5 to 15 hours against planned load shedding of one to 12 hours, as described in **paragraph no. 2.3.10**.

* Including power generated by erstwhile MSEB during 2003-05 (up to 5 June 2005).

Sources of power

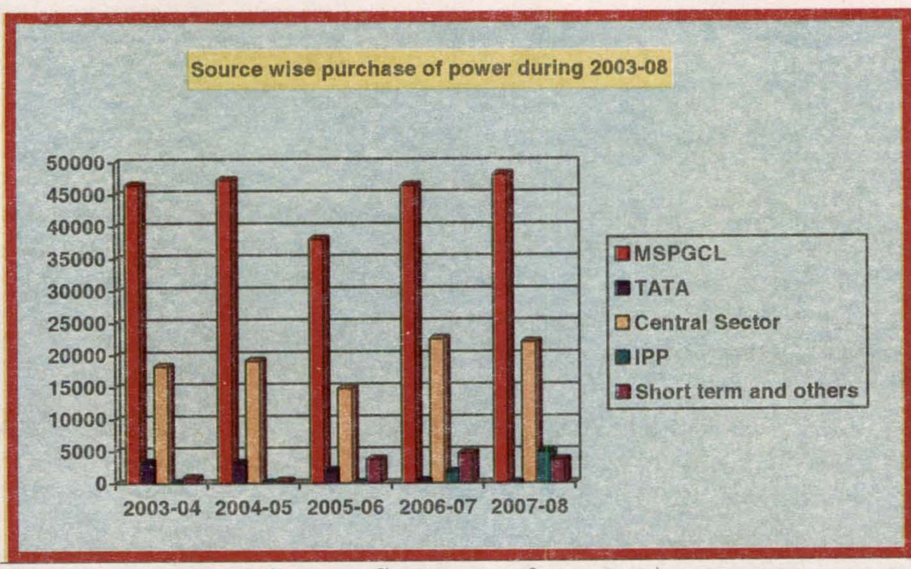
2.3.8 The Company purchased 3,51,159.37 MUs during 2003-08 as detailed below:

(MUs)

Year	MSPGCL	Central sector	IPPs	Others	Total
2003-04	46,463.63	18,229.37	40.22	4,026.07	68,759.29
2004-05	47,245.23	19,101.12	35.62	3,458.31	69,840.28
2005-06	38,050.83	14,801.05	46.04	5,628.88	58,526.80
2006-07	46,383.00	22,479.00	1,679.00	4,895.00	75,436.00
2007-08	48,137.00	22,000.00	4,857.00	3,603.00	78,597.00
Total	**2,26,279.69**	**96,610.54**	**6,657.88**	**21,611.26**	**3,51,159.37**

(Source: Statement of accounts)

The source-wise details of energy purchase for the period 2003-08 is indicated in the following bar chart.



(Source: Statement of accounts)

The Company during the year 2003-08 had purchased 64 *per cent* of its power requirement from its sister concern *i.e.* MSPGCL, 28 *per cent* power was purchased from Central Sector Companies (NTPC, NPCIL) on long term basis, two *per cent* power from Independent Power Producers (RGPPL) and six *per cent* power from private power trading companies (Adani Enterprises Private Limited, JSW Power Trading Company Limited, Jindal Power Limited, NTPC Vidyut Vyapar Nigam Limited and PTC India Limited) and others on short term basis at higher cost. During 2003-08 the Company procured power from PTCs and traders on short term sources to the extent of 7,067.16 MUs (two per cent), however, amount paid there against worked out to Rs 2,804.63 crore (four per cent) of the total purchases of Rs 63,672.27 crore. It could be seen from the power purchase details that the power purchase from MSPGCL was marginally increased from 46,463.63 MUs in 2003-04 to 48,137.00 MUs in 2007-08. It was almost constant except for the year 2005-06 where the purchase was only 38,050.83 MUs due to scheduled outages in thermal power stations of MSPGCL.

Purchase procedure

2.3.9 The CEA prepares five year plans comprising five years data, on State wise peak load and growth in peak load at power stations in the State based on daily/monthly/yearly Load Dispatch Reports of the State sent by the Load Dispatch Centre of the Maharashtra State Electricity Transmission Company Limited to the CEA. The Company prepares a five year demand forecast for the State based on the CEA data and submits the same to the MERC for approval. MERC approves the quantum of energy to be procured considering the availability of power from different sources. After approval of MERC, the Company purchases the power from outside agencies on long term and short term basis.

The Company after assessing the availability of power from MSPGCL meets the shortfall in requirement of power by procuring from Central Sector Companies and Independent Power Producers (IPP) through long term power purchase agreements. The Company is required to purchase the power considering the availability of power from various sources at a given point of time. Costly power is to be purchased only after all the cheaper power sources available are exhausted and with the approval of sources of power by MERC. After ascertaining shortfall, efforts are to be made to fulfill it from short term sources from PTCs by inviting the tenders from short listed companies responding to the invitation of offers and at the lowest rates offered.

The Company also avails power from non-conventional energy sources by entering into long term agreements with Captive Power Producers (CPP) and Wind Mill Developers (WMD). The Company entered into 581 such agreements (541 WMD and 40 Bagasse) during the period 2003-08.

- ***Long term power purchase procedure***

The Company has to prepare a five year plan for power purchase with the approval of the BoDs of the Company and is to submit the plan to the MERC for approval. The CEA allocates the share from the Central Generating Stations (CGS) to the Company wherein the CERC approves the tariff of the CGS. The Company enters into power purchase agreements with CGS and the power is wheeled by the Central and State transmission utilities. The energy accounting is done by the Regional Power Committee for billing.

- ***Short term power purchase procedure***

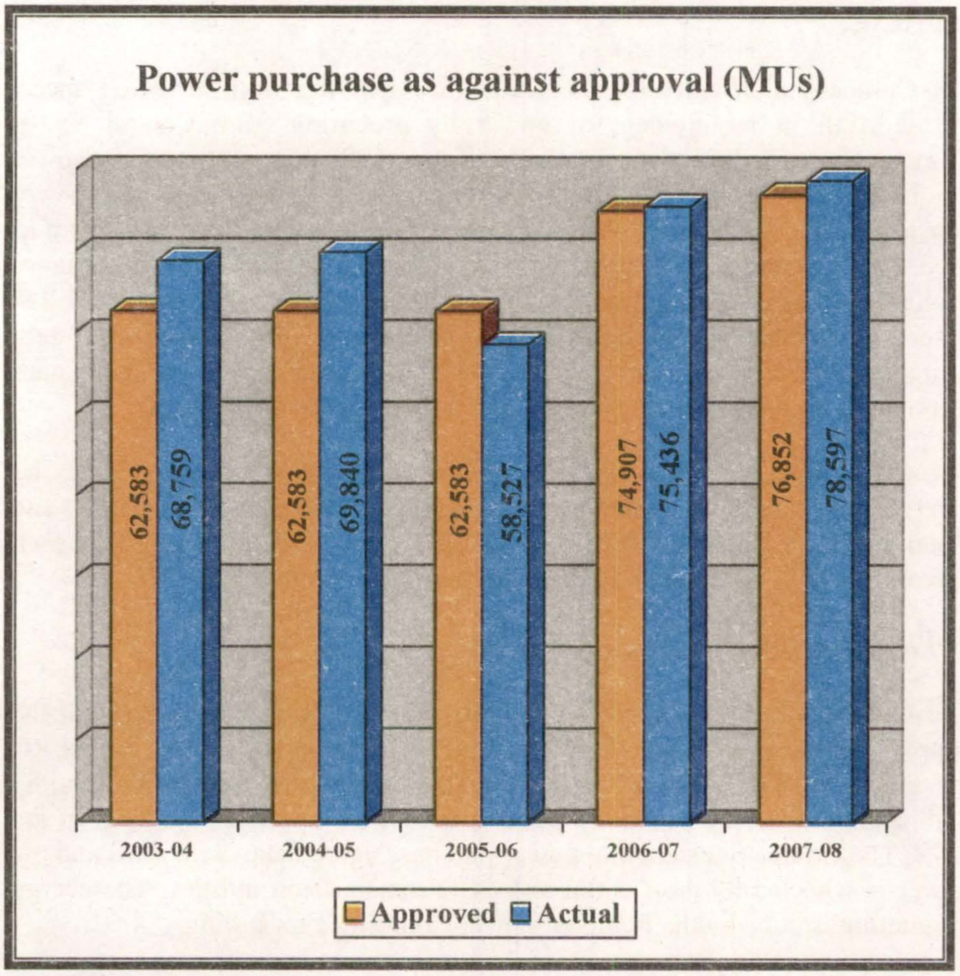
Short term purchase (PTCs and others) has to be made on need basis through issue of work orders. However, no formal agreements were entered into with the PTCs. The Company does not have standardised format of work orders.

The Managing Director of the Company is authorised by the BoD of the Company for purchase of power on short term basis. The Company is to float the tender/enquiry through wide publicity for purchase of power. After receipt of bids comparative statements are to be prepared and work order is to be issued to the lowest bidder for purchase of power.

Volume of purchase of power and load shedding

2.3.10 The volume of power purchase approved by MERC (3,39,508.00 MUs) and actual purchases (3,51,159.37 MUs) there against during 2003-08 is given in the **Annexure 10.**

The actual purchase of power by the Company was in excess of approved power purchase by MERC in all years except 2005-06 as described in the chart given below:



The Company could not meet the demand of power despite the purchase of power from outside agencies and had to resort to load shedding *i.e.* power cuts.

The Company classified the areas for the purpose of load shedding. The areas were grouped into Urban and Industrial Area, Other regions and Agriculture dominated region. Load shedding was carried out by calculating weighted average, distribution losses and collection efficiency and was grouped into groups A, B, C and D. The table below indicates the year wise load shedding planned and the actual load shedding implemented for the last three years ending 2007-08.

(Figures in hours)

Group	Planned			Actual		
	Urban and industrial area	Other regions	Agriculture dominated regions	Urban and industrial area	Other regions	Agriculture dominated regions
			2005-06			
A	1.0	2.0	5.0	2.5	4.5	11.0
B	2.0	4.0	8.0	3.0	5.0	11.5
C	2.0	4.0	8.0	3.5	5.5	12.0
D	2.0	4.0	8.0	4.0	6.0	12.0
			2006-07			
A	2.5	4.5	11.0	4.75	6.75	14.0
B	3.0	5.0	11.5	5.25	7.25	14.5
C	3.5	5.5	12.0	5.75	7.75	15.0
D	4.0	6.0	12.0	6.25	8.25	15.0
			2007-08			
A	3.0	5.0	11.0	3.0	5.0	11.0
B	3.75	5.5	11.5	3.75	5.5	11.5
C	4.5	6.0	12.0	4.5	6.0	12.0
D	5.25	6.5	12.0	5.25	6.5	12.0

(Source: Circulars issued by the Company from time to time)

Actual load shedding implemented by the Company ranged between 2.5 to 15 hours against planned load shedding of one to 12 hours.

It could be seen from the above that the actual load shedding implemented by the Company ranged between 2.5 to 15 hours against planned load shedding of one to 12 hours. The hours of load shedding have been stipulated (2006-07) by MERC with defined ceiling levels of load shedding for the demand-supply gap level. The maximum load shedding in Agriculture dominated regions has been defined at 12 hours daily, while the load shedding in urban and industrial region has been defined at 4.0 hours. However, there was increased load shedding in both the regions, the actual load shedding in Agriculture dominated region was 14 to 15 hours and in Urban and Industrial region was 4.75 to 6.25 hours during 2006-07. During 2007-08 the load shedding in Agriculture dominated regions was within 12 hours but there was increased load shedding of 3.00 to 5.25 hours in Urban and Industrial regions. Deficient planning in purchase of power thus led to increased load shedding.

Purchase of Power contract management

2.3.11 The Company purchased 3,44,092.21 MUs of power amounting to Rs 60,867.64 crore from long term sources and 7,067.16 MUs of power amounting to Rs 2,804.63 crore from short term sources during 2003-08 as detailed in **paragraph no. 2.3.10**. Audit scrutiny revealed the following:

- The power purchase was increased from 68,759.29 MUs in 2003-04 to 78,597 MUs in 2007-08 with a growth of 14.30 *per cent* whereas the financial outgo was increased from Rs 8,716.26 crore in 2003-04 to Rs 17,006.38 crore in 2007-08 *i.e.* increase in financial outgo was by 95.11 *per cent.*

- The Company during the year 2005-06 procured 2,696.16 MUs of power from PTCs as against the approval of 2,127 MUs by MERC.

- There was shortfall of 8,420 MUs of power in generation by MSPGCL a sister Company due to scheduled outages for augmentation of power stations during 2005-06.

- The actual purchase of power during the period 2003-08 was 3,51,159.37 MUs as against 3,39,508.00 MUs approved by MERC. Even after excess procurement than that approved by MERC there was increase in load shedding which has been discussed in **paragraph no. 2.3.10.**

Short drawal of power from cheaper sources

The scrutiny of long term agreements revealed the following:

The Company did not draw power from cheaper Central sources to the full extent during 2005-08 and had to incur an additional extra expenditure of Rs 374.79 crore.

2.3.12 The power allocation from Central Generating Stations (CGSs) is decided by the MoP in advance with the approval of the CERC. The average cost per unit (kwh) of power purchased from NTPC and NPCIL units ranged between Rs 0.85 and Rs 2.88 during the period 2005-08. It was seen that the Company did not draw power from cheaper sources of CGSs of NTPC and NPCIL units to the full extent as per allocation but instead purchased power from PTCs which were costlier sources at rates ranging between Rs 2.92 and Rs 5.18 per unit. The Company did not periodically assess actual receipt of power against the allocation of power. The short drawal of power during 2005-08 was to the extent of 1,661.90 MUs. Audit observed that the Company could have avoided financial outgo of Rs 374.79 crore in case it had drawn the power from the central sources to the full extent.

The Management in its reply (September 2008), which was endorsed by the Government (November 2008), stated that audit has taken normative generation as the basis for computing the Company's share in energy generated by each Power Station whereas the entitlement is based on factors like cumulative declared availability, merit order basis and actual generation. The fact, however, is that audit has considered the actual energy available for distribution among the beneficiaries and not the normative generation.

Absence of penal clause

2.3.13 Purti Sakhar Karkhana Limited (PSKL) was permitted (14 September 2001) by the erstwhile MSEB to install 22 MW Bagasse based co-generation plant at Bela in Nagpur district.

In absence of penal clause in agreement the Company had to buy power from costly sources resulting in additional financial outgo of Rs 31.38 crore.

The erstwhile MSEB entered into contract (September 2002) with PSKL for supply of power. The plant was completed in April 2007. Audit observed that there was no penal clause in the agreement in case of breach of contract. PSKL took the advantage of above deficiency and entered into a contract (30 January 2007) with Reliance Energy Trading Limited (RETL) for sale of power and supplied generated power (April to November 2007) to the party. In the absence of penal clause in the agreement the Company could not take any action against PSKL for violation of contract. As a result, the Company had to purchase power from other costly sources during the period 6 April to 13 November 2007 resulting in additional financial outgo of Rs 31.38 crore.

The Management in its reply while accepting the fact (September 2008), which was endorsed by the Government (November 2008), stated that petition had been filed with MERC for recovery towards damages due to illegal supply of power to RETL by PSKL as per the provisions of the Energy Purchase Agreement (EPA). PSKL has appealed to the Appellate Tribunal of Electricity, New Delhi against the decision of MERC who had decided (December 2007) the case in favour of the Company. The case was pending in the Tribunal (December 2008).

Banking of power

2.3.14 The banking of power is done by the Company by entering into swap agreement. The Company executed (11 April 2007) swap agreement with NTPC Vidyut Vyapar Nigam Limited (NVVN) for purchase of power from Haryana Power Generation Company Limited (HPGCL). As per the terms of the swap agreement entered into between the Company and HPGCL, the Company agreed to purchase 100-250 MW power on firm basis during February to May 2007. In turn the Company had agreed to return 105-262.50 MW power on firm basis to HPGCL during July to September 2007. The shortfall was to be settled in cash.

Scrutiny of the swap agreement revealed the following deficiencies:

- The HPGCL had supplied 214.64 MUs to the Company during February to May 2007 and the Company, in turn, returned only 146.93 MUs during July to September 2007. The short drawn power of 67.65 MUs was to be settled through cash adjustment. However, the settlement was done considering power supplied as 105 *per cent* of power purchased *i.e.* 225.38 MUs. Thus, the cash settlement was done for 78.45 MUs for Rs 36.17 crore at the rate of Rs 4.61 per unit instead of 67.65 MUs resulting in excess payment of Rs 4.98 crore.

The Management in its reply (September 2008), which was endorsed by the Government (November 2008), stated that the clause of returning 105 *per cent* power was inserted as it was the first time of such agreement and the matter has been taken up (September 2008) to obtain refund from HPGCL.

- It was also observed that the HPGCL has been supplying power at a bulk rate of Rs 2.38 per unit to the transmission Companies and outside buyers. Had the cash settlement been done at the rate of Rs 2.38 per unit, the

Company could have avoided the extra expenditure of Rs 17.49 crore (Rs 36.17 crore - Rs 18.68 crore). Thus, the cash settlement at Rs 4.61 per unit was not in the best financial interest of the Company.

Defective swap agreement for banking of power resulted in avoidable extra expenditure of Rs 48.72 crore.

- The NVVN was the mediatory and the power was to be purchased from HPGCL. Had the Company entered into an agreement directly with HPGCL, the Company could have purchased 214.64 MUs at the rate of Rs 2.38 per unit and could have saved Rs 47.86 crore in purchase of power. In addition to the above the Company paid commission of Rs 85.86 lakh to NVVN at the rate of Rs 0.04 per unit.

- The Company deposited Rs 74.16 crore during February to May 2007 as Security Deposit (SD) though there was no clause of payment of SD in the agreement. However, interest clause on the SD was not included while agreeing for payment of SD and resultantly the Company was deprived of earning interest of Rs 3.80♦ crore on the SD.

The Management in its reply (September 2008), which was endorsed by the Government (November 2008), stated that the decision taken was to mitigate the shortfall.

The reply, however, does not justify the extra expenditure in cash settlement due to defective clauses in the agreement.

Cost of power

2.3.15 The cost of power purchase is based upon the price determination procedure of respective PPA signed with the power generators/traders. In case of Central Public Sector Undertakings (CPSUs) or other generators supplying energy to more than one State, CERC determines tariff with varying fixed and variable cost for each of their power stations in terms of PPAs with them. The Company determines the tariff on the basis of application for ARR for sale of energy filed by the Company.

The Company purchased* 3,51,159.37 MUs valuing Rs 63,672.27 crore of energy during 2003-08 which was sold to the consumers. The cost of sale *vis-a-vis* average cost realised/sale price per unit and loss suffered during the

♦Rs 74.16 crore x 10.25 *per cent* (borrowing rate of interest) for six months.

* This includes energy generated by erstwhile MSEB during April 2003 to June 2005.

period is tabulated below:

Sl. No.	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
1	Purchase of energy (MUs)	68,759.29	69,840.28	58,526.80	75,436.00	78,597.00
2	Sale of energy (MUs)	43,575.42	46,100.97	40,554.00	49,148.00	55,716.00
3	Purchase cost (Rupees in crore)	8,716.26	9,723.06	11,949.93	16,276.64	17,006.38
4	Other cost (Rupees in crore)	5,784.69	5,917.72	2,604.83	4,077.25	3,897.83
5	Total cost (Rupees in crore) (3+4)	14,500.95	15,640.78	14,554.76	20,353.89	20,904.21
6	Average purchase cost (Rupees per unit) (5/1 x Rs.10)	2.11	2.24	2.49	2.70	2.66
7	Value of energy sold (Rupees in crore)	13,334.22	14,171.85	13,628.04	18,863.78	20,158.61
8	Average cost of sales (Rupees per unit) (5/2 x Rs.10)	3.33	3.39	3.59	4.14	3.75
9	Average sale price (Rupees per unit) (7/2 x Rs.10)	3.06	3.07	3.36	3.84	3.62
10	Loss per unit (Rupees) (8 - 9)	0.27	0.32	0.23	0.30	0.13
11	**Total loss (Rupees in crore) (2x10/Rs.10)**	**1,176.54**	**1,475.23**	**932.74**	**1,474.44**	**724.31**
12	**Grand total of 2003-04 to 2007-08 (Rupees in crore)**			**5,783.26**		

(Source: Statement of accounts)

The Company did not recover the average cost of sale of energy which resulted in loss of revenue.

The Company could not realise the average cost of sale of energy resulting in loss of Rs 5,783.26 crore during 2003-08. The selling cost of power consists of three elements-cost of energy purchased, T&D losses and wheeling charges. Therefore after recovery of selling cost the Company should not incur any loss on energy sold to the consumers. There were, however, losses during all the five years. The factors responsible for the losses were purchase of costly power and high T&D losses.

Transmission & Distribution losses

2.3.16 The Transmission and Distribution (T&D) losses prior to formation of the Company were 30.71 *per cent* in 2005-06. The T&D losses were to be reduced by two *per cent* every year as per the orders (October 2006) of MERC.

The details of targeted T&D losses fixed by MERC, the actual T&D losses and excess T&D losses there against for the years 2006-07 and 2007-08 were as under:

(Million Units)

Sl. No.	Particulars	2006-07	2007-08
1	Purchase of energy	75,436	78,597
2	Norms for transmission and distribution losses as per MERC order (*per cent*)	21,658 (28.71)	20,993 (26.71)
3	Energy available for sale	53,778	57,604
4	Actual energy sold	49,148	55,716
5	Actual transmission and distribution losses (*per cent*) (1 - 4)	26,288 (34.85)	22,881 (29.11)
6	Excess transmission and distribution losses (5 - 2)	4,630	1,888
7	Average cost price (Rupees per unit)	2.16	2.16
8	**Value of excess transmission and distribution losses (Rupees in crore)**	**1,000.08**	**407.81**

(Source: Statement of accounts)

The Company did not achieve the norms fixed by MERC for T&D losses.

