Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings

for the year ended 31 March 2018

Government of Bihar

Report No. 2 of the year 2020

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Preface

This report deals with the results of audit of Government companies and Statutory Corporations of Bihar for the year ended 31 March 2018.

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

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

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

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

OVERVIEW

Overview

Functioning of Public Sector Undertakings

Audit of Government Companies is governed by Sections 139 and 143 of the Companies Act, 2013. The financial statements of Government Companies are audited by the Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These financial statements are also subject to supplementary audit by the CAG. Audit of Statutory Corporations is governed by their respective legislations.

As on 31 March 2018, Bihar had 79 State Public Sector Undertakings (PSUs) consisting of three Statutory Corporations and 76 Government Companies (including 44 non-functional Government Companies) under the audit jurisdiction of the Comptroller and Auditor General of India. The PSUs covered in this report registered an annual turnover of ₹ 17,342.83 crore as per their latest finalised accounts. This turnover was equal to 3.56 *per cent* of Gross State Domestic Product (GSDP) for the year 2017-18 (₹ 4,87,628 crore). As on 31 March 2018, the investment (capital and long term loans) in 79 PSUs was ₹ 42,548.68 crore, out of which 88.90 *per cent* was in Power Sector PSUs.

1. Functioning of Power Sector Undertakings

As on 31 March 2018, Bihar had nine State Power Sector PSUs. The PSUs[1] registered a turnover of ₹ 11,607.25 crore during 2017-18 as per their latest finalised accounts. This turnover was equal to 2.38 *per cent* of the GSDP of Bihar indicating an important role played by the Power Sector companies in the economy of the State.

Stake of Government of Bihar

As on 31 March 2018, the total investment (equity and long term loans) in nine Power Sector undertakings was ₹ 37,826.03 crore. The investment consisted of 80.25 *per cent* towards equity and 19.75 *per cent* in long-term loans. The Long term loans advanced by the State government constituted 14.75 *per cent* (₹ 1,101.80 crore) of the total long term loans whereas 85.25 *per cent* (₹ 6,370.39 crore) of the total long term loans were availed from other financial institutions.

Performance of Power Sector Undertakings

The overall loss incurred by the six Power Sector Companies covered in the Report was ₹ 7,818.40 crore in 2017-18 against losses of ₹ 1,064.07 crore incurred in 2015-16. As per latest finalised accounts up to the year 2017-18 of the six Power Sector Companies covered in the Report, two PSUs earned profit of ₹ 287.94 crore and four PSUs incurred loss of ₹ 8,106.34 crore. The profit making PSUs were Bihar State Power Transmission Company Limited (₹ 262.02 crore) and Bihar Grid Company Limited (₹ 25.92 crore). The significant losses were incurred

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[1] This report does not include three PSUs (Bihar State Hydroelectric Power Corporation Limited, Lakhisarai Bijlee Company Private Limited and Pirpainti Bijlee Company Private Limited) whose accounts were in arrear for three years or more or first accounts were not received.

by Bihar State Power Generation Company Limited (₹ 5,031.73 crore), South Bihar Power Distribution Company Limited (₹ 2,330.58 crore) and North Bihar Power Distribution Company Limited (₹ 740.49 crore). The accumulated losses of the six Power Sector companies were ₹ 14,956.70 crore as against the capital investment of ₹ 30,254.78 crore as on 31 March 2018.

Net worth of one PSU *viz.*, Bihar State Power Generation Company Limited had been completely eroded by accumulated loss and its net worth was (-) ₹ 275.07 crore against equity investment of ₹ 4,808.95 crore as on 31 March 2018. Further net worth was less than half of its paid up capital[2] in respect of one PSU *viz*. South Bihar Power Distribution Company Limited at the end of 31 March 2018. This indicates potential financial sickness of these PSUs.