As against the norms fixed by MERC (28.71 and 26.71 *per cent*) the actual transmission and distribution losses were 34.85 and 29.11 *per cent* respectively. The Company could not achieve the norms fixed by MERC resulting in excess T&D losses of 6,518 MUs amounting to Rs 1,407.89 crore during 2006-08.

Disallowance by MERC

2.3.17 The MERC was established on 5 August 1999 and is responsible for issue of retail and bulk supply licenses for distribution and transmission of electricity, determining the quantum for power purchase, fixation of tariff and other regulatory matters including T&D losses. The T&D losses are subject to recovery from consumers after approval of MERC. In the following cases, the MERC disallowed the purchases of power due to load regulation violation and excess T&D losses:

Violation of load regulation

2.3.18 The Company was facing acute power shortage and heavy load shedding during the last three years. In view of huge shortfall the Company pleaded (6 December 2005) with the MERC to introduce "second day staggering off" to sort out the measure for minimising gap between power supply and demand. The MERC debated the effectiveness of introducing a "second day staggering no supply" to High Tension (HT) Industrial category particularly in the areas developed by Maharashtra Industrial Development Corporation (MIDC) and in their order (10 January 2006) propagated voluntary load regulation rather than load shedding or introducing "second staggering day off" or introducing three to four hours daily load shedding for HT Industrial consumers located in MIDC areas.

The concept of "load regulation" was elaborated under MERC clarification order dated 21 February 2006, as follows:

"HT industries have to restrict their monthly consumption to less or equal to (80 *per cent* for non continuous industries and 90 *per cent* for continuous industries) their average monthly consumption over the past three months in MU terms. In case, the stipulated target as set above is not achieved by the end of February 2006, the entire MIDC area or the dedicated feeder will be subjected to an additional day of no supply during the week, from the beginning of March 2006".

Non implementation of load regulation as directed by MERC resulted in loss of Rs 96 crore to the Company.

The MERC in its tariff order for 2006-07 observed that Company had not strictly implemented the protocol of "second staggering day off" for consumers, thereby, violated the load regulation concept. This situation had contributed to procurement of additional power from costly sources. Hence, the Commission partially disallowed costly power purchase by the Company during the period March to September 2006.

Thus, due to non implementation of load regulation as directed by the MERC, the Company had purchased extra power of 215 MUs at a cost of Rs 96 crore during 2006-07 which could not be recovered from the Industrial consumers through Fuel Adjustment Charges (FAC).

The Management in its reply (September 2008), which was endorsed by the Government (November 2008), stated that the load data and consequent power requirement to impose "second staggering day off" was not readily available, hence, it was not practicable to suddenly impose one more day off on the industry without the support of the State Government. It further stated that it had filed a review petition with Appellate Tribunal.

The fact, however, remains that the collection of data for load regulation was the responsibility of the Company which should have been done as per the order of MERC.

Transmission and Distribution losses

The MERC disallowed purchase of power of Rs 7.39 crore due to excess Transmission and Distribution losses over norms. The wheeling charges of Rs 4.08 crore could not be recovered from consumers due to disallowance by MERC.

2.3.19 MERC fixes norms for T&D losses annually and actual T&D losses over and above the norms are disallowed while approving the FAC. It was observed that MERC disallowed the purchase of power from seven* parties to the tune of Rs 7.39 crore (176 MUs) for the month of September 2006 as the actual T&D losses were over and above the norms. Similarly, the consumption of 64.79 MUs in respect of wheeling charges were also disallowed (September 2006) by MERC on the ground that it was not reflected in energy input to consider for wheeling of units from captive generation. Thus, due to disallowance by MERC, an amount of Rs 4.08 crore could not be recovered from consumers through FAC resulting in extra financial outgo to the Company.

The Management in its reply (September 2008), which was endorsed by the Government (November 2008), stated that the un-recovered FAC on account of short term power purchases during April to September 2006 has been considered in the ARR submitted by the Company to MERC so that the amount can be recovered during the financial year 2007-08.

It was however observed in audit that no approval for recovery of said amount in 2007-08 has been received from MERC so far (December 2008).

Regarding wheeling charges Management stated that it had requested MERC to adjust the same in March 2007. The vetting order was still awaited (December 2008) from MERC.

Power purchase payments

2.3.20 The power purchase bills are raised by the power generators and PTCs on the basis of actual units supplied. The Power Purchase cell of the Company scrutinises the bills and forwards to Accounts Section for audit and release the

*Adani, JSWPTCL, LANCO, NVVN, Pench Projects, Reliance Energy Trading Limited and Sardar Sarovar.

payment by Ways and Means section of the Company. For the non conventional energy sources the payments are released at field level.

Non availment of rebate

2.3.21 As per the terms of work order with JSW Power Trading Company Limited (JSWPTCL) and Tata Power Company Limited (TPCL), the Company was entitled for rebate of two *per cent* of the billed amount if the payment was released promptly (within seven days of bill). Audit scrutiny revealed that the Company paid (November 2006-February 2008) the bills within 15 days (approximately) and as such could not avail the benefit of rebate amounting to Rs 79.90 lakh (JSWPTCL: Rs 27.76 lakh and TPCL: Rs 52.14 lakh).

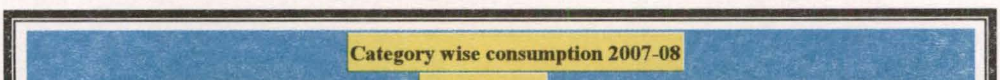
The Company could have earned the benefit of prompt payment rebate by availing the short term borrowing for payment. The benefit, thus, foregone worked out to Rs 55.34* lakh.

The Management in its reply (September 2008), which was endorsed by the Government (November 2008), stated that the funds were short even after utilising cash credit limit to pay the bills on due date and the payment was released after a gap of 22 to 37 days.

The fact remains that the Company could have availed the prompt payment rebate by resorting to short term borrowings.

Future planning and capacity addition

2.3.22 The availability of energy plays a vital role in the process of economic growth of a country. The degree of economic growth, per capita income and per capita consumption of energy has positive correlation with each other. Category wise actual consumption of energy in the State during 2007-08 has been indicated in the pie chart as given below:



(Source: Seventeenth Electric Power Survey Committee of Central Electricity Authority)

*(Rebate of Rs 79.90 lakh *minus* interest of Rs 24.56 lakh on borrowed funds of Rs 41.22 crore (being amount of bill) at the rate of 14.5 *per cent* of cash credit borrowing rate for 15 days).

The details of consumption forecast during the period up to 2012 as per the survey conducted by 17th Electric Power Survey Committee of CEA are given in the **Annexure-11.**

Based on the load dispatch report furnished by the Company to GoM the total installed generation capacity available (March 2008) with the State was 17,533 MW out of which 10,121 MW is the generation capacity of the State generation utility (MSPGCL) and the balance is from the State's share in Central power generating stations as met from long term power purchase agreements. The demand varies between 12,437 MW and 9,173 MW during peak and off peak hours. The CEA has projected a peak demand of 21,954 MW during 2011-12 in its 17th Power Survey Report. The list of projects where either consent has been given or Power Purchase Agreements have been signed by the Company for procurement of energy for the State of Maharashtra amounts to 21,928 MW in March 2012 as given in **Annexure-12**.

The following points are noticed in this regard:

- Total expected share of 4,395 MW is projected for the period from 2008-12 of which 3,295 MW is through thermal generation and balance 1,100 MW is through hydel generation. However, in the present scenario, the existing thermal power generation stations of MSPGCL are facing acute shortage of good quality coal resulting in shortfall in generation. Thus, the future projections would only materialise if the thermal power generating capacity was optimised; otherwise the gap between demand and supply of power would be widened.

- The power stations at Subansari and LEPL having projected installed capacity of 2,500 MW (Company's share 1,100 MW) are situated outside the State and in the North East region. To import power from these distant stations involves issues related to grid availability and potential volume of transmission charges/losses and a subsequent increase in the cost of power. The planned projections are based on the above factors and therefore the ratio between the cost of power and quantum of power may vary.

Internal Audit

2.3.23 Internal Control is a Management tool used to provide reasonable assurance for achievement of management's objectives in an economical, efficient and effective manner. Audit scrutiny noticed the following deficiencies in the Internal Audit system relating to purchase of Power.

- Internal Audit Manual of erstwhile MSEB is followed by the Company in absence of its own Manual. However, Internal Audit Wing did not cover the activities of Power Purchase Cell on a periodical basis to assess its performance. The Management stated (September 2008) that review will be conducted during the year 2008-09.

- The payment for purchase of power was not forwarded to Internal Audit Section for pre audit.

- The Internal Audit did not cover payments/bills of adjustment on account of import and export of power of non conventional energy sources.

The Management in its reply while accepting the facts (September 2008), which was endorsed by the Government (November 2008), stated that such review will be conducted during the year 2008-09.

Acknowledgement

2.3.24 Audit acknowledges the co-operation and assistance extended by different levels of management at various stages of conducting this performance audit.

Conclusion

The shortfall in supply of power increased from 9,908 MUs in 2003-04 to 19,092 MUs in 2007-08. Due to non augmentation of generation capacity by Maharashtra State Power Generation Company Limited during the last five years' period under review, the Company had to resort to purchase of costly power from outside agencies which too was not sufficient to cater to the requirement of power in the State. Huge shortfall of power led to increased load shedding ranging from 2.5 to 15 hours.

The Company did not avail its entire allocation from cheaper Central sources to the full extent and had to incur additional expenditure on purchase of power on short term basis. The Company did not recover the average cost of sale of power resulting in loss of revenue.

Absence of penal clauses in contractual provisions and defective agreements for banking of power resulted in extra expenditure. Similarly the Company could not avail the prompt payment rebate from traders.

The scope of internal audit did not cover the power purchase activity including payments.

Recommendations

The Company needs to:

- **develop a system for realistic forecast of demand for energy from conventional and non-conventional energy sources.**

- **co-ordinate in a sustained and consistent manner with Maharashtra State Power Generation Company Limited for enhancement of power generation capacity to meet the higher demand of power by various categories of consumers.**

- **formalise the structure of both long term and short term power purchase agreements as power purchase agreements with clauses protecting its financial interests.**

- **ensure through periodical monitoring mechanism full drawal of power according to the allotment by Central Electricity Authority/Ministry of Power.**

- **widen the scope of Internal Audit to cover the power purchase activity.**

Chapter III

3. Transaction Audit Observations

Important audit findings emerging from test check of transactions made by the State Government companies and Statutory corporations are included in this Chapter.

Government Companies

City and Industrial Development Corporation of Maharashtra Limited

3.1 *Irregular payment on encashment of leave*

Though the Company adopted pay and allowances as applicable to State Government employees, the encashment of leave was made at higher rate which resulted in irregular payment of Rs 3.33 crore.

As per Maharashtra Civil Services (Leave) Rules 1981, the State Government employees are entitled for encashment of leave and the rate of encashment is equivalent to the salary and allowances admissible to the employees at the commencement of leave including Dearness Allowances and Compensatory Local Allowances but does not include House Rent Allowance (HRA). The City and Industrial Development Corporation of Maharashtra Limited (Company) has adopted the pay scales approved by the State Government for their employees of equivalent cadre including recommendations of the Fifth Pay Commission. However, the Leave Rules of the Company stipulate that the employees are entitled to encash Earned Leave (EL) and Casual Leave (CL) at one and half times the remuneration payable. For the purpose of encashment, remuneration means pay and allowances payable to the employee. However, the allowances for the purpose of leave encashment are not defined in the leave rules of the Company.

Audit observed (May 2007) that the Company had adopted the pay and allowances for its employees as applicable to the employees of the State Government. However, the leave encashment was made at 1.5 times the salary and allowances as against the payment equivalent to one time of salary and allowances as payable/applicable to employees of the State Government. Similarly, HRA was also included in allowances for leave encashment whereas the same was not to be included for State Government employees. This resulted in irregular payment of Rs 3.33 crore during the four year period ending March 2008 (excess payment due to 1.5 times remuneration Rs 1.93 crore and HRA-Rs 1.40 crore). Moreover, HRA is allowance of compensatory nature and inclusion of the same by the Company for leave encashment purposes resulted in employees getting HRA for more than 12 months in a year.

Though, no reply has been furnished by the Company, during the Audit Committee Meeting held on 12 December 2007 the Company agreed that the matter would be put up to the Board of Directors for recovery of the irregular payment in installments from the employees.

The matter was reported to the Government/Management (July 2008); their reply was awaited (December 2008).

3.2 *Wasteful expenditure*

Award of contract without land ownership resulted in wasteful expenditure of Rs 93 lakh.

The Company awarded (February 2004) a contract for providing and lowering, laying and jointing sewer gravity main (pipeline) from Sewerage Pump House in Sector-17 to Sewerage Treatment Plant in Sector-9 at Kharghar to a Contractor (S.S. Khilari), at their lowest tendered cost of Rs 1.96 crore. The work was to be completed by the end of February 2005. The contractor completed laying of 1,720 running metre (rmt) PSC pipe valuing Rs 93 lakh. As the Company could not make available the land to the contractor, the balance work of 875 rmt of MS pipe and MS bridge for pipeline remained incomplete. The Company foreclosed (September 2005) the contract.

Audit observed (November 2007) that part of the land through which the pipelines had to be laid belonged to the Maharashtra Industrial Development Corporation (MIDC), another State Government Corporation and the Company had not ensured the availability of land before issuing the work order in February 2004. Thus, the awarding of work without ensuring availability of land resulted in foreclosure of the contract and consequently the expenditure of Rs 93 lakh incurred on the project remained blocked since October 2005 and loss of interest thereon worked out to Rs 32.09 lakh[£].

The Company's Superintending Engineer while accepting the fact replied (January 2008) that they had relied on the Land section of the Company which had certified the availability of the land. The contract was foreclosed as the swapping of land between the two organisations would have been time consuming. It was also stated that the pipeline would be used for transport of raw sewage in reverse direction to sewage pump house in Sector-16/17. The Company, however, has not made any definite plans for completion and utilisation of the pipeline even though three years have elapsed since the work was abandoned in September 2005.

The matter was reported to the Government/Management (April 2008); their reply was awaited (December 2008).

[£]Rs 93 lakh x 11.5 *per cent* (borrowing rate of interest on bonds) x three years (from October 2005 to September 2008) = Rs 32.09 lakh.

3.3 *Non recovery of dues*

The Company executed work for NIFT in excess of deposit amount and failed to recover its dues of Rs 81 lakh despite lapse of three years resulting in loss of interest of Rs 27.95 lakh.

The Company entered (August 2002) into an Agreement with National Institute of Fashion Technology (NIFT), a Central Government Institute, for construction of Industrial Building for the NIFT at Kharghar, Navi Mumbai as 'deposit contribution work' to be executed by the Company at estimated cost of Rs 10.11 crore. The Agreement provided for payment of 50 *per cent* of the estimated cost of construction within 15 days on issue of work order and 45 *per cent* as per the progress of work every month. The balance five *per cent* was to be paid after defect liability period of one year after completion of the work. The Company completed the work (March 2005) by engaging a contractor at a total cost of Rs 11.03 crore.

Audit scrutiny (June 2007) revealed that as against the total expenditure of Rs 11.03 crore, the Company had recovered Rs 10.22 crore and the balance amount of Rs 81 lakh had not been received even after lapse of three years from the date of completion of work. The Company executed the balance work at increased cost without express approval and deposit of the increased cost by the NIFT. It was also seen that the Company did not initiate any effective steps for recovery of the balance dues. The loss of interest[#] on the amount blocked worked out to Rs 27.95 lakh for the period from April 2005 to March 2008.

The Company stated (October 2007) that NIFT was being pursued to make the balance payment. The fact remains that the Company failed to either seek the approval of NIFT for increased work or recover the increased cost before progressing with the balance work resulting in non recovery of its legitimate dues.

The matter was reported to the Government/Management (March 2008); their reply was awaited (December 2008).

Maharashtra State Farming Corporation Limited

3.4 *Non recovery of lease rent and unauthorised occupancy*

The lessee continued to occupy the land even after the expiry of leave and licence period without payment of lease rent. The lessee also occupied additional 1,020 square feet unauthorisedly and the lease rent of Rs 32.49 lakh remained unrecovered.

The Maharashtra State Farming Corporation Limited (Company), Pune entered (December 2001) into a Leave and Licence Agreement* with

[#] Worked out at 11.50 *per cent i.e.* the rate of interest on the borrowings paid by the Company.

* A leave and licence agreement is an agreement whereby the licensee obtains the right to use and occupy premises for a temporary period.

Shri Rajmata Mahila Pratishtan, Pune for leasing 500 square feet of land at their Head Office at Pune, for running a canteen for a period of three years ending December 2004. The Agreement *inter alia* contained provisions that the licensee shall not claim any tenancy rights or other rights under the Rent Act and shall not make any modifications or alterations in the site without the prior written permission of the owner. The agreement further, provided that the licensee should obtain all permissions, including Pune Municipal Corporation's (PMC) permission, to erect the temporary shed. The lease rent payable was Rs 15,101, Rs 17,501 and Rs 19,501 for first, second and third year of contract respectively.

Audit observed (December 2007) that the Company failed to ensure that the lessee complied with the provisions of the agreement. As a result, the lessee occupied additional area of 1,020 square feet of Company's land which came to the notice of the Company when the PMC, the Local Town Planning Authority, took action against the lessee for removal of unauthorised construction (December 2004). The Company did not take any action either to extend the lease or to evict the lessee from the plot on expiry of the lease Agreement in December 2004 and the lessee continued to occupy the land. The lessee was not paying lease rent and the dues accumulated to Rs 5.30 lakh up to May 2008, based on rates at which they had paid in the last year of the contract. The rent recoverable from the party in respect of the land occupied unauthorisedly worked out to Rs 27.19 lakh up to December 2007 based on the Company's own calculations. Thus, the absence of a system to monitor the Agreement resulted in non recovery of rent and unauthorised occupancy of the extended area.

The Company in reply to audit enquiry confirmed (February 2008) the non recovery of dues as well as unauthorised occupancy of extended area and stated that action would be taken against the licensee.

The matter was reported to the Government/Management (June 2008); their reply was awaited (December 2008).

Maharashtra State Electricity Distribution Company Limited

3.5 *Shortfall in security deposit and misappropriation by bill collection agent*

The Company did not revise the security deposit from agents and there was a shortfall of Rs 52.35 lakh. The bill collection agent misappropriated Company's revenue and Rs 8.80 lakh remained unrecovered.

Short recovery of security deposit

3.5.1 The Maharashtra State Electricity Distribution Company Limited (Company)■ collects security deposit (SD) from private bill collection

■Erstwhile Maharashtra State Electricity Board.

agencies appointed for collection of bills from Low Tension (LT) consumers. The SD is equivalent to three days average collection in the previous quarter subject to a minimum of Rs 1,00,000. The purpose of adequate SD was to act as a deterrent for misappropriation/fraud by the collection agents apart from increasing the liquidity of the Company. The adequacy of SD was required to be reviewed every six months and the agents should recoup the shortfall, if any.

Audit scrutiny revealed (February 2007) that the Company has no internal control system to monitor the adequacy of SD and its revision/recovery as per the agreement entered into with the agents. The SD was not reviewed and revised to match three days average collection in the previous quarter and there was a shortfall of Rs 52.35 lakh as on March 2007 in respect of five[#] O&M circles test checked in audit. As a result, the Company's revenue is prone to misappropriation/fraud.

The Management in its reply (September 2008), which was also endorsed by the Government (November 2008) accepted that the SDs were not reviewed and recovered.

Misappropriation of revenue by bill collection agent

3.5.2 The Company entered into an agreement (May 1998) with Shri Siddheshwar Mahila Nagri Sahkari Pathsanstha Limited, Chinchwad (Pune) appointing them as agents for collection of energy charges from LT consumers in Chinchwad, Pune district. As per the agreement the agent was required to remit the amount collected on the same day or latest by next working day at the Company's Rastapeth office (Pune) by banker's cheque or pay order or any other manner as directed by the Company.

Audit scrutiny revealed (January 2008) that in contravention of the terms of the agreement, the Company allowed the agency to deposit the amount collected from consumers into its bank account and make payment to the Company by cheques drawn from that account. As a result of this arrangement, it was noticed that 19 cheques issued by the agent in favour of the Company between January to April 2007 valuing Rs 27.35 lakh towards bills collected from LT consumers were dishonoured. Though the dishonouring of cheques issued by the agent were proof of misappropriation of money by them, the Company continued to accept further cheques and the value of the dishonoured cheques remaining unpaid accumulated to Rs 14.80 lakh.

The Management in its reply (September 2008), which was also endorsed by the Government (November 2008), stated that the agent was allowed to make payment by cheque since the centralised cash collection system was in operation under which all deposits were made only in Bank of Maharashtra, Rastapeth (Pune). It was further stated that after adjusting further recovery and the SD, the remaining amount to be recovered was only Rs 8.80 lakh for which recovery proceedings were in progress (September 2008).

[#] O&M Circle-Jalgoan, Kalyan, Vashi, Urban Circle-Ganeshkhind and Thane Circle.

The Company however should have opened a bank account in its name at Chinchwad and instructed the agent to remit the collection into that account. Further, the Company allowed remittances of collection by cheques even after dishonour of earlier cheques issued by the agent were known to them. Thus, undue favour shown towards the collection agent by diluting the terms of the agreement facilitated the default by the agent and non recovery of Rs 8.80 lakh.

3.6 *Avoidable extra expenditure*

The Company accepted supply of meters against an expired contract which resulted in extra expenditure of Rs 71.90 lakh.

The Company[■] finalised (March 2004) the tender for procurement of 14,50,000 Low Tension static single phase meters at the rate of Rs 219.60 per meter. The above quantity was decided after considering undelivered quantity out of earlier tender for similar meters, the contractual period of which had lapsed. While finalising the tender, the Board of Directors (BOD) issued (March 2004) specific directives that the past pending orders for supply of meters having similar specification be cancelled in view of the higher price.

Audit scrutiny revealed that the Company failed to implement the decision of the BOD to cancel the orders for the balance quantities of the previous tender/order where scheduled delivery period expired in January and February 2004, and accepted 97,942[•] meters (May 2004) at Rs 293.01 per meter. This resulted in an extra expenditure of Rs 71.90 lakh[Δ].

The Management in reply to audit enquiry stated (August 2007) that as per provisions of the Contract Act, when one party to the contract is ready and willing to perform the obligations under the contract, the other party to the contract is not entitled to cancel the contract unilaterally. It further stated that the order was not cancelled in view of the urgent requirements of meters and the time required for delivery by new suppliers. The fact, however, is that the suppliers had already failed in meeting their obligations within the contract period, for which the Company did not penalise them for the belated deliveries as per the contract conditions but on the contrary asked them to supply at higher rates. They also ignored the Board's instructions to procure only against the new tender which was at lower rates.

The matter was reported to the Government/Management (March 2008); their reply was awaited (December 2008).

[■] Erstwhile Maharashtra State Electricity Board.

[•] 53,948 meters from Gillbert Electrical and Electronics Private Limited, Palghar and 43,994 meters from Accurate Meters, Delhi.

[Δ] (Rs 293.01 – Rs 219.60 per meter) x 97,942 meters = Rs 71.90 lakh.

Maharashtra State Power Generation Company Limited

3.7 *Unfruitful expenditure*

Hasty decision of the Company to install Coal Mill Reject Handling System in all Power Stations simultaneously resulted in idle investment of Rs 12.06 crore, besides non achievement of intended benefits of lesser maintenance cost and pollution free environment.

The Maharashtra State Power Generation Company Limited (Company)[■] invited global tenders (March 2003) for engineering, supply, erection and commissioning of 12 units of 210 MW pneumatically operated Coal Mill Reject Handling System (CMRHS) at five[Δ] Thermal Power Stations (TPS). CMRHS is an alternative system to the existing manual one for automatic collection and transportation of coal mill rejects (hard material in coal that cannot be ground in the coal mills) to the silo (dumping area). The system was expected to reduce the maintenance costs and give a pollution free environment. The Company received a single bid and accordingly an order was placed (November 2003) on Macawber Beekay Private Limited (MBPL) at Rs 18.17 crore[#] for execution of the entire work on turn key basis. The contract provided for 80 *per cent* payment to contractor on delivery of equipment at site and the balance in three installments (10 *per cent* and two installments of five *per cent* each) on erection, trial run and final acceptance by the owner respectively.

Audit observed (June 2007) that the Company did not have any previous experience in installation of such systems, in their TPSs. Further, the Company received single bid for installation of the system. Despite this, the Company placed orders for all the 12 units for five TPSs on the only bidder instead of placing the orders in a phased manner after successful trials in one or two units.

It was noticed that MBPL could not commission any of the CMRHS by the scheduled date (October 2004) which was subsequently revised up to June 2006. Despite extension of the time limit, the MBPL did not complete the work. Even after three years from the scheduled date of completion of work, MBPL could not ensure the working of CMRHS except in the case of TPS Koradi. The Company had already made payment of Rs 12.06 crore to MBPL in respect of the four TPSs where the CMRHS were not operational.

Thus, the injudicious decision of the Company to purchase/install CMRHS for all the TPSs in haste without testing the technology, resulted in unfruitful expenditure of Rs 12.06 crore. Further, the intended benefit of reduction in maintenance cost and pollution free environment was also not achieved and the manual handling of the coal mill reject by employing contract labour continued.

[■] Erstwhile Maharashtra State Electricity Board.

[Δ] TPS at Bhusawal, Chandrapur, Koradi, Nashik and Parli.

[#] Bhusawal-Rs 3.29 crore, Chandrapur-Rs 3.29 crore, Koradi-Rs 4.17 crore, Nashik-Rs 4.27 crore and Parli-Rs 3.15 crore.

The Management in its reply (May 2008), which was also endorsed by the Government (June 2008), accepted that there were delays in completion of supply and works by the contractor and delay was partially due to non availability of shutdown of the running coal mill in the operating TPSs. It further stated that the contractor was pressurised by issuing notice of Arbitration in terms of contract.

The CMRHS for which the Company placed orders in 2003 was still not functional in four TPSs out of five TPSs for which orders were placed. Considering the fact that the Company did not have any previous experience and there was single bid for the tender, the Company should have placed orders in a phased manner only after successful completion of one or two units. Further, the Company also failed to devise terms and conditions of the contract safeguarding its interest and opted for 80 *per cent* payment to contractor on delivery. This should have been on a lower side with a higher weightage for successful commissioning of the system.

3.8 *Contracts relating to removal of stones, shale and extraneous material from coal at Thermal Power Stations*

The eligibility criteria for the contracts were restrictive leading to creation of monopoly of two contractors at five TPSs in the State. There was no uniformity in penalty clauses resulting in non/short recovery of penalty of Rs 6.63 crore.

The Company receives coal for its seven[■] Thermal Power Stations (TPSs) from collieries which contains stones, shales and extraneous material and these are required to be removed before feeding it into coal mills in order to avoid damage to plant and machinery. This work is carried out manually by deploying labourers round the clock in shifts at the TPSs in the Coal Handling Plants (CHPs). Contracts for supply of labour for carrying out this work are awarded by inviting tenders by the TPSs locally. Since these are labour supply contracts, the provisions of Minimum Wages Act are applicable. During the period 2001-08 the contracts for removal of "stones and shales" at four TPSs at Parli-Vaijanath, Khaparkheda, Nashik and Bhusawal were awarded repeatedly to two firms *viz.* Prince and Company and Chandy and Company. The annual value of each contract ranged between Rs 49.28 lakh and Rs 1.48 crore, the details of which are given in **Annexure 13**. Audit scrutiny of the contracts (February to April 2008) revealed the following:

Non relevant eligibility criteria for contractors

3.8.1 Scrutiny of the eligibility criteria fixed for the contractors for bidding for the work revealed that these were restrictive in nature and created monopolies instead of encouraging competition as detailed below:

While inviting tenders (August 1995) having estimated value of Rs 24.82 lakh at TPS Parli Vaijnath, the tender conditions stipulated the following criteria:

[■] Bhusawal, Chandrapur, Khaperkheda, Koradi, Nashik, Parli-Vaijnath and Paras.

- The bidders should have three years experience of CHP having installed capacity of 350 MT/Hr.

- Tender conditions further stipulated experience in execution of similar work against single order having value not less than 50 *per cent* of the value of work put to tender during the preceding five years or annual turn over of work executed not less than the value put to the tender during the preceding three years.

Audit observed that despite the execution of similar work to the satisfaction of the Company during November 1990 to March 1993 at TPS Parli-Vaijnath, A.S. Gite (the earlier contractor) could not participate in the tender due to revision of contract condition regarding value of the work executed by the Company and the contract was awarded to Chandy and Company on single quote received.

The Management stated (August 2008) that A.S. Gite did not fulfill the eligibility criteria and therefore his offer was not accepted. However, fixation of higher eligibility criteria restricted competition.

- The TPSs at Chandrapur and Koradi while inviting tenders for 2002-03 and 2003-04 stipulated that contractors should have five years of experience of removing stones and shales from running conveyor of CHP having capacity of 500 MT/Hr. of TPS only.

Scrutiny of tenders for the year 2002-03 and 2003-04 revealed that the offer of N.C. Biyani, Chandrapur for CSTPS Chandrapur and TPS Koradi was rejected despite having the requisite experience in removing stones and shales from running conveyor belt of CHP having installed capacity of 600 MT/Hr. at Western Coalfields Limited (WCL) at Durgapur. The nature of work *i.e.* removal of stones *etc.* at WCL and TPS was similar at both the plants and therefore the stipulation that the contractor should have experience only in TPS was restrictive which resulted in rejection of N.C. Biyani's offer. The contracts were awarded to Prince and Company and Chandy and Company.

The Management stated (August 2008) that they had revised the eligibility criteria by including the experience of coal mines also for future contracts.

Undue favour in fixing of eligibility criteria regarding quantity and work experience

3.8.2 The tender conditions stipulated that the contractor should have experience of removal of minimum quantity of 15,000 (Parli-Vaijnath) to 50,000 MT (Nashik TPS) of stones and shales from coal. Since the quantity of stones and shales depend upon the quality of coal received from collieries, criteria regarding removal of minimum quantity had no relevance for satisfactory performance of the contract. On the contrary such stipulations restricted competition and were deterrent for obtaining competitive/best rates, as other contractors could not bid due to restrictions of quantity imposed which enabled the existing contractors to get the contract.

In 2001, the eligibility criteria regarding previous experience was further increased from three to five years, which could be met by the existing contractor solely since the earlier contracts were awarded to them. This criterion further restricted the competition and enabled the continuance of the monopoly of the existing Contractors *i.e.* Prince and Company and Chandy and Company and thus both bagged all the contracts awarded thereafter annually at Parli-Vaijnath, Khaperkheda, Nashik and Bhusawal TPS.

Thus, the incorporation of qualifying criteria for tenders which were not relevant to the satisfactory performance of contract and fixing three to five years experience criteria resulted in perpetuating the monopoly of two contractors (Chandy and Company and Prince and Company) at Parli, Khaperkheda and Nashik TPS respectively.

The Management stated (August 2008) that the qualifying criteria were revised downward to attract competition in future contracts.

Non recovery of penalty

3.8.3 In TPS Koradi, the contract provided for recovery of generation loss and cost of machinery damaged and shears pin failures due to existence of stones, shales, extraneous material in the coal. The TPS suffered a generation loss of 25.17 million units valuing Rs 3.29 crore and incurred an expenditure of Rs 13.84 lakh for replacement of damaged equipment whereas the recovery of penalty was restricted to Rs 9.69 lakh towards replacement of damaged equipment and the generation loss was not recovered despite clear stipulations to that effect in the contract. It was further noticed that in other TPSs, provisions for recovery towards generation loss (Rs 2.59 crore)[#] and the cost of machineries damaged (Rs 33.80 lakh)[Δ] were not incorporated in the contract and therefore could not be recovered.

The work order issued by CSTPS Chandrapur stipulated recovery of penalty for foreign extraneous material passing through conveyor belts and reaching to the bunker. It was noticed that for 557 such occasions penalty of Rs 37.65 lakh was recoverable for the period 2005-06 to 2007-08, whereas Rs 1.07 lakh only was recovered. The contract was continued despite poor performance of the contractor.

Thus, the insertion of restrictive tender conditions perpetuated the monopoly of two firms depriving the Company of competitive rates. There was no uniformity among the TPSs regarding recovery of penalty resulting in non/short recovery of penalty of Rs 6.63 crore from the contractors. Even though, the contracts were of high value, the Head Office of the Company failed to monitor these contracts which were finalised locally by the Chief General Managers at the TPSs.

[#] Chandrapur: Rs 54.34 lakh; Khaperkheda : Rs 54.10 lakh; Parli-Vaijnath : Rs 1.51 crore.
[Δ] Chandrapur: Rs 10.30 lakh; Khaperkheda : Rs 7.10 lakh; Parli-Vaijnath : Rs 16.40 lakh.

The Management stated (August 2008) that with a view to have uniformity among the TPSs, fresh guidelines have been issued for incorporating the common/standardised penalty clause in all the contracts for stone picking.

The matter was reported to the Government (June 2008); their reply was awaited (December 2008).

3.9 *Purchase of fire protection equipments*

The Parli TPS procured Fire Protection Equipments locally on urgent basis resulting in extra expenditure of Rs 41.61 lakh. Besides, material worth Rs 33.87 lakh was also lying as surplus in Stores.

New Parli Thermal Project, Parli-Vaijnath (NPTP) of the Company indented fire protection equipments for the Thermal Power Station (TPS) in October 2006. As per the prevailing purchase procedures, these purchases were to be finalised by the Head Office (HO). Based on the indent, the HO of the Company invited tenders in January 2007 and placed orders in June 2007 and material valuing Rs 33.87 lakh was received by NPTP in September-October 2007. In the meantime, the NPTP placed orders for fire protection equipments locally valuing Rs 60.55 lakh on single quotation basis between February and May 2007 as per instructions (December 2006) of the Executive Director (ED) of the Company.

Audit observed (July 2007) that the NPTP did not plan in advance for purchase of the fire equipments and sent (October 2006) the red indent for procurement of fire protection equipments to the Company's HO after lighting up of the TPS, in August 2006. On the ostensible reason of protection to the TPS, procurement of the fire safety equipments of same specification, were done locally on urgent basis at rates as high as up to three times when compared with the rates at which the HO of the Company procured the same equipments based on offers received in February 2007. The difference in rates of the local purchases and as per tenders received at HO are given below:

Sl. No.	**Description of item**	**Rate of local purchase**	**Rate of Headquarter purchase**	**Difference**
		(In rupees per unit)		
1.	Mechanical fire extinguisher IS 4947 (9 litre)	3,864	1,234	2,630
2.	Mechanical fire extinguisher IS 13386 (50 litre)	21,851	6,585	15,266
3.	Dry chemical powder IS 10658 (75 Kg.)	53,323	15,407	37,916
4.	Dry chemical powder IS 10658 (25 Kg.)	21,402	9,257	12,145
5.	Dry chemical powder IS 2171 (10 Kg.)	4,218	1,512	2,706
6.	CO_2 – 22.5 Kg. IS 2878/86	25,996	10,041	15,955
7.	CO_2 – 6.5 Kg. IS 2878/86	15,227	3,962	11,265

The purchase of material locally by the TPS resulted in total excess expenditure of Rs 41.61 lakh on total purchases of Rs 60.55 lakh made locally when compared with the rates at which the purchases were made by the HO. It was also seen that despite receipt of offer of lower rates in the tender opened at HO in February 2007, the NPTP went ahead (between February and May 2007) with the local purchases at exorbitantly higher rates. Further, the HO of the Company did not consider the quantity procured locally and therefore excess material was received against the HO order valuing Rs 33.87 lakh which was kept in Stores (May 2008).

The Management stated (August 2008) that an internal enquiry had been ordered to investigate the matter and the reply would be furnished on receipt of the Report. The Government (September 2008) also endorsed the views of the Company. Further developments are awaited (December 2008).

Maharashtra State Road Development Corporation Limited

3.10 *Loss due to incorrect calculation of the upfront toll price*

The Company suffered a loss of Rs 21.31 crore due to adoption of lower traffic growth rate contrary to Government notification, incorrect rates of toll and incorrect working of net present value of the upfront toll price.

The irregularities in extension of contract without inviting tenders for collection of toll for three years at five[•] entry points in Mumbai to Ideal Road Builders Limited (IRB) were mentioned in **paragraph no. 4.14** of Audit Report (Commercial) for the year ended 31 March 2007.

The Company awarded (November 2002) the contract for toll collection to IRB on upfront payment of Rs 225 crore for three years starting from 1 December 2002. Immediately after one month (24 December 2002) the contract was extended for further three years up to November 2008 by accepting additional upfront payment of Rs 202.50 crore without inviting tenders.

Audit observed (February 2008) the following:

- As per the Government Resolution dated 27 July 1999 the minimum yearly growth of traffic to be considered for fixation of upset price was five *per cent*. In violation of these directives, the Company adopted traffic growth for recovery of additional upfront price at lower rate of three *per cent* for the extended period of three years which resulted in short recovery of Rs 13.89 crore. There were no reasons on record for considering a lesser growth in traffic.

- The Cash flow submitted by the Contractor and accepted by the Company was prepared without considering the increased toll rates recoverable with effect from 1 October 2008 (as per the Government toll Notification dated 27 September 2002) applicable for two months (October and

[•] Airoli bridge, Dahisar on Western Express Highway, Mulund on Eastern Express Highway, Mulund-Thane (West) on LBS Marg and Vashi on Sion-Panvel Highway.

November 2008) as the contract was awarded till 30 November 2008. As a result there was a short assessment of Rs 3.69 crore in the Cash flow and consequent short recovery of the upfront toll price due to non consideration of increased rates for October and November 2008.

- The Net Present Value (NPV) of future receipts is decided with reference to the date of receipt of the discounted value amount. Any extension of that date results in shortfall in receipt of the NPV amount. The Company accepted the NPV of the toll receipts for the extended period of three years from 1 December 2005 to 30 November 2008 at Rs 202.50 crore as on 1 December 2002 at the rate of 12 *per cent* per annum with quarterly rest whereas the party was allowed to pay the amount on 25 January 2003, *i.e.* after 56 days. The concept of NPV is based on the date of receipt of money and therefore the NPV should have been worked out as on 25 January 2003 *i.e.* the date of receipt of NPV. By not doing so, the Company short recovered Rs 3.73 crore by not taking into account the actual date of payment of the NPV.

Thus, due to adoption of lower rate of increase in traffic, lower rates of toll for two months and not working out NPV as on date of receipt of upfront payment, there was a loss of Rs 21.31 crore in toll revenue. This loss needs to be recovered from the contractor. Loss due to absence of competition is not quantifiable.

The matter was reported to the Government/Management (May 2008); their reply was awaited (December 2008).

3.11 *Loss due to defective contract clause*

Non inclusion of provisions for recovery of additional toll revenue in the contract terms and conditions resulted in loss of potential revenue of Rs nine crore.

The Company awarded (December 2002) a contract to Ideal Road Builders Limited for collection of toll revenue at five entry points in Mumbai for a period of six years *i.e.* up to November 2008. The Company subsequently conducted a traffic survey to assess the quantum of revenue leakage on the existing bypasses at Vashi and decided to shift the toll station (December 2006) by incurring a cost of Rs two crore. It was expected that the additional revenue to be generated after the shifting of the toll station would be in the range of Rs 9-10 crore during the remaining period of the contract up to November 2008.

Audit observed (February 2008) that as per the terms of the contract for collection of toll, the contractor was required to quote the upfront amount considering the leakage of revenue. The Company was required to demand expected additional revenue from the contractor. However, the Company did not do so for want of necessary provisions in the contract. This had resulted in undue benefit to the contractor and loss of potential revenue of Rs nine crore based on the minimum revenue increase estimated by the Company for the remaining period of the contract.

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The Company in reply to audit enquiry accepted (April 2008) that in the tender conditions sharing of revenue on plugging of the leakage of revenue was not considered and no clause was incorporated in the contract for such recovery.

The matter was reported to the Government/Management (April 2008); their reply was awaited (December 2008).

3.12 *Wasteful expenditure on construction of site office*

The Company incurred wasteful expenditure of Rs 70.26 lakh on construction of temporary site office which violated CRZ norms and had to be demolished subsequently.

The Company decided (July 2003) to construct a site office building of temporary nature at Nepean Sea Road for Company's Bandra-Worli Sealink Project. As the site office was falling in the Coastal Regulation Zone (CRZ) area, the Company took permission (December 2003) from the Environment Department, Government of Maharashtra (ED, GoM) for construction of office of a temporary nature. The Municipal Corporation of Greater Mumbai (MCGM) being the Town Planning Authority, also approved the plan for construction of office and issued no objection certificate (July 2004) subject to the condition that the mode of construction shall be purely of temporary nature*. Accordingly, the Company awarded (August 2004) the work for construction of the building to a contractor at a cost of Rs 1.71 crore and also appointed (August 2003) a Project Management Consultant at Rs 7.28 lakh (four *per cent* of estimated cost of Rs 1.82 crore). The Consultants were responsible for complete project management services including submission of concept plan, design, assistance for obtaining permissions, drawings and day to day supervision of the work.

When the construction work reached up to the plinth level, the Ministry of Environment and Forest (MoEF), Government of India, on the basis of records, reports and other evidence including letters of the Company to Maharashtra Coastal Zone Management Authority (MCZMA), found (July 2007) that the Company had resorted to the construction of a permanent structure instead of the permitted temporary structure. It was also found that the Company had deviated from the plan approved by the ED, GoM. Therefore, MoEF issued orders (July 2007) under Section-5 of Environment (Protection) Act, 1986, to Chairman, MCZMA for demolition and removal of the construction, which was conveyed (July 2007) to the Company by the MCZMA. The Company demolished (December 2007) the structure by appointing an agency at a cost of Rupees two lakh.

Audit observed (January 2008) that the Company did not adhere to the conditions imposed by the ED, GoM/MCGM that the project office should be a temporary structure and instead, constructed a permanent structure in violation of the CRZ notifications and the approvals. This necessitated the demolition of the structure resulting in wasteful expenditure of Rs 70.26 lakh

* In *Ladi-coba-Ladi* slab and RSJ beam and column.

(construction cost) including Consultants' fees of Rs 2.36 lakh and cost of demolition of Rs two lakh.

The Consultants who were responsible for complete project management services did not ensure that the construction was as per the conditions stipulated in the approvals of the statutory authorities. The Company also did not fix any responsibility or penalise them for their failure and the consequential wasteful expenditure incurred. The Chief Engineer of the Company who was in charge of the work was also not held responsible for the lapse and the consequential loss.