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

Under the Ujwal DISCOM Assurance Yojana (UDAY), tripartite Memorandum of Understanding (MoUs) were signed (22 February 2016) between Ministry of Power (MoP), Government of India (GoI), the GoB and respective State DISCOM (i.e. SBPDCL and NBPDCL) for providing financial assistance to the State DISCOMs for their operational and financial turnaround. As per provisions of the UDAY Scheme and the MoUs, out of total outstanding debt (₹ 3,109.06 crore) pertaining to two State DISCOMs as on 30 September 2015, the GoB had taken over debt of ₹ 2,331.78 crore during 2016-17. The balance loan was rescheduled by Canara Bank.

Audit observed that performance of DISCOMs against operational parameters provided under UDAY Scheme was not satisfactory. The DISCOMs have not initiated action for rural feeder audit and smart metering. They have also performed poorly in areas of distribution transformer metering in rural areas and feeder segregation. Further, going by the current trend of progress, the DISCOMs will find it difficult to achieve the most important target of reduction of AT&C loss to 15 *per cent* by 31 March 2020.

Quality of accounts

The quality of accounts of Power Sector companies needs improvement. Out of six accounts finalised during 1 January 2018 to 31 December 2018, the Statutory Auditors gave qualified certificates on five accounts. There were 18 instances of non-compliance with Accounting Standards by the Power Sector Undertakings.

2. Performance Audit on "Implementation of Rural Electrification Schemes in Bihar"

Planning of RE Schemes/Works

The Government/DISCOMs did not plan any scheme so that load requirement for rural industries, food processing, cold chain and agro-based industries could be

[2] Net worth was ₹ 2,476.46 crore against paid up capital of ₹ 8,996.43 crore.

met. Thus, planning for rural electrification for promoting the rural industries was deficient to that extent.

(Paragraph 2.12.1)

Preparation of DPRs under Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) without actual survey/need assessment resulted in short approval of project cost by ₹ 1,632.67 crore which resulted in loss of grant to State by ₹ 979.60 crore being the amount of 60 *per cent* of total project cost.

(Paragraph 2.12.3)

The method adopted by the DISCOMs as a disaster recovery plan was not effective as the settlement of claim with the insurance company was significantly low and all the claims of loss of assets could not be lodged also.

(Paragraph 2.12.5)

Project management

The DISCOMs could not complete the projects under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) even after lapse of two years from the scheduled date of completion. The service connections to BPL households in comparison to the sanctioned quantity were in the range of 32 *per cent* to 53 *per cent*. Similarly, there was poor progress of works under DDUGJY due to delay in handing over of land for construction of PSS, delay in approval of drawings, delay in finalisation of BoQ and slow progress of work by the contractors.

(Paragraphs 2.13.1 and 2.13.2)

DISCOMS failed to have a schedule of rates which resulted in additional burden of ₹ 830.47 crore on State exchequer.

(Paragraph 2.13.4)

Project Management Agency (PMA) failed to discharge its responsibilities in respect of deployment of adequate manpower. SBPDCL could not impose any penalty due to short deployment of manpower because of not providing suitable clause in agreement which resulted in undue favour to PMA.

(Paragraph 2.13.6)

DISCOM failed to execute the agreement as per DDUGJY scheme guidelines which resulted in excess payment of ₹ 24.19 crore to PMA.

(Paragraph 2.13.8)

Financial management

DISCOMs failed to generate adequate revenue to cover the cost of power supplied as income earning on every rupee spent declined from ₹ 0.94 to ₹ 0.73 in SBPDCL and ₹ 0.97 to ₹ 0.87 in NBPDCL during the period 2013-14 to 2017-18.

(Paragraph 2.14.1)

DISCOM (SBPDCL) failed to reconcile the fund disbursed by REC and fund received by it which resulted in shortage of fund to the tune of ₹ 82.04 crore under RGGVY.

(Paragraph 2.14.5)

The DISCOMs failed to remit the interest earned on unutilised funds under RGGVY and DDUGJY amounting to ₹ 6.62 crore and interest earned on mobilisation advance amounting to ₹ 109.95 crore to MoP, GoI.