The Management stated (May 2008) that the construction was of purely temporary nature and carried out as per approval of MCGM. The reply is not in accord with facts since the construction carried out by the Company was a permanent structure, as verified by the appropriate authorities and accordingly demolition orders had been issued.

The matter was reported to the Government (March 2008); the reply was awaited (December 2008).

3.13 *Loss of revenue due to delay in finalisation of bids and execution of Agreement*

The Company delayed finalisation of advertisement revenue bids and subsequent agreement resulting in loss of revenue of Rs 66.66 lakh.

The Company invited (May 2007) tenders for leasing the right to display advertisements along the Mumbai-Pune Expressway for a period of five years. The bids were opened on 15 June 2007 and the highest offer of Rs 7.51 crore from Sanjay Knit Private Limited was approved by the Board on 29 August 2007. The Letter of Acceptance (LoA) was issued on 11 October 2007 and the Agreement entered into on 15 December 2007. The work order issued on 18 December 2007 was made effective from 26 December 2007.

Audit scrutiny (February 2008) revealed that there was delay in finalisation of the bids as evident from the fact that the bids were opened on 15 June 2007, approved by the Vice Chairman and Managing Director on 19 June 2007 and were submitted to the Board for approval only on 29 August 2007, despite the fact that during the intervening period the Board had met on four occasions (on 29 June, 16 July, 08 August and 22 August 2007). Thus, there was a delay of 60 days in submission of the proposal to the Board by the Finance Section of the Company. Even after approval of the Board on 29 August 2007, the LoA was issued on 11 October 2007 *i.e.* after a delay of 42 days. The contractor was required to deposit the offer amount and execute the agreement within 15 days from the date of issue of LoA. It was seen that though the contract should have been made effective from 26 October 2007 *i.e.* 15 days from the date of issue of LoA, the work order was issued only on 18 December 2007, and made effective for five years from 26 December 2007, and consequently the Company lost another 60 days' revenue.

Thus, the avoidable delay in finalisation of bids resulted in a loss of 162 days' revenue amounting to Rs 66.66 lakh. Further, the Company had not initiated any action against the officers responsible for the delays and the consequent loss.

The Management accepted (July 2008) that proposal was belatedly submitted to the board on 29 August 2007 and the issue of LoA was delayed due to the non receipt of copy of approved Board minutes and thereafter the issue of work order was delayed due to request for relaxation in terms and conditions of contract sought by the contractor after issue of LoA. The Government endorsed the views of the Company (August 2008).

The reply is however silent regarding the reasons for delayed submission of the proposal to the Board in August 2007. The confirmation of minutes for issue of work order is not a valid argument since in number of cases the Company had acted without waiting for such a confirmation.

3.14 *Loss due to incorrect estimation of toll revenue and delay in finalisation of toll contract*

The Company incurred loss of Rs 47.62 lakh due to incorrect estimation of toll revenue and belated finalisation of toll collection contract.

The Company through CRISIL, a private rating agency, estimated the toll revenue for Malegaon Mehekar Road (at kilometre 4/200) at Rs 2.43 crore in normal situation. The agency estimated a higher revenue of Rs 5.53 crore subject to certain conditions such as completion of an important link road (Ghoti to Nagpur) to be constructed by the Company for the traffic to build up. The Company invited tenders (March 2006) for collection of toll on Malegaon Mehekar Road for a period of 104 weeks from 3 June 2006. The highest offer of Rs 3.27 crore received (April 2006) from Souvenir Developers was rejected as it was less than the estimated toll revenue of Rs 5.53 crore as estimated by CRISIL. The Company conducted another traffic survey (May 2006) which was also found to be on the higher side (Rs 5.33 crore) due to non consideration of loss of toll revenue on account of discount allowed to frequent travellers, concessions, exemptions *etc*. A third survey was conducted in September 2006 based on which the estimated revenue was scaled down to Rs 3.57 crore based on which tenders were re-invited and finalised and awarded (April 2007) to the highest bidder, Souvenir Developers at Rs 3.27 crore (equivalent to the offer received in March 2006 from the same party).

Audit scrutiny (December 2007) revealed that though the link road was not completed, the Company adopted the higher estimated revenue of Rs 5.53 crore instead of the normal revenue estimated by CRISIL at Rs 2.43 crore. This resulted in receipt of lower offers in comparison to the estimates and they had to be rejected. Consequently, toll collection was entrusted to Nilwar Agro Agencies and Souvenir Developers on temporary basis during the period from 3 June 2006 to 30 April 2007 at Rs 30,000 per day as against the rate of Rs 44,917 per day offered by Souvenir Developers when tenders were invited in March 2006. Moreover, the Company actually received Rs 40,587 per day for the previous contract for the period June 2003 to June 2006 awarded to Nilwar Agro Agencies. This resulted in a loss of Rs 47.62 lakh[#] to the Company.

The Management in its reply (July 2008), which was endorsed by the Government (September 2008), stated that there were inaccuracies in the traffic survey and toll estimates which led to fixation of higher upset price and rejection of tenders. The reply is not acceptable, as the Company had not studied the consultant's (CRISIL's) report in detail before arriving at the estimated toll revenue before inviting the tenders. Fixation of unrealistic tender price resulted in rejection of valid offers, continuation of existing contract at lower rates and consequential loss of revenue due to delay of one year in finalising the new toll contract.

3.15 *Unfruitful expenditure on unviable project*

The Company incurred unfruitful expenditure of Rs 43.26 lakh on Rail Over Bridge Project at Manjari which was subsequently abandoned.

Under the Integrated Road Development Project (IRDP), Pune, notified by the Government of Maharashtra (23 February 2001), the Rail Over Bridge at Manjari in Pune (estimated cost of rupees eight crore) was one of the 33 works included therein. Even though Public Works Department (PWD) was responsible for land acquisition for the work, the Company due to paucity of funds with PWD decided (January 2003) to acquire the land. The Company borrowed funds and acquired (May 2005) the land at a cost of Rs 28.82 lakh and handed it over to the PWD (May 2005) for removal of encroachments. Initially the works could not be executed for want of encumbrance free land. Subsequently in September 2005, the Company decided to drop the work from IRDP, Pune as it was considered non viable as an independent Build, Operate and Transfer project, being outside the Pune Municipal Corporation limits. The land was in possession of PWD.

Audit scrutiny revealed (July 2007) that though the Company was aware that land proposed for acquisition was not encumbrance free land, they engaged (2002-03) consultants for pre and post tender activities without ensuring the possession of the land. The Company paid the consultants Rs 10.62 lakh towards pre and post tender activities and terminated (November 2004) their services due to non acquisition of land. Payment of codal/drawing/general charges of Rs 3.82 lakh made (October 2001) to the Railways also proved wasteful since the Company decided not to take up the project. The subsequent efforts (December 2007) of the Company to recover the land cost from the PWD did not fructify.

Thus, the action of the Company in venturing into the project without ensuring its financial viability, acquiring land which was not its responsibility and haste in appointing consultants resulted in an unfruitful expenditure of Rs 43.26 lakh.

[#] ((Rs 44,917 - Rs 40,587 per day x 18 days)) + (Rs 44,917 - Rs 30,000 per day x 314 days)).

The Management stated (May 2008) that the funding of land acquisition was made as per the instructions of the then Chairman of the Company. The consultants were appointed to frame the drawings and estimates and the charges to Railways were required to be paid as per their demand. The Company further stated that the recovery was being pursued with PWD.

The fact remains that the project was abandoned due to its non viability which the Company should have assessed before taking up the project.

The matter was reported to the Government (March 2008); their reply was awaited (December 2008).

Shabri Adivasi Vitta Va Vikas Mahamandal Limited

3.16 *Procurement of toolkits*

Advance procurement of tool kits without obtaining the approval of Government for distribution on subsidy basis, resulted in unfruitful expenditure of Rs 35.58 lakh on toolkits lying unutilised.

The Company is engaged in socio-economic upliftment of tribal communities. In order to develop the entrepreneurial skill of tribal communities and prepare them for self employment, the Company imparts training to them in various trades like repairing of two wheelers, TV, radio and home appliances, tailoring *etc.* On completion of training, the Company proposed to distribute toolkits to the beneficiaries initially as loan which would be adjusted against grants of maximum up to Rs 7,500 payable under the Scheme. The State Government is also implementing similar Schemes through Tribal Development Department where toolkits are distributed under various programmes on 100 *per cent* subsidy basis *i.e.* free of cost to the beneficiary. The Company imparted training to 2,732 beneficiaries up to August 2006.

As per the Scheme approved by the Company (September 2006) the trainees were to be given toolkits on loan basis subsidised to the extent of Rs 7,500 and balance cost, if any, to be borne by the beneficiaries. The Scheme was, however, subject to approval by the Government (Tribal Development Department). Audit scrutiny revealed (July 2007) that pending approval to the Scheme, the Company procured 769 toolkits valuing Rs 41.82 lakh between December 2006 to March 2007 from a private firm for distribution to the beneficiaries. The distribution of toolkits on loan basis required submission of loan application and documentation which was not acceptable to the trainees. The Government approval to the Scheme of the Company was not received and it was seen that out of 769 toolkits procured at a cost of Rs 41.82 lakh (for eight type of trades/business), 642 toolkits (83 *per cent* of total toolkits) valued Rs 35.58 lakh were not distributed and were lying idle with the Company (June 2008).

The Management in reply to audit enquiry accepted (June 2008) that the Tribal Development Department was distributing similar toolkits on 100 *per cent* subsidy basis whereas the Company was distributing the same initially on loan basis and therefore the beneficiaries were not willing to take delivery of the toolkits.

The fact remained that the Company did not assess the requirement for toolkits from the beneficiaries in advance nor did it implement the Scheme on lines of similar Schemes being implemented by the Tribal Development Department where toolkits were given free, resulting in non achievement of the objectives of the scheme and blockage of Rs 35.58 lakh on the unutilised toolkits.

The matter was reported to the Government/Management (July 2008); their reply was awaited (December 2008).

Maharashtra Small Scale Industries Development Corporation Limited

3.17 *Extra expenditure on purchase of playground equipments*

The Company neither invited tenders nor considered the available valid offer for purchase of playground equipment resulting in extra expenditure of Rs 21.32 lakh.

The Government of Maharashtra approved (November 2005) the proposal of Tribal Development Commissioner, Nashik to purchase 187 sets of playground equipments for Ashram Schools in the State through the Maharashtra State Small Scale Industries Development Corporation Limited (Company).

Meanwhile, the Company had received (February 2005) a *suo-moto* offer from Arihant Industrial Corporation Limited, Vasai (firm) to supply the equipment at the rate of Rs 1,11,900 per set (inclusive of tax including VAT) and the offer was valid up to 31 March 2006.

The Company, however, neither invited tenders for such a major purchase in order to have the competitive rates nor considered the available *suo-moto* valid offer of the firm. The Company placed orders (December 2005) on the firm for supply of 187 set of playground equipment at higher rate of Rs 1,23,300 per set (inclusive of taxes including VAT) for a total value of Rs 2.31 crore.

Thus, failure to invite tenders and not considering the existing valid offer of the firm resulted in an extra expenditure of Rs 21.32 lakh♦ to the Company on the purchases. Incidentally, the same firm had earlier supplied the same set of equipments in January 2006 to Bhiwandi Municipal Corporation at the rate of Rs 1,11,900 per set.

The Management stated (April 2008) that they had not reconfirmed the correctness of rates assuming that the Tribal Development Department had verified the rates resulting in acceptance of higher rate.

♦ (Rs 1,23,300 – Rs 1,11,900) x 187 sets = Rs 21.32 lakh.

The reply is not acceptable since the Company should have either invited tenders for such a major purchase or considered the available valid offer of lower rate from the same firm to avoid additional extra expenditure.

The matter was reported to the Government (March 2008); their reply was awaited (December 2008).

Statutory Corporations

Maharashtra State Road Transport Corporation

3.18 *Avoidable extra expenditure*

The Corporation rejected price increase claims of the supplier and resorted to local purchases, and incurred extra avoidable expenditure of Rs 1.27 crore.

Maharashtra State Road Transport Corporation (Corporation) entered (March 2004) into Rate Contracts (RC) for purchase of Aluminum Extruded Sections and Aluminum Rolled Products with Hindalco Industries Limited (Suppliers) for a period of one year from 6 March 2004 to 5 March 2005 and 11 March 2004 to 10 March 2005 respectively (RC No.368 and 390). The contract stipulated that the prices would be firm for a quarter *i.e.* the rate prevailing on the first day of the quarter will remain firm for a period of three months and any revision during the period of the quarter will be applicable for the next quarter. The supplies were not to be stopped for want of price rise. The firm sought for price increase (March 2004) for the products supplied since April 2004, but the Corporation rejected the claims of the firm as their claims were not supported by documentary evidence *i.e.* current pricelist of each item and present ingot rates. Due to non acceptance of the price increase proposals, the firm stopped delivery against the RC No. 368 (June 2005) and 390 (September 2004). The Corporation without finalising the price revision claims for earlier contracts awarded a subsequent contract (RC No. 9 for the period May to November 2005) in September 2005 which was also not executed by the supplier due to non acceptance of earlier claims for price revision.

Audit observed (October 2007) that the Corporation delayed the acceptance of price revision which the supplier was entitled to as per tender conditions, forcing the supplier to back out of the contract. Consequently the Corporation resorted to local purchases at its Central Workshops at Dapodi (Pune) and Aurangabad at higher rates during November 2005 to April 2006. This resulted in extra expenditure of Rs 1.27 crore for items procured locally against RC. No.9, worked out on the basis of the difference between the rate at which the local purchases were made and the contracted rate for supplies against RC. No.9.

The Management stated (July 2008) that the claims for increase in rates were not supported by documentary evidence. Despite the efforts of the Corporation to sort out the issues, the Supplier had taken a rigid stance and stopped the supplies. Subsequently, in June 2007 the Tender and Stores Committee (T&SC) accepted the price revision based on the recommendation of another Committee set up for the purpose.

The reply of the Corporation is not acceptable since the T&SC which was constituted in October 2003 and was in existence in March 2004, should have considered the request for price revision made by the supplier in March 2004. Besides, aluminum being a metal, the admissibility of the claim for increase in rate could also have been independently verified by the Purchase/Stores Department from the market. It would have been beneficial to the Corporation to accept the increased rate demanded by the supplier rather than resort to expensive local purchases so that extra expenditure of Rs 1.27 crore could have been avoided.

The matter was reported to the Government (May 2008); their reply was awaited (December 2008).

Maharashtra Industrial Development Corporation

3.19 *Loss of revenue due to sale of plots at concessional rate*

The Corporation allotted land for Textile park at a concessional rate without Government approval resulting in a loss of Rs 3.20 crore.

The Maharashtra Industrial Development Corporation (Corporation) allotted (March 2006) two lakh square metres of land in Nardhana Industrial area in Dhule district, at a rate of Rs 30 per square metre to Vertex Spinning Limited (VSL). Subsequently, VSL requested the Corporation to allot 16 lakh square metres of land (including the two lakh square metres allotted earlier) at a concessional rate of Rs 10 per square metre for development of an integrated textile park. VSL stated that the developed park would be occupied by various textile processing units which would contribute to the development of the area. Considering the request of VSL, the Corporation allotted (November 2006) 16 lakh square metres of land at a concessional rate of Rs 10 per square metre by including the two lakh square metres of land which had already been allotted at the rate of Rs 30 per square metre in March 2006. The advance possession of the land allotted was handed over in December 2006/ January 2007. The Corporation received (March 2006 to September 2007) total premium of Rs 1.60 crore for the land allotted.

Audit scrutiny (October 2007) revealed that as per instructions issued (July 1987) by the Government, the Corporation was required to take prior permission for allotting land at the concessional rate. However, the Corporation, without the approval of the State Government, allotted land at the concessional rate of Rs 10 per square metre when the prevailing rate of allotment at the industrial area was Rs 30 per square metre. Thus, irregular

available during the extended life of the pumps. The Government endorsed (June 2008) the views of the Corporation.

The fact thus remains that the delays in approval were avoidable and further, savings in energy consumption during the extended life of pumps would not compensate for the loss incurred owing to the delayed period.

3.21 *Wasteful expenditure*

The Corporation incurred wasteful expenditure of Rs 56.50 lakh on consultant fee for a project which was abandoned due to non receipt of necessary permissions from the Municipal Corporation of Greater Mumbai.

The Corporation as part of its proposal for construction of IT 2000 building in Santacruz Electronic Export Processing Zone (SEEPZ), Mumbai approached (August 2000) the Municipal Corporation of Greater Mumbai (MCGM) for obtaining permission for cutting trees on land forming part of the project. Though the permission for cutting trees was pending, the Corporation appointed (November 2000) a private Company for architectural services at two and half *per cent* of the estimated cost of the project of Rs 61.08 crore. The architect carried out (2001) the work of providing estimates, tender documents and all the drawings required for the execution of work and the Corporation invited (2001) tenders for execution of work. In October 2000, the Corporation communicated partial compliance to the requirements of Tree Authority (TA) necessary for the permission, but did not pursue the matter further with the TA till June 2004, when the Corporation's approved plan were submitted to the Authority. The project was to be abandoned (July 2005) as the Tree Officer, MCGM denied (July 2005) permission for cutting the trees. The architect was paid (January 2008) Rs 56.50 lakh for the work carried out by him.

Audit observed (February 2008) that the Corporation's injudicious decision to appoint a consultant for exhaustive architectural services for construction of IT 2000 building before getting the necessary clearances/permissions resulted in wasteful expenditure of Rs 56.50 lakh.

The Management admitted (August 2008) that the project could not be taken up for execution due to the objection taken (July 2005) by the TA of MCGM. However, consultants were paid for the services rendered by them and as approved by the competent authority. The Government (August 2008) also endorsed the views of the Corporation. The reply is not acceptable, since the Corporation went ahead with the project without obtaining the necessary permissions which resulted in wasteful expenditure.

General

3.22 Follow up action on Audit Reports

Explanatory Notes outstanding

3.22.1 Audit Reports of the Comptroller and Auditor General of India represent culmination of the process of scrutiny, starting with initial inspection of accounts and records maintained in the various offices and departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance Department of the State Government issues instructions every year to all administrative departments to submit explanatory notes to paragraphs and reviews included in the Audit Reports within a period of three months of their presentation to the Legislature, in the prescribed format, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though the Audit Report for the year 2005-06 was presented to the State Legislature, four departments (Social Justice and Co-operation and Textile (one review each), Urban Development (one paragraph), Cultural and Social Welfare (two paragraphs)) which were commented upon, did not submit replies to five out of 24 paragraphs/reviews as of 30 September 2008. The Audit Report (Commercial)-2006-07 containing six reviews and 28 paragraphs was presented to the State Legislature on 30 December 2008.

Compliance to Reports of Committee on Public Undertakings

3.22.2 Action Taken Notes (ATNs) to 120 recommendations pertaining to 18 Reports of the COPU presented to the State Legislature between April 1995 and September 2008 had not been received as on September 2008 as indicated below:

Year of COPU Report	Total no. of Reports involved	No. of recommendations where ATNs were not received
1995-96	1	7
1997-98	2	21
1998-99	1	6
1999-2000	1	11
2000-01	1	1
2001-02	1	3
2005-06	2	4
2006-07	3	22
2007-08	6	45
Total	**18**	**120**

Response to inspection reports, draft paragraphs and reviews

3.22.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and the concerned administrative departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2008 pertaining to 60 PSUs disclosed that 1,935 paragraphs relating to 457 Inspection Reports remained outstanding at the end of September 2008. The department-wise break-up of Inspection Reports and Audit observations outstanding as on 30 September 2008 is given in **Annexure 14**.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that out of 21 draft paragraphs and three draft performance reviews forwarded to various departments between March and July 2008 and included in the Audit Report, 13 draft paragraphs and one draft performance review as detailed in **Annexure 15**, were not replied to (December 2008).

It is recommended that the Government should ensure that (a) procedure exists for action against officials who fail to send replies to inspection reports/draft paragraphs/reviews and ATNs to the recommendations of COPU as per the prescribed time schedule; (b) action to recover loss/outstanding advances/ overpayment is taken in a time bound schedule; and (c) the system of responding to audit observations is revamped.

Sayantani Jafa

MUMBAI **(SAYANTANI JAFA)**
The **Accountant General (Commercial Audit), Maharashtra**
26 MAR 2009

Countersigned

V Rai

NEW DELHI **(VINOD RAI)**
The 16 अप्रेल APR 2009 **Comptroller and Auditor General of India**

ANNEXURES

Annexure-1

Statement showing particulars of up-to-date paid-up capital, equity, loans received out of budget and loans outstanding as on 31 March 2008 in respect of Government companies and Statutory corporations

(Referred to in paragraphs No.1.2, 1.3, 1.4, 1.5, and 1.16)

(Figures in column 3(a) to 4(f) are rupees in lakh)

Sl. No.	Sector and name of the company	Paid-up capital as at the end of the current year					Equity /Loans received out of budget during the year		Other loans received during the year	Loans@ outstanding at the close of 2007-08			Debt equity ratio for 2007-08 (Previous year) 4f / (3e)
		State Government	Central Government	Holding	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3 (c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
A.	**Working Government Companies**												
	AGRICULTURE & ALLIED SECTOR												
1	Maharashtra Agro Industries Development Corporation Limited	300.00	250.00	--	--	550.00	--	--	--	--	--	--	--
2	Maharashtra Insecticides Limited$	--	--	100.00	--	100.00	--	--	--	--	--	--	--
3	The Maharashtra Fisheries Development Corporation Limited	247.87	--	--	--	247.87	--	--	--	109.85	--	109.85	0.44:1 (0.44:1)
4	Punyashloka Ahilyadevi Maharashtra Mendhi Va Sheli Vikas Mahamandal Limited	270.66	202.83	--	--	473.49	--	--	--	--	--	--	-- (0.02:1)
5	Maharashtra State Farming Corporation Limited.	275.00	--	--	--	275.00	--	--	--	8,032.05	--	8,032.05	29.21:1 (27.55:1)
6	Maharashtra Co-operative Development Corporation Limited ♠	318.75	--	--	305.98 (22.22)	624.73 (22.22)	--	--	--	--	--	--	-- (17.62:1)
	TOTAL	**1,412.28**	**452.83**	**100.00**	**305.98 (22.22)**	**2,271.09 (22.22)**	--	--	--	**8,141.90**	--	**8,141.90**	**3.55:1 (3.05:1)**
	INDUSTRY SECTOR												
7	Maharashtra Small Scale Industries Development Corporation Limited ♠	978.91	--	--	--	978.91	--	--	--	--	--	--	--
8	Maharashtra Petrochemicals Corporation Limited	895.66	--	--	--	895.66	--	--	--	--	--	--	--
	TOTAL	**1,874.57**	--	--	--	**1,874.57**	--	--	--	--	--	--	--

(1)	(2)	3(a)	3(b)	3 (c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	TEXTILE SECTOR												
9	Maharashtra State Powerlooms Corporation Limited	1,193.30	--	--	--	1,193.30	--	--	--	20.00	--	20.00	0.02:1 (0.02:1)
	TOTAL	**1,193.30**	**--**	**--**	**--**	**1,193.30**	**--**	**--**	**--**	**20.00**	**--**	**20.00**	**0.02:1 (0.02:1)**
	HANDLOOM AND HANDICRAFTS SECTOR												
10	Maharashtra State Handlooms Corporation Limited	1,378.23 (6,001.75)	189.69	--	--	1,567.92 (6,001.75)	--	--	--	2,008.30	--	2,008.30	0.27:1 (0.03:1)
	TOTAL	**1,378.23 (6,001.75)**	**189.69**	**--**	**--**	**1,567.92 (6,001.75)**	**--**	**--**	**--**	**2,008.30**	**--**	**2,008.30**	**0.27:1 (0.03:1)**
	FOREST SECTOR												
11	Forest Development Corporation of Maharashtra Limited	2,771.49	--	--	--	2,771.49	5.00	--	--	10,469.52	--	10,469.52	3.78:1 (4.58:1)
	TOTAL	**2,771.49**	**--**	**--**	**--**	**2,771.49**	5.00	**--**	**--**	**10,469.52**	**--**	**10,469.52**	**3.78:1 (4.58:1)**
	MINING SECTOR												
12	Maharashtra State Mining Corporation Limited	206.69	--	--	--	206.69	--	--	--	457.46	--	457.46	2.21:1 (2.21:1)
	TOTAL	**206.69**	**--**	**--**	**--**	**206.69**	**--**	**--**	**--**	**457.46**	**--**	**457.46**	**2.21:1 (2.21:1)**
	CONSTRUCTION SECTOR												
13	Maharashtra State Police Housing and Welfare Corporation Limited ♠	795.91	--	--	--	795.91	--	--	--	--	4,653.50	4,653.50	5.85:1 (8.13:1)
14	Maharashtra State Road Development Corporation Limited	500.01	--	--	--	500.01	--	--	--	--	4,17,401.60	4,17,401.60	834.79:1 (323.04:1)
15	City and Industrial Development Corporation of Maharashtra Limited ♠	395.00	--	--	--	395.00	--	--	--	400.00	22,865.15	23,265.15	58.90:1 (61.98:1)
16	Shivshahi Punarvasan Prakalp Limited	11,500.01	--	--	--	11,500.01	--	--	--	--	--	--	-- (0.14:1)
17	Satara Kagal Highway Construction Company Limited $	--	--	5.00	--	5.00	--	--	--	--	6,422.65	6,422.65	1,284.53:1 (5,202.00:1)
18	Solapur City Integrated Road Development Limited $	--	--	5.00	--	5.00	--	--	--	--	4,444.06	4,444.06	888.81:1 (903.40:1)

(1)	(2)	3(a)	3(b)	3 (c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
19	Mumbai Inland Passenger Water Transport Company Limited $	--	--	5.00	-- (100.00)	5.00 (100.00)	--	--	--	--	--	--	--
20	Amravati City Road Development Company Limited $	--	--	5.00	--	5.00	--	--	--	--	--	--	-- (515.60:1)
21	Kolhapur City Road Development Company Limited $	--	--	5.00	--	5.00	--	--	--	--	--	--	--
22	Baramati Infrastructure Development Company Limited $	--	--	5.00	--	5.00	--	--	--	--	--	--	-- (481.80:1)
	TOTAL	**13,190.93**	**--**	**30.00**	**--** **(100.00)**	**13,220.93** **(100.00)**	**--**	**--**	**--**	**400.00**	**4,55,786.96**	**4,56,186.96**	**34.25:1** **(17.13:1)**
	AREA DEVELOPMENT SECTOR												
23	Development Corporation of Konkan Limited ♠	881.00	--	--	--	881.00	--	--	--	615.73	--	615.73	0.70:1 (0.70:1)
24	Western Maharashtra Development Corporation Limited	305.77	--	--	--	305.77	--	--	--	2,650.85	--	2,650.85	8.67:1 (8.67:1)
	TOTAL	**1,186.77**	**--**	**--**	**--**	**1,186.77**	**--**	**--**	**--**	**3,266.58**	**--**	**3,266.58**	**2.75:1** **(1.88:1)**
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS SECTOR												
25	Lokshahir Annabhau Sathe Development Corporation Limited	256.72 (5,244.31)	-- (33.95)	--	--	256.72 (5,278.26)	--	--	--	139.07	282.26	421.33	0.08:1 --
26	Mahatma Phule Backward Class Development Corporation Limited ♠	11,984.54	5,256.68 (1,150.10)	--	--	17,241.22 (1,150.10)	--	--	--	40.10	705.88	745.98	0.04:1 (0.05:1)
27	Vasantrao Naik Vimukta Jatis and Nomadic Tribes Development Corporation Limited	1115.00 (4,840.00)	--	--	--	1115.00 (4,840.00)	500.00	--	--	--	837.81	837.81	0.14:1 --
28	Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited	3,387.95 (700.00)	--	--	--	3,387.95 (700.00)	700.00	--	--	6,429.37	--	6,429.37	1.57:1 (1.29:1)
29	Annasaheb Patil Arthik Magas Vikas Mahamandal Limited	2,215.00	--	--	--	2,215.00	165.00	--	--	--	--	--	--
30	Shabri Adivasi Vitta Va Vikas Mahamandal Limited	2,777.16	52.00	--	--	2,829.16	400.00	--	--	--	2,487.50	2,487.50	0.88:1 (0.54:1)

(1)	(2)	3(a)	3(b)	3 (c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
31	Maulana Azad Alpansankyak Arthik Vikas Mahamandal Limited ♠	3,820.00	--	--	--	3,820.00	--	--	--	--	--	--	--
32	Maharashtra State Handicapped Finance and Development Corporation Limited ♠	90.00 (220.00)	--	--	--	90.00 (220.00)	75.00	--	--	--	3,192.00	3,192.00	10.30:1 (7.18:1)
33	Sant Rohidas Leather Industries and Charmakar Development Corporation of Maharashtra Limited	4,320.99	--	--	--	4,320.99	--	--	--	--	--	--	-- (0.19:1)
	TOTAL	**29,967.36** **(11,004.31)**	**5,308.68** **(1,184.05)**	--	--	**35,276.04** **(12,188.36)**	**1,840.00**	--	--	**6,608.54**	**7,505.45**	**14,113.99**	**0.30:1** **(0.25:1)**
	TOURISM SECTOR												
34	Maharashtra Tourism Development Corporation Limited ♠	1,508.38	--	--	--	1,508.38	--	--	--	440.30	--	440.30	0.29:1 (0.29:1)
	TOTAL	**1,508.38**	--	--	--	**1,508.38**	--	--	--	**440.30**	--	**440.30**	**0.29:1** **(0.29:1)**
	DRUGS, CHEMICALS AND PHARAMACEUTICALS SECTOR												
35	Haffkine Bio-Pharmaceuticals Corporation Limited	870.66	--	--	--	870.66	--	--	--	--	--	--	--
36	Haffkine Ajintha Pharmaceuticals Limited	--	--	17.65	--	17.65	--	--	--	--	--	--	--
	TOTAL	**870.66**	--	**17.65**	--	**888.31**	--	--	--	--	--	--	--
	POWER SECTOR												
37	Maharashtra State Electricity Board Holding Company Limited ♠	--	--	--	--	--	--	--	--	--	--	--	--
38	Maharashtra State Power Generation Company Limited	5.00	--	3,11,336.00	--	3;11,341.00	15,000.00	--	--	253.05	4,35,690.00	4,35,943.05	1.40:1 (1.15:1)
39	Maharashtra State Electricity Transmission Company Limited	--	--	2,69,604.00	--	2,69,604.00	--	--	--	--	2,48,690.81	2,48,690.81	0.92:1 (1.31:1)
40	Maharashtra State Electricity Distribution Company Limited	5.00	--	3,08,393.00	--	3,08,398.00	--	8,657.54	--	50,290.55	3,63,267.51	4,13,558.06	1.34:1 (1.09:1)
41	Mahaguj Collieries Limited	--	--	3.00	2.00	5.00	--	--	--	--	42.18	42.18	8.44:1
42	Dhopave Coastal Power Limited ♠	--	--	--	--	--	--	--	--	--	--	--	--
43	Nagpur Flying Club (P) Limited ♠	--	--	--	--	--	--	--	--	--	--	--	--
44	Maharashtra State Electric Power Trading Company (P) Limited ♠	--	--	--	--	--	--	--	--	--	--	--	--
	TOTAL	**10.00**	--	**8,89,336.00**	**2.00**	**8,89,348.00**	**15,000.00**	**8,657.54**	--	**50,543.60**	**10,47,690.50**	**10,98,234.10**	**1.23:1** **(1.18:1)**

Annexure-1

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	MISCELLANEOUS SECTOR												
45	**Krupanidhi Limited $♠**	0.62	0.24	--	0.14	1.00	--	--	--	--	--	--	--
46	Mahila Arthik Vikas Mahamandal Limited	202.28	46.65	--	1.00	249.93	10.00	--	--	--	--	--	--
47	Maharashtra Film, Stage and Cultural Development Corporation Limited ♠	462.64 (767.00)	--	--	--	462.64 (767.00)	--	--	--	56.47	1,111.20	1,167.67	0.95:1 (2.52:1)
48	Maharashtra Patbandhare Vittiya Company Limited ♠	5.60	--	--	--	5.60	--	--	--	--	79,825.00	79,825.00	14,254.46:1 (14,254.46:1)
49	Maharashtra Ex-Servicemen Corporation Limited ♠	5.00 (4.90)	--	--	--	5.00 (4.90)	--	--	--	--	--	--	--
	TOTAL	**676.14** **(771.90)**	**46.89**	**--**	**1.14**	**724.17** **(771.90)**	**10.00**	**--**	**--**	**56.47**	**80,936.20**	**80,992.67**	**54.14:1** **(77.69:1)**
	Total A (All Sector wise Government companies)	**56,246.80** **(17,777.96)**	**5,998.09** **(1,184.05)**	**8,89,483.65**	**309.12** **(122.22)**	**952,037.66** **(19,084.23)**	**16,855.00**	**8,657.54**	**--**	**82,412.67**	**15,91,919.11**	**16,74,331.78**	**1.72:1** **(1.45:1)**
B.	**Working Statutory Corporations**												
	TRANSPORT SECTOR												
1	Maharashtra State Road Transport Corporation	1,17,499.52×	5,677.43	--	--	1,23,176.95	15,919.86	--	--	--	8,410.68	8,410.68	0.07:1 (0.18:1)
	TOTAL	**1,17,499.52**	**5,677.43**	**--**	**--**	**1,23,176.95**	**15,919.86**	**--**	**--**	**--**	**8,410.68**	**8,410.68**	**0.07:1** **(0.18:1)**
	FINANCIAL SECTOR												
2	Maharashtra State Financial Corporation ♠	3,427.69	--	--	2,836.21 (0.77)	6,263.90 (0.77)	--	--	--	206.00	62,468.00	62,674.00	10.00:1 (10.36:1)
	TOTAL	**3,427.69**	**--**	**--**	**2,836.21** **(0.77)**	**6,263.90** **(0.77)**	**--**	**--**	**--**	**206.00**	**62,468.00**	**62,674.00**	**10.00:1** **(10.00:1)**
	AGRICULTURE & ALLIED SECTOR												
3	Maharashtra State Warehousing Corporation	435.56	435.56	--	--	871.12	--	--	--	--	1,215.31	1,215.31	1.40:1 (1.72:1)
	TOTAL	**435.56**	**435.56**	**--**	**--**	**871.12**	**--**	**--**	**--**	**--**	**1,215.31**	**1,215.31**	**1.40:1** **(1.72:1)**

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	MISCELLANEOUS SECTOR												
4	Maharashtra Industrial Development Corporation	--	--	--	--	--	--	--	--	--	760.00	760.00	--
	TOTAL	--	--	--	--	--	--	--	--	--	**760.00**	**760.00**	--
	Total B (All sector wise Statutory Corporations)	**1,21,362.77**	**6,112.99**	--	**2,836.21** (0.77)	**1,30,311.97** (0.77)	**15,919.86**	--	--	**206.00**	**72,853.99**	**73,059.99**	**0.56:1** **(0.74:1)**
	Grand Total (A+B)	**1,77,609.57** **(17,777.96)**	**12,111.08** **(1,184.05)**	**8,89,483.65**	**3,145.33** **(122.99)**	**10,82,349.63** **(19,085.00)**	**32,774.86**	**8,657.54**	--	**82,618.67**	**16,64,773.10**	**17,47,391.77**	**1.59:1** **(1.37:1)**
C.	**Non-working Companies**												
	AGRICULTURE & ALLIED SECTOR												
1	Dairy Development Corporation of Marathwada Limited $	-- (20.00)	--	18.00	--	18.00 (20.00)	--	--	--	--	249.26	249.26	6.56:1 (6.97:1)
2	Ellora Milk Products Limited $	--	--	5.00	--	5.00	--	--	--	--	136.88	136.88	27.38:1 (27.31:1)
3	Irrigation Development Corporation of Maharashtra Limited ♠	1,992.64	--	--	--	1,992.64	--	--	--	--	--	--	--
4	Parbhani Krishi Gosamvardhan Limited $	--	--	14.00	5.00	19.00	--	--	--	--	202.57	202.57	10.66:1 (10.62:1)
5	Vidarbha Quality Seeds Limited $	--	--	10.00	--	10.00	--	--	--	--	28.06	28.06	2.81:1 (2.80:1)
6	Maharashtra Land Development Corporation Limited ♠	300.00	100.00	--	--	400.00	--	--	--	4,321.00	--	4,321.00	10.80:1 (10.80:1)
7	MAFCO Limited ♠	503.57	--	--	--	503.57	--	--	--	836.32	--	836.32	1.66:1 (1.61:1)
	TOTAL	**2,796.21** **(20.00)**	**100.00**	**47.00**	**5.00**	**2,948.21** **(20.00)**	--	--	--	**5,157.32**	**616.77**	**5,774.09**	**1.95:1** **(2.01:1)**
	INDUSTRY SECTOR												
8	Leather Industries Corporation of Marathwada Limited $	--	--	63.50	--	63.50	--	1.13	--	--	633.42	633.42	9.98:1 (9.99:1)
9	Kinwat Roofing Tiles Limited $	--	--	19.00	--	19.00	--	--	--	--	74.32	74.32	3.91:1 (3.91:1)
10	Marathwada Ceramic Complex Limited $	--	--	68.00	--	68.00	--	--	--	--	637.79	637.79	9.38:1 (11.35:1)
11	Shahyadri Glass Works Limited $♠	--	--	26.85	18.29	45.14	--	--	--	--	--	--	--

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
12	The Gondwana Paints and Minerals Limited $	--	--	9.97	--	9.97	--	--	--	--	81.13	81.13	8.14:1 (10.08:1)
13	Vidarbha Tanneries Limited $	--	--	--	10.00	10.00	--	--	--	--	--	--	--
	TOTAL	**--**	**--**	**187.32**	**28.29**	**215.61**	**--**	**1.13**	**--**	**--**	**1,426.66**	**1,426.66**	**6.62:1 (7.33:1)**
	ELECTRONICS SECTOR												
14	Maharashtra Electronics Corporation Limited	968.60	--	--	--	968.60	--	--	--	5,772.00	1,778.00	7,550.00	7.79:1 (7.79:1)
	TOTAL	**968.60**	**--**	**--**	**--**	**968.60**	**--**	**--**	**--**	**5,772.00**	**1,778.00**	**7,550.00**	**7.79:1 (7.79:1)**
	TEXTILES SECTOR												
15	Godavari Garments Limited $	--	--	24.00	--	24.00	--	--	--	--	705.40	705.40	29.39:1 (29.38:1)
16	Textile Corporation of Marathwada Limited $	308.63	--	151.37	40.00	500.00	--	--	--	--	--	--	-- (0.11:1)
17	The Pratap Spinning Weaving and Manufacturing Company Limited $	--	--	2,315.73	1.00	2,316.73	--	--	--	--	2,334.64	2,334.64	1.01:1 (1.01:1)
18	Maharashtra State Textile Corporation Limited	23,615.75	--	--	--	23,615.75	--	--	--	22,591.01	--	22,591.01	0.96:1 (1.06:1)
	TOTAL	**23,924.38**	**--**	**2,491.10**	**41.00**	**26,456.48**	**--**	**--**	**--**	**22,591.01**	**3,040.04**	**25,631.05**	**0.97:1 (1.07:1)**
	CONSTRUCTION SECTOR												
19	Maharashtra State Housing Corporation Limited ♠	1.00	--	--	--	1.00	--	--	--	--	--	--	--
20	Maharashtra Urban Infrastructure Development Company Limited ¥	5.00 (25.00)	--	--	--	5.00 (25.00)	--	--	--	--	--	--	--
21	Maharashtra Urban Infrastructure Fund Trustee Company Limited	5.00 (5.00)	--	--	--	5.00 (5.00)	--	--	--	--	--	--	--
	TOTAL	**11.00 (30.00)**	**--**	**--**	**--**	**11.00 (30.00)**	**--**	**--**	**--**	**--**	**--**	**--**	**--**

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	AREA DEVELOPMENT SECTOR												
22	Maharashtra Rural Development Corporation Limited ♠	--	--	--	--	--	--	--	--	--	--	--	--
23	Marathwada Development Corporation Limited	1,016.94	--	--	--	1,016.94	--	--	--	4,945.79	--	4,945.79	4.86:1 (4.86:1)
24	Development Corporation of Vidarbha Limited	716.84	--	--	--	716.84	--	--	--	--	--	--	-- (0.43:1)
	TOTAL	**1,733.78**	**--**	**--**	**--**	**1,733.78**	**--**	**--**	**--**	**4,945.79**	**--**	**4,945.79**	**2.85:1 (4.86:1)**
	MISCELLANEOUS SECTOR												
25	Chitali Distillary Limited	1,017.84	--	--	--	1,017.84	--	--	--	--	--	--	--
26	The Overseas Employment and Export Promotion Corporation of Maharashtra Limited ♠	12.23	--	--	--	12.23	--	--	--	57.90	--	57.90	4.73:1 (4.73:1)
27	Kolhapur Chitranagri Mahamandal Limited ♠	323.64	--	--	--	323.64	--	--	--	12.76	--	12.76	0.04:1 (0.04:1)
	TOTAL	**1,353.71**	**--**	**--**	**--**	**1,353.71**	**--**	**--**	**--**	**70.66**	**--**	**70.66**	**0.05:1 (0.06:1)**
	Total of C (Non-working companies)	**30,787.68 (50.00)**	**100.00**	**2,725.42**	**74.29**	**33,687.39 (50.00)**	**--**	**1.13**	**--**	**38,536.78**	**6,861.47**	**45,398.25**	**1.35:1 (1.47:1)**
	Grand Total (A+B+C)	**2,08,397.25 (17,827.96)**	**12,211.08 (1,184.05)**	**8,92,209.07**	**3,219.62 (122.99)**	**11,16,037.02 (19,135.00)**	**32,774.86**	**8,658.67**	**--**	**1,21,155.45**	**16,71,634.57**	**17,92,790.02**	**1.58:1 (1.37:1)**

Note : - (1) Except in respect of companies/corporations which finalised their accounts for the current year, figures are provisional and as given by the companies/corporations.
(2) Figures in brackets in column 3(a) to 3(e) indicate Share Application Money.
(3) State Government's investment in working PSUs (Rs. 2,780.06 crore) and non-working PSUs (Rs.693.74 crore) by way of equity, share application money and loans was Rs.3,473.80 crore. Figure as per Finance Accounts, 2007-08 was Rs 6,155.17 crore (Working PSUs – Rs 5,763.37 crore and Non Working PSUs Rs 391.80 crore). The difference is under reconciliation.
@ Loans outstanding at the close of 2007-08 represent long-term loans.
♠ Information not furnished for the year 2007-2008.
$ Subsidiary companies.
¥ Equity shares worth Rs.5 lakh allotted to Mumbai Metropolitan Regional Development Authority (MMRDA) a State Government Authority.
※ Including capital loan of Rs.1,03,160.78 lakh.