(Paragraph 2.14.7)

The DISCOMs did not claim the amount paid on account of VAT of ₹ 48.56 crore from the Government of Bihar even after lapse of five years.

(Paragraph 2.14.8)

Monitoring Process

Three meetings of the State Level Standing Committee (SLSC) were held during November 2013 to November 2018. The District Electricity Committees did not meet at the prescribed periodicity.

(Paragraph 2.15.1)

Data relating to quality of power at Power Sub-station level and at Distribution Transformer level was not adequately monitored by the DISCOMs for ensuring supply of quality power to consumers.

(Paragraph 2.15.2)

Overall achievement of Rural Electrification

Although the DISCOMs had claimed 100 *per cent* electrification in RHHs till October 2018, the percentage achievement of electrification of HHs in both the DISCOMs as compared to the total number of RHHs as per census 2011 as well as total number of RHHs as per DPR was 70.61 *per cent and* 68.68 *per cent*, respectively.

(Paragraph 2.16.1)

In all 38 projects there was a difference of over 46.93 lakh between the number of connections frozen and the number in the DPRs.

(Paragraph 2.16.2)

The Performance Audit contains eight recommendations *viz.* (i) The DISCOMs should strictly adhere to the scheme guidelines and ensure due diligence in preparation of DPRs; (ii) The DISCOMs should ensure reasonableness/competitiveness of rates before awarding the work; (iii) The DISCOMs should frame BoQ on the basis of current SoR and take up the matter with GoB to bear the burden of cost difference of sanctioned cost and awarded cost; (iv) The DISCOMs should take corrective measures to control delays in implementation of projects; (v) The DISCOMs should make efforts to adhere to the target of distribution losses fixed by Bihar Electricity Regulatory Commission (BERC) to avoid burden on state exchequer on this account; (vi) The DISCOMs should strictly comply with scheme guidelines relating to fund management; (vii) The DISCOMs should reconcile the difference in disbursement and receipt of funds in a time bound manner as this may be susceptible to fraud/misappropriation; and (viii) The DISCOMs should ensure completion of projects within the stipulated timelines to achieve intended objectives of the scheme to provide access of electricity to all RHHs (including BPL families).

3. Compliance Audit Observations relating to Power Sector Undertakings

Compliance Audit observations included in this Report highlight deficiencies in the management of Power Sector Undertakings, which resulted in serious financial implications.

Gist of Audit observations is given below:

Failure of the **South Bihar Power Distribution Company Limited and North Bihar Power Distribution Company Limited** to award the contract through tendering resulted in avoidable payment of ₹ 12.69 crore as higher trading margin.

(Paragraph 3.1)

Due to failure to limit the drawal of electricity as prescribed under CERC Regulations 2014, the **South Bihar Power Distribution Company Limited and North Bihar Power Distribution Company Limited** incurred additional deviation charges of ₹ 115.23 crore.

(Paragraph 3.2)

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

As on 31 March 2018, Bihar had 70 State PSUs (other than Power Sector) consisting of 23 functional companies, three functional Statutory Corporations and 44 non-functional PSUs (all companies). The PSUs[3] registered a turnover of ₹ 5,735.58 crore during 2017-18 as per their latest finalised accounts. This turnover was equal to 1.18 *per cent* of the State Gross Domestic Product indicating the role played by these State PSUs in the economy of the State.

Stake of Government of Bihar

As on 31 March 2018, the total investment (equity and long term loans) in these 70 PSUs was ₹ 4,722.65 crore. The investment consisted of 12.38 *per cent* towards equity and 87.62 *per cent* in long-term loans. The Long term loans advanced by the State government constituted 93.61 *per cent* (₹ 3,873.55 crore) of the total long term loans whereas 6.39 *per cent* (₹ 264.61 crore) of the total long term loans were availed from Central Government and other financial institutions.