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Annexure-2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Referred to in paragraphs No.1.6,1.7,1.8,1.10,1.13 and 1.20)

(Figures in columns 7 to 12 and 15 are rupees in lakh)

Sl. No	Sector and Name of the company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit or Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit / loss(-)	Capital employed (A)	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover	Man-power (No. of employees) as on 31 March 08
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
A.	**Working Government Companies**														
	AGRICULTURE & ALLIED SECTOR														
1	Maharashtra Agro Industries Development Corporation Limited	Agriculture, Animal Husbandry and Dairy Development	1965	2007-08	2008-09	471.87	--	550.00	4,747.44	5,401.02	492.57	9.12	--	40,552.37	1,122
2	Maharashtra Insecticides Limited	Agriculture, Animal Husbandry and Dairy Development	1984	2006-07	2007-08	(-)125.48	--	100.00	1,006.00	1,216.56	(-)130.26	--	1	800.86	72
3	The Maharashtra Fisheries Development Corporation Limited	Fisheries, Animal Husbandry and Dairy Development	1973	1998-99	2007-08	(-)56.12	--	125.01	(-)355.32	(-)120.45	(-)44.27	--	9	111.31	44
4	Punyashloka Ahilyadevi Maharashtra Mendi Va Sheli Vikas Mahamandal Limited	Agriculture, Animal Husbandry and Dairy Development	1978	2003-04	2007-08	(-)11.82	--	408.99	(-)102.73	322.28	(-)13.45	--	4	395.06	306
5	Maharashtra State Farming Corporation Limited.	Revenue and Forest	1963	2002-03	2008-09	(-)973.86	(-)79.62	275.00	(-)7,551.76	(-)2,269.83	(-)537.38	--	5	1,728.57	805
6	Maharashtra Co-operative Development Corporation Limited.	Co-operation and Textile	2001	2004-05	2005-06	6.21	--	646.73	(-)239.51	(-)1,173.30	1,455.55	--	3	1,722.48	4[@]
	TOTAL					**(-)689.20**	**--**	**2,105.73**	**(-)2,495.88**	**3,376.28**	**1,222.76**	**36.22**	**--**	**45,310.65**	**2,353**
	INDUSTRY SECTOR														
7	Maharashtra Small Scale Industries Development Corporation Limited	Industries	1962	2002-03	2007-08	52.48	--	978.91	(-)0.05	3,445.30	300.69	8.73	5	11,077.53	280[@]
8	Maharashtra Petrochemicals Corporation Limited	Industries, Energy and Labour	1981	2006-07	2007-08	10.95	--	895.66	838.25	1,733.14	7.79	0.45	1	115.70	5
	TOTAL					**63.43**	**--**	**1,874.57**	**838.20**	**5,178.44**	**308.48**	**5.96**		**11,193.23**	**285**
	TEXTILES SECTOR														
9	Maharashtra State Powerlooms Corporation Limited	Co-operation and Textile	1972	2003-04	2008-09	(-)9.85	--	1,123.30	(-)1,681.48	(-)488.24	(-)6.43	--	4	1,766.11	37
	TOTAL					**(-)9.85**	**--**	**1,123.30**	**(-)1,681.48**	**(-)488.24**	**(-)6.43**			**1,766.11**	**37**
	HANDLOOM AND HANDICRAFTS SECTOR														
10	Maharashtra State Handlooms Corporation Limited	Co-operation and Textile	1971	2006-07	2007-08	(-)255.53	--	1,567.92	(-)8,072.06	(-)162.83	(-)168.54	--	1	929.46	198
	TOTAL					**(-)255.53**	**--**	**1,567.92**	**(-)8,072.06**	**(-)162.83**	**(-)168.54**			**929.46**	**198**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	FOREST SECTOR														
11	Forest Development Corporation of Maharashtra Limited	Revenue and Forest	1974	2006-07	2007-08	4,460.77	–	2,766.49	25,793.78	63,574.23	4,723.32	7.43	1	11,090.75	1,787
	TOTAL					**4,460.77**	**–**	**2,766.49**	**25,793.78**	**63,574.23**	**4,723.32**	**7.43**		**11,090.75**	**1,787**
	MINING SECTOR														
12	Maharashtra State Mining Corporation Limited	Industries, Energy and Labour	1973	2006-07	2007-08	28.13	–	206.69	(-)555.84	631.73	28.13	4.45	1	439.18	412
	TOTAL					**28.13**	**–**	**206.69**	**(-)555.84**	**631.73**	**28.13**	**4.45**		**439.18**	**412**
	CONSTRUCTION SECTOR														
13	Maharashtra State Police Housing and Welfare Corporation Limited	Home	1974	2005-06	2006-07	–(+)	–	795.91	–	–	–	–	2	418.64	39@
14	Maharashtra State Road Development Corporation Limited	Public Works Department	1996	2006-07	2007-08	(-)33,179.03	–	500.01	(-)1,86,556.93	4,86,131.76	7,276.31	1.50	1	34,995.82	185
15	City and Industrial Development Corporation of Maharashtra Limited	Urban Development	1970	2005-06	2007-08	(-)502.81	–	395.00	8,944.85	31,208.96	190.18	0.61	2	5,682.92	1,952@
16	Shivshahi Punarvasan Prakalp Limited	Housing and Special Assistance	1998	2003-04	2007-08	353.84	(+)9,833.64	11,500.01	(-)3,924.19	11,186.67	353.00	3.16	4	1,959.50	45
17	Satara Kagal Highway Construction Company Limited	Public Works Department	2002	2005-06	2007-08	(-)0.57	–	5.00	(-)1.95	27,731.62	(-)0.57	–	2	–	0
18	Solapur City Integrated Road Development Limited	Public Works Department	2002	2005-06	2007-08	(-)0.60	–	5.00	(-)2.30	1,709.58	82.85	4.85	2	–	0
19	Mumbai Inland Passenger Water-Transport Company Limited	Public Works Department	2003	2005-06	2007-08	(-)0.33	–	105.00	(-)0.67	102.73	(-)0.33	–	2	–	0
20	Amravati City Road Development Company Limited	Public Works Department	2004	2005-06	2007-08	(-)0.40	–	5.00	(-)0.66	2.74	(-)0.40	–	2	–	0
21	Kolhapur City Road Development Company Limited	Public Works Department	2004	2005-06	2007-08	(-)0.37	–	5.00	(-)0.66	2.64	(-)0.37	–	2	–	0
22	Baramati Infrastructure Development Company Limited	Public Works Department	2004	2005-06	2007-08	(-)0.46	–	5.00	(-)0.87	2.47	(-)0.46	–	2	–	0
	TOTAL					**(-)33,330.73**	**–**	**13,320.93**	**(-)1,81,543.38**	**5,58,079.17**	**7,900.21**	**1.42**	**–**	**43,056.88**	**2,221**
	AREA DEVELOPMENT SECTOR														
23	Development Corporation of Konkan Limited	Industries, Energy and Labour	1970	1997-98	2005-06	(-)30.00	–	881.00	(-)774.41	665.75	(-)38.23	–	10	83.98	66@
24	Western Maharashtra Development Corporation Limited	Industries, Energy and Labour	1970	2007-08	2008-09	294.68	–	305.77	(-)1,867.25	1,102.65	302.66	27.45	–	612.34	86
	TOTAL					**264.68**	**–**	**1,186.77**	**(-)2,641.66**	**1,768.40**	**264.43**	**14.95**	**–**	**696.32**	**152**
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS SECTOR														
25	Lokshahir Annabhau Sathe Development Corporation Limited	Social Welfare	1985	1995-96	2007-08	(-)36.13	–	256.72	(-)92.04	455.82	(-)36.13	–	12	40.64	154
26	Mahatma Phule Backward Class Development Corporation Limited	Social Welfare	1978	1995-96	2007-08	181.68	–	2,902.29	303.12	8,103.79	183.08	2.26	12	480.10	341@
27	Vasantrao Naik Vimukta Jatis and Nomadic Tribes Development Corporation Limited	Social Welfare	1984	1995-96	2006-07	1.53	–	615.43	(-)92.67	1,035.37	15.97	1.54	12	94.16	86

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
28	Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited	Vimukta Jatis Nomadic Tribes other backward class special backward classes welfare	1999	2004-05	2007-08	347.43	–	2,387.95	522.46	7,325.71	440.21	6.01	3	388.29	132
29	Annasaheb Patil Arthik Vikas Mahamandal Limited	Employment and self-employment	1998	2001-02	2006-07	37.90	–	500.00	118.35	624.58	37.90	6.07	6	54.66	10
30	Shabri Adivasi Vitta Va Vikas Mahamandal Limited	Tribal Development	1999	2002-03	2007-08	84.10	–	1,500.00	248.89	2,811.08	130.68	4.65	5	199.41	37
31	Maulana Azad Alpasankyak Arthik Vikas Mahamandal Limited	Employment and self-employment	2000	2005-06	2006-07	78.69	–	3,820.00	150.10	4,987.00	133.77	2.68	2	316.69	10@
32	Maharashtra State Handicapped Finance and Development Corporation Limited	Social Justice, Cultural Affairs, Sports and Special assistance	2002	2004-05	2006-07	23.23	–	310.00	8.53	1,421.65	50.54	3.56	3	116.32	13@
33	Sant Rohidas Leather Industries and Charmakar Development Corporation of Maharashtra Limited	Social Welfare Cultural Affairs Sports and Tourism	1974	1994-95	2003-04	18.52	–	361.31	(-)66.76	316.19	22.95	7.26	13	466.95	172
	TOTAL					**736.95**	**–**	**12,653.70**	**1,099.98**	**27,081.19**	**978.97**	**3.61**	**–**	**2,157.22**	**955**
	TOURISM SECTOR														
34	Maharashtra Tourism Development Corporation Limited	Home (Tourism)	1975	2003-04	2008-09	126.28	(-)169.47	1,508.88	(-)873.62	1,407.13	130.25	9.26	4	1,492.42	429@
	TOTAL					**126.28**	**–**	**1,508.88**	**(-)873.62**	**1,407.13**	**130.25**	**9.26**	**–**	**1,492.42**	**429**
	DRUGS, CHEMICALS AND PHARAMACEUTICALS SECTOR														
35	Haffkine Bio-Pharmaceuticals Corporation Limited	Medical Education and Drugs	1974	2006-07	2007-08	86.54	–	870.66	2,075.57	3,648.16	118.47	3.25	1	7,312.11	513
36	Haffkine Ajintha Pharmaceuticals Limited	Medical Education and Drugs	1977	2006-07	2007-08	5.77	–	17.65	185.24	399.76	8.11	2.03	1	668.76	51
	TOTAL					**92.31**	**–**	**888.31**	**2,260.81**	**4,047.92**	**126.58**	**3.13**	**–**	**7,980.87**	**564**
	POWER SECTOR														
37	Maharashtra State Electricity Board Holding Company Limited	Industries, Energy and Labour (Energy)	2005	2005-06 (06.06.05 to 31.03.06)	2007-08	(-)42,129.26	–	8,25,614.91	(-)2,01,485.31	1,72,883.79	(-)304.81	–	2	0.11	–@
38	Maharashtra State Power Generation Company Limited	Industries, Energy and Labour (Energy)	2005	2006-07	2007-08	26,406.34	(-)3,832.23	2,96,341.34	34,645.87	6,97,260.16	47,716.33	6.84	1	7,44,063.39	15,003
39	Maharashtra State Electricity Transmission Company Limited	Industries, Energy and Labour (Energy)	2005	2006-07	2007-08	17,933.00	(+)6,614.63	2,69,604.00	43,472.00	5,11,648.00	29,582.37	5.78	1	1,46,277.00	10,108
40	Maharashtra State Electricity Distribution Company Limited	Industries, Energy and Labour (Energy)	2005	2006-07	2007-08	(-)60,661.00	(+)2,070.46	3,08,398.00	(-)48,730.00	8,17,500.55	35,630.16	4.36	1	19,75,092.00	75,447
41	Mahaguj Collieries Limited	Industries, Energy and Labour (Energy)	2006	2006-07	2007-08	(-)4.55	–	5.00	(-)4.55	4.92	(-)4.55	–	1	–	3
42	Dhopave Coastal Power Limited $	Industries, Energy and Labour (Energy)	2007	First accounts awaited	–	–	–	–	–	–	–	–	1	–	–@
43	Nagpur Flying Club (P) Limited $	Industries, Energy and Labour (Energy)	2007	First accounts awaited	–	–	–	–	–	–	–	–	1	–	–@

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
44	Maharashtra State Electric Power Trading Company (P) Limited $	Industries, Energy and Labour (Energy)	2007	First accounts awaited	–	–	–	–	–	–	–	–	1	–	–@
	TOTAL					**(-)58,455.47**	**–**	**16,99,963.25**	**(-)1,72,101.99**	**21,99,297.42**	**1,12,619.50**	**5.12**	**–**	**28,,65,432.50**	**1,00,561**
	MISCELLANEOUS SECTOR														
45	Krupanidhi Limited	Trade and Commerce	1964	2006-07	2007-08	✦	–	1.00	–	–	–	–	1	8.93	–@
46	Mahila Arthik Vikas Mahamandal Limited	Women and Children Welfare	1975	1995-96	2007-08	(-)11.51	–	174.43	(-)67.38	160.79	(-)10.88	–	12	1,275.43	102
47	Maharashtra Film, Stage and Cultural Development Corporation Limited	Cultural Affairs	1977	2005-06	2007-08	177.55	(+)104.00	462.64	285.86	2,236.28	395.11	17.67	2	1,440.40	187@
48	Maharashtra Patbandhare Vittiya Company Limited	Planning	2002	2006-07	2007-08	(-)0.08	–	5.60	1.00	–(-)	–	–	1	9,752.01	–@
49	Maharashtra Ex-Servicemen Corporation Limited	Planning	2002	2003-04	2005-06	71.34	–	355.00	77.90	429.94	71.34	16.59	4	404.52	1,517@
	TOTAL					**237.30**	**–**	**998.67**	**297.38**	**2,827.01**	**455.57**	**16.11**	**–**	**12,881.29**	**1,806**
	Total (A-Working Government companies)					**(-)86,730.93**	**–**	**17,40,165.21**	**(-)3,39,675.76**	**28,66,617.85**	**1,28,583.23**	**4.49**	**–**	**30,04,426.88**	**1,11,760**
B	**Working Statutory Corporations**														
	TRANSPORT SECTOR														
1	Maharashtra State Road Transport Corporation	Home (Transport)	1950	2007-08	2008-09	15,803.97	(-)16.00	1,23,176.95	(-)58,010.91	1,01,995.00	23,204.00	22.75	–	3,86,193.00	1,01,724
	TOTAL					**15,803.97**	**–**	**1,23,176.95**	**(-)58,010.91**	**1,01,995.00**	**23,204.00**	**22.75**		**3,86,193.00**	**1,01,724**
	FINANCIAL SECTOR														
2	Maharashtra State Financial Corporation	Industries, Energy and Labour (Industries)	1962	2006-07	2007-08	(-)975.00	(-)1,262.14	6,263.90	(-)62,236.83	12,332.77	2,498.72	20.26	1	3,480.60	294@
	TOTAL					**(-)975.00**	**–**	**6,263.90**	**(-)62,236.83**	**12,332.77**	**2,498.72**	**20.26**		**3,480.60**	**294**
	AGRICULTURE & ALLIED SECTOR														
3	Maharashtra State Warehousing Corporation	Co-operation and Textile	1957	2006-07	2007-08	2,035.09	(-)18.90	871.12	530.08	15,389.00	2,213.00	14.38	1	8,234.82	1,152
	TOTAL					**2,035.09**	**–**	**871.12**	**530.08**	**15,389.00**	**2,213.00**	**14.38**		**8,234.82**	**1,152**
	MISCELLANEOUS SECTOR														
4	Maharashtra Industrial Development Corporation	Industries, Energy and Labour (Industries)	1962	2007-08	2008-09	3,228.65	–	–	3,779.76	2,925.00	3,588.00	122.67	–	31,334.22	3,459
	TOTAL					**3,228.65**	**–**	**–**	**3,779.76**	**2,925.00**	**3,588.00**	**122.67**	**–**	**31,334.22**	**3,459**
	Total (B-working Statutory corporations)					**20,092.71**	**–**	**1,30,311.97**	**(-)1,15,937.90**	**1,32,641.77**	**31,503.72**	**23.75**	**–**	**4,29,242.64**	**1,06,629**
	Grand Total (A+B)					**(-)66,638.22**	**–**	**18,70,477.18**	**(-)4,55,613.66**	**29,99,259.62**	**1,60,086.95**	**5.34**	**–**	**34,33,669.52**	**2,18,389**
C	**Non-working Companies**														
	AGRICULTURE & ALLIED SECTOR														
1	Dairy Development Corporation of Marathwada Limited	Industries, Energy and Labour	1974	2006-07	2007-08	(-)0.84	–	38.00	(-)308.73	(-)5.69	(-)0.94	–	1	0.12	0
2	Ellora Milk Products Limited	Industries, Energy and Labour	1985	2006-07	2007-08	(-)0.89	–	5.00	(-)151.85	(-)9.51	(-)0.89	–	1	0.07	0

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
3	Irrigation Development Corporation of Maharashtra Limited	Irrigation	1973	2006-07	2007-08	--	--	1,992.64	(-)1,992.64	--	--	--	Under liquidation since 30.09.1986	--	–@
4	Parbhani Krishi Go-samvardhan Limited	Industries, Energy and Labour	1977	2006-07	2007-08	(-)1.54	--	19.00	(-)232.53	11.14	(-)1.54	--	1	1.15	0
5	Vidarbha Quality Seeds Limited	Industries, Energy and Labour	1973	2006-07	2007-08	(-)0.10	--	10.00	(-)39.09	3.85	(-)0.10	--	1	--	0
6	Maharashtra Land Development Corporation Limited	Irrigation	1973	2005-06	2007-08	3.88	--	400.00	(-)1,791.12	3,430.43	(-)3.08	--	2	6.05	0@
7	MAFCO Limited	Agriculture, Animal Husbandry and Dairy Development	1970	2006-07	2007-08	(-)88.68	--	503.57	(-)1,114.92	213.82	(-)47.35	--	1	386.59	101@
	TOTAL					**(-)88.17**	**--**	**2,968.21**	**(-)5,630.88**	**3,644.04**	**(-)53.90**	**--**	**--**	**393.98**	**101**
	INDUSTRY SECTOR														
8	Leather Industries Corporation of Marathwada Limited	Industries, Energy and Labour	1974	2006-07	2007-08	(-)2.30	--	63.50	(-)782.21	(-)54.24	(-)2.33	--	1	0.11	0
9	Kinwat Roofing Tiles Limited	Industries, Energy and Labour	1977	2006-07	2007-08	(-)0.08	--	19.00	(-)121.75	(-)27.66	(-)0.08	--	1	--	0
10	Marathwada Ceramic Complex Limited	Industries, Energy and Labour	1982	2006-07	2007-08	(-)7.93	--	68.00	(-)808.04	(-)19.94	(-)0.28	--	1	2.24	0
11	Shahyadri Glass Works Limited	Industries, Energy and Labour	1974	1993-94	1995-96	(-)41.44	--	45.14	(-)921.74	(-)247.52	(-)38.19	--	Under liquidation since 09.11.1993	0.55	–@
12	The Gondwana Paints and Minerals Limited	Industries, Energy and Labour	1946	2005-06	2007-08	(-)0.93	--	9.97	(-)107.36	(-)16.26	(-)0.93	--	2	0.03	0
13	Vidarbha Tanneries Limited	Industries, Energy and Labour	1979	2006-07	2007-08	(-)0.14	--	10.00	(-)119.69	(-)4.86	(-)0.14	--	1	--	0
	TOTAL					**(-)52.82**	**--**	**215.61**	**(-)2,860.79**	**(-)370.48**	**(-)41.95**	**--**	**--**	**2.93**	**0**
	ELECTRONICS SECTOR														
14	Maharashtra Electronics Corporation Limited	Industries, Energy and Labour	1978	2004-05	2007-08	(-)1,243.03	--	968.60	(-)15,087.93	250.00	1,210.45	484.18	3	616.99	0
	TOTAL					**(-)1,243.03**	**--**	**968.60**	**(-)15,087.93**	**250.00**	**1,210.45**	**484.18**	**--**	**616.99**	**0**
	TEXTILES SECTOR														
15	Godavari Garments Limited	Industries, Energy and Labour	1977	2002-03	2007-08	(-)55.88	--	24.00	(-)536.95	(-)83.28	(-)55.88	--	5	0.01	0
16	Textile Corporation of Marathwada Limited	Co-operation and Textile	1970	2007-08	2008-09	(-)18.44	--	500.00	(-)12,028.07	63.69	(-)12.73	--	--	4.05	0
17	The Pratap Spinning, Weaving and Manufacturing Company Limited	Co-operation and Textile	1906	2007-08	2008-09	(-)1.18	--	2,316.73	(-)6,394.98	(-)1,743.61	(-)2.27	--	--	2.12	0
18	Maharashtra State Textile Corporation Limited	Co-operation and Textile	1966	2007-08	2008-09	(-)3,877.00	--	23,615.75	(-)70,162.93	(-)24,029.37	327.81	--	1	493.89	0
	TOTAL					**(-)3,952.50**	**--**	**26,456.48**	**(-)89,122.93**	**(-)25,792.57**	**256.93**	**--**	**--**	**500.07**	**0**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	CONSTRUCTION SECTOR														
19	Maharashtra State Housing Corporation Limited	Housing and Special assistance	1974	1997-98	2005-06	2.68	--	1.00	27.53	28.84	6.76	23.44	10	7.06	_@
20	Maharashtra Urban Infrastructure Development Company Limited	Urban Development	2002	2006-07	2007-08	(-)0.71	--	30.00	(-)2.96	27.04	(-)0.97	--	--	0.25	0
21	Maharashtra Urban Infrastructure Fund Trustee Company Limited	Urban Development	2002	2006-07	2007-08	(-)0.55	--	10.00	(-)0.77	9.23	(-)0.55	--	--	0.24	0
	TOTAL					**1.42**	**--**	**41.00**	**23.80**	**65.11**	**5.24**	**8.05**	**--**	**7.55**	**0**
	AREA DEVELOPMENT SECTOR														
22	Maharashtra Rural Development Corporation Limited	Rural Development	1982	1985-86	1993-94	0.17	--	5.00	0.70	5.28	0.17	3.22	22	--	_@
23	Marathwada Development Corporation Limited	Industries, Energy and Labour	1967	2006-07	2007-08	3.42	--	1,016.94	(-)1,244.89	3,738.29	4.49	0.12	1	13.26	0
24	Development Corporation of Vidarbha Limited	Industries, Energy and Labour	1970	2003-04	2007-08	(-)44.93	--	716.84	(-)1,062:65	66.70	(-)44.93	--	4	3.47	0
	TOTAL					**(-)41.34**	**--**	**1,738.78**	**(-)2,306.84**	**3,810.27**	**(-)40.27**	**--**	**--**	**16.73**	**0**
	MISCELLANEOUS SECTOR														
25	Chitali Distillary Limited	Planning	2003	2006-07	2007-08	(-)323.87	--	1,017.84	(-)857.79	429.60	(-)320.83	--	1	39.20	51
26	The Overseas Employment and Export Promotion Corporation of Maharashtra Limited	Education and Employment	1979	1989-90	1990-91	(-)11.35	--	12.23	(-)30.51	75.85	(-)6.81	--	Under liquidation since 31.12.1990	--	_@
27	Kolhapur Chitranagri Mahamandal Limited	Cultural Affairs	1985	1997-98	2005-06	(-)17.29	--	288.65	(-)146.69	162.99	(-)17.29	--	10	13.66	11@
	TOTAL					**(-)352.51**	**--**	**1,318.72**	**(-)1,034.99**	**668.44**	**(-)344.93**	**--**	**--**	**52.86**	**62**
	TOTAL (C-Non-working companies)					**(-)5,728.95**	**--**	**33,707.40**	**(-)1,16,020.56**	**(-)17,725.19**	**991.57**	**--**	**--**	**1,591.11**	**163**
	Grand Total (A+B+C)					**(-)72,367.17**	**--**	**19,04,184.58**	**(-)5,71,634.22**	**29,81,534.43**	**1,61,078.52**	**5.40**	**--**	**34,35,260.63**	**2,18,552**

Note : Capital employed represents net fixed assets (including capital works-in-progress) *plus* working capital except in case of finance companies/corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

+ Excess of expenditure over income capitalised (Sl.No.A-13).

$ First accounts awaited (Sl.No.A-42,43 and 44).

@ Information not furnished.

✦ Deficit is recoverable from share holders hence there is no loss/accumulated loss. (Sl.No.A-45).

• Expenditure is recouped from Government grant hence capital employed is not calculated. (Sl.No.A-48).

Annexure-3

Statement showing grants and subsidies received/receivable, guarantees received, waiver of dues, loans on which moratorium allowed, loans converted into equity during the year and guarantees outstanding at the end of 31 March 2008

(Referred to in Paragraphs No.1.5)

(Figures in column 3(a) to 7 are in rupees in lakh)

Sl. No.	Name of the Public Sector Undertaking	Subsidy and grant received during the year				Guarantees received during the year and outstanding at the end of the year					Waiver of the dues during the year				Loans on which mora-torium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash Credit from banks	Loans from other sources	Letters of Credit opened by bank in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repay-ment written off	Interest waived	Penal interest waived	Total		
		Grant/ (Subsidy)	Grant/ (Subsidy)	Grant/ (Subsidy)	Grant/ (Subsidy)											
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
A	**Working Government Companies**															
AGRICULTURE AND ALLIED SECTOR																
1	The Maharashtra Fisheries Development Corporation Limited	46.00 --	--	--	46.00 --	--	--	--	--	--	--	--	--	--	--	--
2	Punyashlok Ahilyadevi Maharashtra Mendhi Va Sheli Vikas Mahamandal Limited	22.55 --	278.14 --	--	300.69 --	--	--	--	--	--	--	--	--	--	--	--
3	Maharashtra State Farming Corporation Limited.	--	--	--	--	--	-- (212.93)	--	--	-- (212.93)	--	--	--	--	--	--
	TOTAL	**68.55**	**278.14**	**--**	**346.69**	**--**	**--** **(212.93)**	**--**	**--**	**--** **(212.93)**	**--**	**--**	**--**	**--**	**--**	**--**
HANDLOOM AND HANDICRAFTS SECTOR																
4	Maharashtra State Handlooms Corporation Limited	--	--	--	--	--	350.00 (350.00)	--	--	350.00 (350.00)	--	--	--	--	--	--
	TOTAL	**--**	**--**	**--**	**--**	**--**	**350.00** **(350.00)**	**--**	**--**	**350.00** **(350.00)**	**--**	**--**	**--**	**--**	**--**	**--**

1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
FOREST SECTOR																
5	Forest Development Corporation of Maharashtra Limited	--	25.20 --	--	25.20 --	--	--	--	--	--	--	--	--	--	--	--
	TOTAL	--	**25.20** --	--	**25.20** --	--	--	--	--	--	--	--	--	--	--	--
MINING SECTOR																
6	Maharashtra State Mining Corporation Limited	--	517.00	--	517.00	--	--	--	--	--	--	--	--	--	--	--
	TOTAL	--	**517.00**	--	**517.00**	--	--	--	--	--	--	--	--	--	--	--
CONSTRUCTION SECTOR																
7	Maharashtra State Road Development Corporation Limited	--	870.00 --	7,728.14 --	8,598.14 --	--	-- (2,74,006.00)	--	--	-- (2,74,006.00)	--	--	--	--	--	--
8	Shivshahi Punarvasan Prakalp Limited	--	--	--	--	--	7,822.00	--	--	7,822.00	--	--	--	--	--	--
	TOTAL	--	**870.00**	**7,728.14**	**8,598.14**	--	**7,822.00** **(2,74,006.00)**	--	--	**7,822.00** **(2,74,006.00)**	--	--	--	--	--	--
DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS SECTOR																
9	Lokshahir Annabhau Sathe Development Corporation Limited	--	-- (300.00)	--	-- (300.00)	--	--	--	--	--	1,014.00	--	--	1,014.00	--	--
10	Vasantrao Naik Vimukta Jatis and Nomadic Tribes Development Corporation Limited	--	226.77 --	--	226.77 --	--	-- (5.70)	--	--	-- (5.70)	--	--	--	--	--	--
11	Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited	--	489.46	--	489.46	--	-- (5,540.89)	-- --	-- --	-- (5,540.89)	-- --	-- --	-- --	-- --	-- --	-- --

1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
12	Shabri Adivasi Vitta Va Vikas Mahamandal Limited	--	-- (200.00)	--	-- (200.00)	--	2,500.00 (2,487.53)	--	--	2,500.00 (2487.53)	--	--	--	--	--	--
13	Sant Rohidas Leather Industries and Charmakar Development Corporation of Maharashtra	--	192.69 (300.00)	--	192.69 (300.00)	--	-- (1,500.00)	--	--	-- (1500.00)	--	--	--	--	--	--
	TOTAL	--	**908.92** **(800.00)**	--	**908.92** **(800.00)**	--	**2,500.00** **(9,534.12)**	--	--	**2,500.00** **(9,534.12)**	**1,014.00**	--	--	**1,014.00**	--	--
POWER SECTOR																
14	Maharashtra State Power Generation Company Limited	--	--	--	--	--	-- (1,68,223.58)	--	--	-- (1,68,223.58)	--	--	--	--	--	--
15	Maharashtra State Electricity Transmission Company Limited	--	8,000.00 --	--	8,000.00 --	--	-- (3,18,978.00)	--	--	-- (3,18,978.00)	--	--	--	--	--	--
16	Maharashtra State Electricity Distribution Company Limited	5,265.00	30,267.69 (2,79,090.00)	--	35,532.69 (2,79,090.00)	--	-- (1,05,387.93)	--	--	-- (1,05,387.93)	--	--	--	--	--	--
	TOTAL	**5,265.00**	**38,267.69** **(2,79,090.00)**	--	**43,532.69** **(2,79,090.00)**	--	-- **(5,92,589.51)**	--	--	-- **(5,92,589.51)**	--	--	--	--	--	--
	Total A (All Sector wise Government Companies	**5,333.55** --	**40,866.95** **(2,79,890.00)**	**7,728.14** --	**53,928.64** **(2,79,890.00)**	--	**10,672.00** **(8,76,692.56)**	--	--	**10,672.00** **(8,76,692.56)**	**1,014.00** --	--	--	**1,014.00** --	--	--
B.	**Statutory Corporations**															
TRANSPORT SECTOR																
1	Maharashtra State Road Transport Corporation	--	-- (15,919.86)	--	-- (15,919.86)	--	--	--	--	--	--	--	--	--	--	--
	TOTAL		-- **(15,919.86)**	--	-- **(15,919.86)**	--	--	--	--	--	--	--	--	--	--	--

1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
MISCELLANEOUS SECTOR																
2	Maharashtra Industrial Development Corporation	3,891.00	--	--	3,891.00	--	-- (760.00)	--	--	-- (760.00)	--	--	--	--	--	--
	TOTAL	**3,891.00**	**--**	**--**	**3,891.00**	**--**	**-- (760.00)**	**--**	**--**	**-- (760.00)**	**--**	**--**	**--**	**--**	**--**	**--**
Total-B (All sector wise Statutory Corporation)		**3,891.00**	**-- (15,919.86)**	**--**	**3,891.00 (15,919.86)**	**--**	**-- (760.00)**	**--**	**--**	**-- (760.00)**	**--**	**--**	**--**	**--**	**--**	**--**
Grand Total–(A+B)		**9,224.55 --**	**40,866.95 (2,95,809.86)**	**7,728.14 --**	**57,819.64 (2,95,809.86)**	**--**	**10,672.00 (8,77,452.56)**	**--**	**--**	**10,672.00 (8,77,452.56)**	**1,014.00 --**	**--**	**--**	**1,014.00 --**	**--**	**--**

Note: Figures in brackets from Sl.No 3(a) to 3(d) indicate subsidy received during the year and Sl.No. 4(a) to 4(d) indicate guarantees outstanding.

Annexure-4

Statement showing investment made by State Government in Public Sector Undertakings whose accounts were in arrears

(Referred to in paragraph No.1.6)

(Rupees in lakh)

Sl. No.	Name of the PSU	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Arrear years in which invest-ment received	Investment made by State Government during the year in which accounts are in arrear		
					Equity	Loan	Grants/ Subsidy
1	2	3	4	5	6	7	8
A.	**Working Companies**						
1	The Maharashtra Fisheries Development Corporation Limited	1998-99	125.01	1999-2000 to 2007-08	122.86	--	--
2	Punyashloka Ahilyadevi Maharashtra Mendi Va Sheli Vikas Mahamandal Limited	2003-04	408.99	2004-05 to 2007-08	64.50	--	1,725.26
3	Maharashtra State Farming Corporation Limited	2002-03	275.00	2003-04 to 2007-08	--	3,626.37	--
4	Maharashtra Co-operative Development Corporation Limited	2004-05	646.73	2005-06 to 2007-08	481.00	14,473.36	--
5	Maharashtra Small Scale Industries Development Corporation Limited	2002-03	978.91	2003-04 to 2007-08	471.19	--	35.50
6	Maharashtra State Handlooms Corporation Limited	2006-07	1,567.92	2007-08	200.00	1,808.30	7.00
7	Forest Development Corporation of Maharashtra Limited	2006-07	2,766.49	2007-08	5.00	--	25.02
8	Maharashtra State Road Development Corporation Limited	2006-07	500.01	2007-08	--	--	8,039.25
9	Mahatma Phule Backward Class Development Corporation Limited	1995-96	2,902.29	1996-97 to 2007-08	10,483.52	--	16,708.23
10	Annasaheb Patil Arthik Vikas Mahamandal Limited	2001-02	500.00	2002-03 to 2007-08	1,715.00	--	--
11	Shabri Adivasi Vitta Va Vikas Mahamandal Limited	2002-03	1,500.00	2003-04 to 2007-08	1,277.16	--	709.17
12	Maharashtra State Handicapped Finance and Development Corporation Limited	2004-05	310.00	2005-06 to 2007-08	183.43	--	140.96
13	Sant Rohidas Leather Industries and Charmakar Development Corporation of Maharashtra Limited	1994-95	361.31	1995-96 to 2007-08	3,949.69	--	--

1	2	3	4	5	6	7	8
14	Maharashtra State Power Generation Company Limited	2006-07	2,96,341.34	2007-08	15,000.00	25.02	--
15	Maharashtra State Electricity Distribution Company Limited	2006-07	3,08,398.00	2007-08	--	8,657.54	3,14,622.69
16	Mahila Arthik Vikas Mahamandal limited	1995-96	174.43	1996-97 to 2006-07	75.50	--	5,058.19
17	Maharashtra Film, Stage and Cultural Development Corporation Limited	2005-06	462.64	2006-07 to 2007-08	767.00	--	--
	Total-A: (Working Government Companies)		**6,18,219.07**		**34,795.85**	**28,590.59**	**3,47,071.27**
B.	**Working Statutory Corporation**						
18	Maharashtra State Financial Corporation	2006-07	6,263.90	2007-08	--	3,132.00	--
	Total-B: (Working Statutory Corporation)		**6,263.90**		--	**3,132.00**	--
	Grand Total: (A+B)		**6,24,482.97**		**34,795.85**	**31,722.59**	**3,47,071.27**

Annexure - 5

Statement showing financial position of working Statutory corporations

(Referred to in paragraph No.1.7)

(Rupees in crore)

1. Maharashtra State Road Transport Corporation			
Particulars	**2005-2006**	**2006-2007**	**2007-2008**
A. Liabilities			
Capital (including capital loan and equity capital)	923.81	1,072.57	1,231.77
Borrowings:			
Government	--	--	--
Others (including deposits)	246.21	254.73	230.02
Funds/Reserves and surplus*	150.48	171.43	189.18
Trade dues and other current liabilities (including provisions)	628.74	600.58	480.88
Total	**1,949.24**	**2,099.31**	**2,131.85**
B. Assets			
Gross block	1,838.46	1,875.91	2,032.91
Less: Depreciation	1,665.82	1,357.02	1,476.03
Net fixed assets	172.64	518.89	556.88
Capital works-in-progress (including cost of chassis)	28.51	24.64	26.04
Investments	0.08	0.07	50.91
Current assets, loans and advances	625.03	809.52	917.91
Accumulated losses	1,122.98	746.19	580.11
Total	**1,949.24**	**2,099.31**	**2,131.85**
C. Capital employed§	**197.44**	**752.47**	**1,019.95**

* Excluding depreciation funds and including reserves and surplus and capital grant.

§ Capital employed represents net fixed assets (including works-in-progress) *plus* working capital excluding gratuity provision.

(Rupees in crore)

2. Maharashtra State Financial Corporation			
Particulars	**2004-2005**	**2005-2006**	**2006-2007**
A. Liabilities			
Paid-up capital	62.64	62.64	62.64
Share application money	0.03	--	--
Reserve fund and other reserves and surplus	41.73	41.73	46.22
Borrowings:			
(i) Bonds and debentures	335.33	298.98	263.23
(ii) Fixed Deposits	0.01	--	--
(iii) Industrial Development Bank of India and Small Industries Development Bank of India	350.17	350.17	350.17
(iv) Reserve Bank of India	--	--	--
(v) Loan towards share capital			
(a) State Government	2.06	2.06	2.06
(b) Industrial Development Bank of India	2.05	2.05	2.05
(vi) Others (including State Government)	9.23	9.23	9.23
Other Liabilities and provisions	22.84	22.58	17.41
Total - A	**826.09**	**789.44**	**753.01**
B. Assets			
Cash and bank balances	47.71	46.36	44.68
Investments	1.26	1.26	1.26
Loans and advances	131.51	94.01	52.79
Net fixed assets	1.61	1.43	1.27
Other assets	34.16	31.41	30.64
Profit and loss account	609.84	614.97	622.37
Total - B	**826.09**	**789.44**	**753.01**
C. Capital employed$	**216.27**	**163.42**	**123.33**

$Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, reserves (other than those which have been funded specifically and backed by investments outside), loans in lieu of capital, seed money, debentures, bonds, deposits and borrowings (including refinance).

(Rupees in crore)

3. Maharashtra State Warehousing Corporation			
Particulars	**2004-2005**	**2005-2006**	**2006-2007**
A. Liabilities			
Paid-up capital	8.71	8.71	8.71
Reserves and surplus	140.72	151.22	131.16
Borrowings	--	--	--
- (Government)	--	--	--
- (Others)	22.72	18.19	15.23
Trade dues and current liabilities (including provision)	23.85	31.84	44.05
Total - A	**196.00**	**209.96**	**199.15**
B. Assets			
Gross block	146.46	146.95	152.14
Less: Depreciation	26.35	30.37	33.24
Net fixed assets	120.11	116.58	118.90
Capital works-in-progress	0.34	0.92	2.55
Investments	0.01	0.01	0.01
Current assets, loans and advances	75.54	92.45	77.69
Profit and loss account	--	--	--
Total - B	**196.00**	**209.96**	**199.15**
C. Capital employed[♣]	**172.14**	**178.11**	**153.89**

[♣]Capital employed represents net fixed assets (including capital works-in-progress) *plus* working capital excluding provision for gratuity.

(Rupees in crore)

4. Maharashtra Industrial Development Corporation			
Particulars	**2005-2006**	**2006-2007**	**2007-2008**
A. Liabilities			
Loans – Issue of Bonds	7.60	7.60	7.60
Reserves and surplus/funds•	67.19	67.29	99.55
Deposits	5,321.40	6,800.01	8,586.29
Current liabilities and provisions	53.95	130.88	121.94
Total - A	**5,450.14**	**7,005.78**	**8,815.38**
B. Assets			
Gross fixed assets	448.57	510.12	565.47
Less: Depreciation	164.78	183.15	205.03
Net fixed assets	283.79	326.97	360.44
Other assets	2,521.97	2,737.24	3,175.87
Investments	34.79	36.58	37.62
Current assets, loans and advances	2,609.59	3,904.99	5,241.45
Total – B	**5,450.14**	**7,005.78**	**8,815.38**
C. Capital employed$^{\Omega}$	**12.90**	**13.09**	**29.25**

• The above includes free reserves and surplus of Rs.5.44 crore and Rs.5.54 crore and Rs.37.80 crore for the year 2005-06, 2006-07 and 2007-08.

$^{\Omega}$Capital employed represents the mean of the aggregate of opening and closing balances of long term loans (including bonds), Development Rebate Reserves and other free reserves and surplus (excluding Sinking and Assets Replacement Fund).

Annexure - 6

Statement showing working results of working Statutory corporations

(Referred to in paragraph No.1.7)

(Rupees in crore)

1.	**Maharashtra State Road Transport Corporation**			
	Particulars	**2005-2006**	**2006-2007**	**2007-2008**
	Operating :-			
(a)	Revenue	3,200.45	3,470.80	3,741.31
(b)	Expenditure	3,277.13	3511.66	3,622.58
(c)	Surplus (+)/deficit (-)	(-)76.68	(-)40.86	118.73
	Non-operating :-			
(a)	Revenue	95.52	122.51	120.62
(b)	Expenditure	59.69	69.02	75.23
(c)	Surplus (+)/deficit (-)	(+)35.83	(+)53.49	(+)45.39
	Total:-			
(a)	Revenue	3,295.97	3,593.31	3,861.93
(b)	Expenditure@	3,335.88	3,577.99	3,703.89
(c)	Net profit (+)/loss (-)	(-)39.91	(+)15.32	(+)158.04
	Interest on capital and loans	57.93	68.31	74.00
	Total return on capital employed*	(+)18.02	(+)83.63	(+)232.04
	Percentage of return on capital employed	9.13	11.11	22.75

@Including prior period adjustments.

*Total return on capital employed represents net surplus/deficit *plus* total interest charged to profit and loss account (less interest capitalised).

(Rupees in crore)

2. Maharashtra State Financial Corporation				
Sl. No.	**Particulars**	**2004-2005**	**2005-2006**	**2006-2007**
1.	Income			
	(a) Interest on loans	20.64	18.96	31.69
	(b) Other income	3.84	4.41	3.12
	Total - 1	**24.48**	**23.37**	**34.81**
2.	Expenses			
	(a) Interest on long term and short term loans	62.76	38.78	34.74
	(b) Provision for non performing assets	--	--	0.16
	(c) Other expenses	9.12	11.09	9.66
	Total - 2	**71.88**	**49.87**	**44.56**
3.	Profit (Loss) before tax (1-2)	**(47.40)**	**(26.50)**	**(9.75)**
4.	Provision for tax	--	--	--
5.	Other appropriations	(8.25)	(21.46)	(2.41)
6.	Amount available for dividend#	(55.65)	(47.96)	(12.16)
7.	Dividend paid/payable	--	--	--
8.	Total return on capital employed	15.36	12.28	24.99
9.	Percentage of return on capital employed	7.10	7.51	20.26

#Representing profit of current year available for dividend after considering the specific reserves and provision for taxation.

(Rupees in crore)

3. Maharashtra State Warehousing Corporation				
Sl. No.	**Particulars**	**2004-2005**	**2005-2006**	**2006-2007**
1.	Income			
	(a) Warehousing charges	41.85	49.50	49.33
	(b) Other income	29.23	28.70	33.02
	Total - 1	**71.08**	**78.20**	**82.35**
2.	Expenses			
	(a) Establishment charges	17.29	19.89	19.55
	(b) Other expenses	39.51	40.77	42.89
	Total - 2	**56.80**	**60.66**	**62.44**
3.	**Profit (+)/loss (-) before tax**	**(+)14.28**	**(+)17.54**	**(+)19.91**
4.	Provision for tax	4.50	5.30	6.40
5.	Prior period adjustments	(+)0.37	--	(+)0.44
6.	Other appropriations	8.41	10.50	12.21
7.	Amount available for dividend	1.74	1.74	1.74
8.	Dividend for the year*	1.74	1.74	1.74
9.	Total return on capital employed	15.81	18.71	22.13
10.	Percentage of return on capital employed	9.18	10.50	14.38

(Rupees in crore)

4. Maharashtra Industrial Development Corporation				
Sl. No.	**Particulars**	**2005-2006**	**2006-2007**	**2007-2008**
1.	Income	195.21	256.72	313.34
2.	Expenditure	194.98	256.62	281.05
3.	Surplus	0.23	0.10	32.29
4.	Interest charged to income and expenditure account	2.98	2.82	3.59
5.	Return on capital employed (3 + 4)	3.21	2.92	35.88
6.	Percentage of return on capital employed	24.88	22.30	122.67

* Including Tax on dividend.

Annexure - 7

Statement showing operational performance of working Statutory corporations

(Referred to in paragraph No.1.12)

1. Maharashtra State Road Transport Corporation			
Particulars	**2005-2006**	**2006-2007**	**2007-2008**
Average number of vehicles held	15,757	15,352	15,446
Average number of vehicles on road	14,680	14,460	14,641
Percentage of utilisation of vehicles	93.16	94.19	94.79
Number of employees	1,02,818	1,00,247	99,310
Employee vehicle *ratio*	7.00	6.93	6.78
Number of routes operated at the end of the year	16,697	16,482	16,227
Route kilometre (in lakh)	12.30	12.33	12.27
Kilometre operated (in lakh)			
(a) Gross	17,369.03	17,512.16	18,049.18
(b) Effective	17,212.95	17,351.77	17,884.98
(c) Dead	156.08	160.39	164.20
Percentage of dead kilometre to gross kilometre	0.90	0.92	0.91
Average kilometre covered per bus per day	321.30	328.80	333.76
Average operating revenue per kilometre *(paise)*	1,859.33	2,000.26	2,091.87
Increase over previous year's income *(per cent)*	14.87	7.58	4.58
Average expenditure per kilometre *(paise)*	1,903.88	2,023.80	2,025.49
Increase in operation expenditure per kilometre over previous year's expenditure *(per cent)*	2.39	6.30	0.08
Profit (+)/Loss(-) per kilometre *(paise)*	(-)44.55	(-)23.54	(+)66.38
Number of operating depots	248	247	247
Average number of break-down per lakh kilometre	2.89	2.80	2.50
Average number of accidents per lakh kilometre	0.20	0.19	0.19
Passenger kilometre operated (in crore)	4,890.87	4,909.45	5,159.45
Occupancy ratio	56.59	57.28	59.03
Kilometre obtained per litre of			
(a) Diesel oil	4.89	4.93	4.93
(b) Engine oil	923	1,001	1,044

(Amount: Rupees in crore)

2. Maharashtra State Financial Corporation						
Particulars	**2004-2005**		**2005-2006**		**2006-2007**	
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Applications pending at the beginning of the year	3	2.32	12	7.96	--	--
Applications received	35	22.89	--	--	--	--
Total	**38**	**25.21**	**12**	**7.96**	**--**	**--**
Applications sanctioned	23	14.88	--	--	--	--
Applications cancelled/ withdrawn/rejected/reduced	3	2.37	12	7.96	--	--
Applications pending at the close of the year	12	7.96	--	--	--	--
Loans disbursed	--	5.84	--	1.12	--	--
Loans outstanding at the close of the year	11,948	1,308.80	11,666	1,322.54	--	1,337.80
Amount overdue for recovery at the close of the year						
(a) Principal		321.79	--	296.09	--	268.08
(b) Interest		909.59	--	981.38	--	1,037.18
(c) Expenses		7.30	--	7.66	--	7.73
Total		**1,238.68**	**--**	**1,285.13**	**--**	**1,312.99**
Percentage of default to total loans outstanding		**24.59**	**--**	**22.39**	**--**	**20.04**

3. Maharashtra State Warehousing Corporation			
Particulars	**2004-2005**	**2005-2006**	**2006-2007**
Number of stations covered	164	163	164
Storage capacity created up to the end of the year (tonnes in lakh)			
(a) Owned	10.90	11.06	11.07
(b) Hired	0.55	1.28	0.69
Total	**11.45**	**12.34**	**11.76**
Average capacity utilised during the year (tonnes in lakh)	7.65	9.77	8.36
Percentage of utilisation	67	79	71
Average revenue per metric tonnes per year (in Rupees)	929.48	795.50	674.86
Average expenses per metric tonnes per year (in Rupees)	742.79	619.54	727.04
Profit (+)/Loss (-) per metric tonne (in Rupees)	(+)186.69	(+)175.96	(-)52.18

4. Maharashtra Industrial Development Corporation			
Particulars	**2005-2006**	**2006-2007**	**2007-2008**
A. Area	*(area in hectares)*		
Area planned for development	65,158	68,093	84,844
Area acquired	53,121	53,121	54,717
Area plotted	22,805	24,246	26,465
Area allotted	20,386	21,832	24,052
Area not allotted	2,419	2,414	2,413
Percentage of :	*(per cent)*		
- area acquired to area planned for development	81.50	78.01	64.49
- area plotted to area acquired	42.93	45.64	48.37
- area allotted to area plotted	89.40	90.04	90.88
- area allotted to area acquired	38.38	41.10	43.95
B. Sheds and flatted factory buildings	*(in numbers)*		
Constructed	6,441	6,536	6,603
Allotted	5,117	5,296	5,347
Not allotted	1,324	1,240	1,256
	(per cent)		
Percentage of sheds and flatted factory buildings allotted to sheds constructed	79.44	81.03	80.98

Annexure-8

Statement showing paid-up capital, investment and summarised working results of 619-B companies as per their latest finalised accounts

(Referred to in paragraph No.1.37)

(Figures in column 5 to 19 are in Rupees in lakh)

Sl. No.	Name of company	Status (working/ non-working)	Year of account	Paid -up capital	Equity by*			Loans by			Grants by			Total investment by way of equity, loans and grants			Profit (+)/ Loss (-)	Accumulated profit (+)/ accumulated loss (-)
					State Government	State Government companies and others	Central Government and their companies	State Government	State Government companies and others	Central Government and their companies	State Government	State Government company-ies and others	Central Government and their companies	State Government	State Government companies and others	Central Government and their companies		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
1.	Maharashtra State Seeds Corporation Limited	Working	2006-07	418.45	205.00 (48.99)	65.11 (15.56)	148.34 (35.45)	500.00	---	---	---	---	---	705.00	65.11	148.34	428.15	3,320.54
2.	Maharashtra Power Development Corporation Limited	Working	2005-06	45.13	---	45.13 (100.00)	---	---	90,897.26	---	---	---	---	---	90,942.39	--	(-)95,685.06	(-)1,00,990.30
3.	Maharashtra Vikrikar Rokhe Pradhikaran Limited	Working	2006-07	5.00	---	5.00 (100.00)	---	---	15,493.00	---	1,600.70	---	--	1,600.70	15,498.00	---	(-)0.72	41.09
4.	Maharashtra Airport Development Company Limited	Working	2007-08	2,300.00	---	2,300.00 (100.00)	---	---	---	---	3,500.00	---	---	3,500.00	2,300.00	---	5,436.85	5,355.13

*Figures in brackets indicate percentage.

(G.C.P.) H 2424–25 (1100-2-09)

Annexure-9

Statement showing the generation and purchase of power in Maharashtra State Electricity Distribution Company Limited

(Referred to in paragraph No. 2.3.8 and 2.3.11)

Particulars	Erstwhile MSEB and MSPGCL	TATA	Central sector (NTPC, NPCIL)	Short term (PTC and Traders)	IPP		Others	Total	Wheeling charges	Grand total
					BHEP	Dabhol				
2003-04										
MUs	46,463.63	3,242.81	18,229.37	-	40.22	-	783.26	68,759.29	-	68,759.29
Amount (Rupees in crore)	4,247.35	945.74	2,850.11	-	11.34	-	646.36	8,700.90	15.36	8,716.26
Rate (Rupees per unit)	0.91	2.92	1.56	-	2.82	-	8.25	1.27	-	1.27
2004-05										
MUs	47,245.23	3,145.83	19,101.12	-	35.62	-	312.48	69,840.28	-	69,840.28
Amount (Rupees in crore)	4,948.77	798.46	3,672.34	-	10.25	-	271.80	9,701.62	21.44	9,723.06
Rate (Rupees per unit)	1.05	2.54	1.92	-	2.88	-	8.70	1.39	-	1.39
2005-06										
MUs	38,050.83	1,923.80	14,801.05	2,696.16	46.04	-	1,008.92	58,526.80	-	58,526.80
Amount (Rupees in crore)	5,626.67	644.29	3,122.48	786.96	8.75	-	328.87	10,518.02	1,431.91	11,949.93
Rate (Rupees per unit)	1.48	3.35	2.11	2.92	1.90	-	3.26	1.80	-	2.04
2006-07										
MUs	46,383.00	264.00	22,479.00	3,085.00	61.00	1,618.00	1,546.00	75,436.00	-	75,436.00
Amount (Rupees in crore)	7,287.97	120.02	4,591.52	1,351.75	14.28	822.29	720.92	14,908.75	1,367.89	16,276.64
Rate (Rupees per unit)	1.57	4.55	2.04	4.38	2.34	5.08	4.66	1.98	-	2.16
2007-08										
MUs	48,137.00	3.00	22,000.00	1,286.00	117.00	4,740.00	2,314.00	78,597.00	-	78,597.00
Amount (Rupees in crore)	8,109.01	2.15	4,006.23	665.92	31.34	1,715.33	730.64	15,260.62	1,745.76	17,006.38
Rate (Rupees per unit)	1.68	7.17	1.82	5.18	2.68	3.62	3.16	1.94	-	2.16
Total										
MUs	**2,26,279.69**	**8,579.44**	**96,610.54**	**7,067.16**	**299.88**	**6,358.00**	**5,964.66**	**3,51,159.37**	-	**3,51,159.37**
Amount (Rupees in crore)	**30,219.77**	**2,510.66**	**18,242.68**	**2,804.63**	**75.96**	**2,537.62**	**2,698.59**	**59,089.91**	**4,582.36**	**63,672.27**
Rate (Rupees per unit)	**1.34**	**2.93**	**1.89**	**3.97**	**2.53**	**3.99**	**4.52**	**1.68**	-	**1.81**

(Source: Statement of accounts of the Company for the years 2003-04 to 2007-08)

Annexure-10
Statement showing the purchase of power in Maharashtra State Electricity Distribution Company Limited
(Referred to in paragraph No.2.3.10 and 2.3.11)

(Figures in MUs)

Source of power	2003-04		2004-05		2005-06		2006-07		2007-08		Total	
	Approved by MERC	Actual purchase	Approved by MERC	Actual purchase	Approved by MERC	Actual purchase	Approved by MERC	Actual purchase	Approved by MERC	Actual purchase	Approved by MERC	Actual purchase
MSPGCL	46,470.00	46,463.63	46,470.00	47,245.23	46,470.00	38,050.83	49,575.00	46,383.00	47,488.00	48,137.00	23,6473.00	2,26,279.69
TATA	104.00	3,242.81	104.00	3,145.83	104.00	1,923.80	500.00	264.00	-	3.00	812.00	8,579.44
Central Sector (NTPC, NPCIL, *etc.*)	13,474.00	18,229.37	13,474.00	19,101.12	13,474.00	14,801.05	15,351.00	22,479.00	19,478.00	22,000.00	75,251.00	96,610.54
IPP (BHEP and Dabhol)	-	40.22	-	35.62	-	46.04	1,650.00	1,679.00	3,754.00	4,857.00	5,404.00	6,657.88
PTC and Traders*	2,127.00	-	2,127.00	-	2,127.00	2,696.16	3,504.00	3,085.00	1,256.00	1,286.00	11,141.00	7,067.16
Others*	408.00	783.26	408.00	312.48	408.00	1,008.92	4,327.00	1,546.00	4,876.00	2,314.00	10,427.00	5,964.66
Total	**62,583.00**	**68,759.29**	**62,583.00**	**69,840.28**	**62,583.00**	**58,526.80**	**74,907.00**	**75,436.00**	**76,852.00**	**78,597.00**	**3,39,508.00**	**3,51,159.37**

(Source: Statement of accounts of the Company for the years 2003-04 to 2007-08 and ARR submitted by the Company to MERC)

* Short term power purchases

Annexure - 11

Statement showing the category wise consumption of power in the State during 2003-04 to 2011-12 as per survey conducted by the 17 Electric Power Survey Committee of Central Electricity Authority in Maharashtra State Electricity Distribution Company Limited

(Referred to in paragraph No. 2.3.22)

(Consumption in MUs)

Sl. No.	Category of consumer	Actual		Forecast						
		2003-04 (Base year)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
1	Domestic	12,460	12,662	13,538	14,844	16,276	17,846	19,568	21,456	23,526
2	Commercial and miscellaneous	4,937	5,354	5,717	6,181	6,683	7,226	7,812	8,447	9,133
3	Public lighting	632	632	678	753	871	1,014	1,206	1,408	1,621
4	Public Water Works	1,493	1,545	1,689	1,836	1,995	2,168	2,356	2,561	2,783
5	Irrigation	10,572	10,733	11,410	12,049	12,721	13,427	14,168	14,947	15,764
6	LT industries	4,724	4,818	5,262	5,786	6,362	6,995	7,691	8,457	9,299
7	HT industries	15,239	17,863	19,113	20,451	21,882	23,414	25,053	26,807	28,683
8	Railway traction	1,749	1,849	1,925	2,040	2,173	2,325	2,500	2,700	2,929
9	Non industrial	19	-	-	-	-	-	-	-	-
10	**Total consumption**	**51,825**	**55,456**	**59,332**	**63,940**	**68,963**	**74,415**	**80,354**	**86,783**	**93,738**
11	T&D losses (Percentage)	34.12	32.40	31.40	30.40	29.40	28.40	27.40	26.40	25.40
12	T&D losses (MUs)	26,843	26,586	27,164	27,934	28,725	29,524	30,334	31,136	31,924
13	Energy requirement	78,668	82,042	86,496	91,874	97,688	1,03,939	1,10,688	1,17,919	1,25,662

Annexure-12

Statement showing the list of projects where either consent given or Power Purchase Agreement signed by Maharashtra State Electricity Distribution Company Limited for procurement of energy for the State of Maharashtra

(Referred to in paragraph No. 2.3.22)

Sl. No.	Year onwards	Name and location of project	Capacity of the project (MW)	Hydel/ Thermal/ Gas	Expected share (MW)	Progressive additions (MW)	Total available capacity (MW)
Installed capacity as on 31 March 2008							**17,533**
1	2008-09	Sipat I & II (NTPC-Chhattisgarh)	1,980	T	230		
2		Barh I (NTPC-Bihar)	1,980	T	33	263	17,796
3	2009-10	New Parli Expansion II (MSPGCL-Maharashtra)	250	T	250		
4		Paras Expansion II (MSPGCL-Maharashtra)	250	T	250		
5		Sipat I & III (NTPC-Chhattisgarh)	1,980	T	115		
6		Kawas Expansion (NTPC-Gujarat)	1,950	T	375		
7		Ghandhar Expansion (NTPC-Gujarat)	1,980	T	375		
8		North Karanpura I (NTPC-Jharkhand)	1,980	T	33		
9		Barh II (NTPC-Bihar)	1,320	T	33	1,431	19,227
10	2010-11	Khaperkheda (MSPGCL-Maharashtra)	500	T	500		
11		Bhusawal Expansion I (MSPGCL-Maharashtra)	500	T	500		
12		Bhusawal Expansion II (MSPGCL-Maharashtra)	500	T	500		
13		Barh III (NTPC-Bihar)	1,980	T	34		
14		North Karanpura II (NTPC-Jharkhand)	1,980	T	33		
15		Subansari (NHPCL-Assam)	2,000	H	600	2,167	21,394
16	2011-12	North Karanpura III (NTPC-Jharkhand)	1,980	T	34		
17		LEPL (NHPCL-Sikkim)	500	H	500	534	21,928
		Total			**4,395**		**21,928**

(Source: Data collected from ARR - MYT for 2007-08 to 2009-10)

Annexure-13

Statement showing value of contract awarded by various Thermal Power Stations for removal of stones and shales in Maharashtra State Power Generation Company Limited

(Referred to in paragraph No.3.8)

Name of Thermal Power Station	Agency	Year	Value of contract (Rupees in lakh)	Quantity of stone and shales removed (in MT)	Quantity of coal handled (in MT)
Parli-Vaijnath	Prince and Company	January 2001 to September 2003	130.26	43,569	84,42,616
	Chandy and Company	October 2003 to September 2004	73.57	13,293	30,27,902
		October 2004 to December 2005	72.94	13,777	46,86,869
		January 2006 to January 2007	82.81	13,795	39,57,771
		February 2007 to January 2008	72.94	11,794	33,83,018
Khaparkheda	Prince and Company	2001-03	89.18	34,924	84,42,643
	Chandy and Company	2003-04	49.28	16,705	45,69,416
		2004-05	51.82	13,528	47,88,686
		2005-06	54.11	11,242	44,40,584
		2006-07	56.44	2,894	40,07,577
Nashik	Prince and Company	1 July 2001 to 30 June 2002	96.75	23,837	34,80,720
		1 July 2002 to 30 June 2003	98.29	22,257	34,76,051
		1 July 2003 to 30 June 2004	102.47	19,586	37,43,934
		1 July 2004 to 31 December 2004 Extended value 50 *percent*	51.10	7,304	18,96,715

Name of Thermal Power Station	Agency	Year	Value of contract (Rupees in lakh)	Quantity of stone and shales removed	Quantity of coal handled (in MT)
Nashik	Prince and Company	1 January 2005 to 31 December 2005	90.17	16,605	37,40,148
		1 January 2006 to 30 June 2006 Extended value 50 *per cent*	45.09	9,606	23,65,773
		1 July 2006 to 30 June 2007	91.62	27,262	48,90,521
		1 July 2007 to 31 December 2007 Extended value 50 *per cent*	45.85	13,631	24,45,261
Bhusawal	Prince and Company	1 March 2000 to 28 February 2003	147.54	83,899	62,03,835
		1 March 2003 to 28 February 2005	109.40	34,062	45,54,516
		1 March 2005 to 28 February 2007	131.82	24,636	43,29,960
	Priya Tech and Company	1 March 2007 to 28 February 2008	69.35	23,007	25,60,495

Annexure-14

Statement showing the department-wise outstanding inspection reports (IRs)

(Referred to paragraph No.3.22.3)

Sl. No.	Name of Department	Number of PSUs	Number of outstanding inspections reports	Number of outstanding paragraphs	Years to which outstanding paragraphs pertain to
A.	**Working Companies and Corporations**				
1.	Industries, Energy and Labour				
	i) Energy	4	276	1,236	2001-08
	ii) Industries	5	20	102	2004-08
2.	Agriculture and Animal Husbandry	5	10	37	2004-08
3.	Co-operation and Textile				
	i) Co-operation	2	6	28	2004-08
	ii) Textile	2	4	10	2006-08
4.	Social Welfare, Cultural Affairs and Sports	9	21	89	2001-08
5.	Medical Education and Drugs	2	5	7	2004-08
6.	Home				
	i) Transport	1	54	155	2003-08
	ii) Others	2	9	36	2004-08
7.	Public Works	2	5	43	2005-08
8.	Urban Development	1	10	86	2003-08
9.	Housing and Special Assistance	1	4	31	2003-08
10.	Revenue and Forest				
	i) Revenue	1	1	1	2007-08
	ii) Forest	1	3	9	2007-08
11.	Woman and Child Welfare	1	1	2	2006-07
12.	Tribal Development	1	2	9	2006-07
13.	Planning	2	3	9	2006-07
	Total : A	**42**	**434**	**1,890**	
B.	**Non-working companies**				
1.	Industries, Energy and Labour	8	11	22	2003-08*
2.	Irrigation	2	3	5	2004-07
3.	Housing and Special Assistance	1	1	2	2006-07
4.	Agriculture and Animal Husbandry	2	3	10	2005-07
5.	Textile	2	2	2	2006-08
6.	Planning	1	1	2	2006-07
7.	Urban Development	2	2	2	2006-07
	Total : B	**18**	**23**	**45**	
	Grand Total : (A + B)	**60**	**457**	**1,935**	

*Previously working company (MELTRON Limited) now added in Non-working company. Hence the period is altered suitably.

Annexure-15
Statement showing the department-wise draft paragraphs/reviews to which replies were awaited
(Referred to in paragraph No.3.22.3)

Sl. No.	Name of Department	Number of draft paragraphs	Number of reviews	Period of issue
1.	Industries, Energy and Labour (Energy)	2	-	March-June 2008
2.	Home (Special)	-	1	May 2008
3.	Home (Transport)	1	-	May 2008
4.	Urban Development	3	-	March-July 2008
5.	Revenue and Forest (Revenue)	1	-	June 2008
6.	Public Works (Road)	4	-	March-May 2008
7.	Tribal Development	1	-	July 2008
8.	Industries, Energy and Labour (Industries)	1	-	March 2008
	Total	**13**	**1**	

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