Performance of State PSUs (other than Power Sector)

Out of 10 PSUs covered in the report, seven PSUs earned profit (₹ 224.15 crore), all of which were either having monopolistic advantage or were having assured income from budgetary support, centage, commission, interest on bank deposits etc. The top profit making companies in 2017-18 were Bihar State Road Development Corporation Limited (₹ 93.86 crore), Bihar Rajya Pul Nirman Nigam Limited (₹ 70.26 crore) Bihar State Educational Infrastructure Development Corporation Limited (₹ 22.96 crore), Bihar State Building Construction Corporation Limited (₹ 18.11 crore).

[3] This report does not include 60 PSUs (Annexure 4.2) whose accounts were in arrear for three years or more or were defunct/under liquidation or first accounts were not received.

Further, all three PSUs[4] working in competitive environment incurred losses totaling ₹ 46.72 crore during 2017-18. These PSUs had continuously suffered losses during 2015-16 to 2017-18 and their accumulated losses increased from ₹ 614.77 crore in 2015-16 to ₹ 667.87 crore in 2017-18. Net worth of these three PSUs had been completely eroded by accumulated losses and it stood at (-) ₹ 581.39 crore against equity investment of ₹ 86.48 crore as on 31 March 2018. This reflects adversely on the sustainability of these PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of 18 accounts of 12 Functional PSUs finalised during January 2018 to December 2018, the Statutory Auditors gave qualified certificates on 17 accounts. There were 17 instances of non-compliance with Accounting Standards by the PSUs. Further, CAG has also declined to give an opinion in view of the serious shortcomings in respect of five accounts of Bihar State Food and Civil Supplies Corporation Limited for the year 1994-95 to 1998-99 and one accounts of Bihar State Warehousing Corporation for the year 2011-12.

Arrears in accounts and winding up

26 functional PSUs had arrears of 123 accounts as on 31 December 2018. Among non-functional PSUs, 44 PSUs had 1,164 accounts in arrears. The Government may take a decision regarding winding up of the non-functional PSUs.

5. Compliance Audit Observations relating to State PSUs (other than Power Sector)

Compliance Audit observations included in this Report highlight deficiencies in the management of Public Sector Undertakings, which resulted in serious financial implications.

Gist of some important Audit observations is given below:

Bihar State Road Development Corporation Limited made avoidable payment of interest of ₹ 37.75 crore due to unnecessary withdrawal of loan of ₹ 193 crore from HUDCO.

(Paragraph 5.1)

Violations in purchase of furniture by **Bihar State Beverages Corporation Limited** led to undue favour to supplier and infructuous expenditure of ₹ 4.33 crore.

(Paragraph 5.6)

Coverage of this Report

This Report contains a performance audit on "Implementation of Rural Electrification Schemes in Bihar', two compliance audit paragraphs on Power Sector Undertakings and six compliance audit paragraphs on Other than Power Sector Undertakings involving total financial impact of ₹ 2,926.66 crore.

[4] Bihar State Film Development and Finance Corporation Limited, Bihar State Agro-Industries Development Corporation Limited and Bihar State Financial Corporation

Introduction

Functioning of State Public Sector Undertakings

General

1. State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2018, there were 79 PSUs in Bihar, including three[1] Statutory Corporations and 76 Government Companies (including 44 non-functional government companies[2]) under the audit jurisdiction of the Comptroller & Auditor General of India. None of these Government Companies was listed on the stock exchange. During the year 2017-18, no PSUs were amalgamated with their holding Company.

2. The nature of PSUs in Bihar and the position of their accounts are indicated in the table below:

Table 1: Nature of PSUs in Bihar

Nature of PSU	Total number	Number of PSUs whose accounts were received during the reporting period				Number of PSUs whose accounts are in arrears (Total accounts in arrear) as on 31 December 2018
		Accounts for 2017-18	Accounts for 2016-17	Accounts for 2015-16	Total	
Functional Government Companies[3]	32	1	8	5	14	31 (133)
Statutory Corporations	3	1	0	0	1	2 (17)
Total functional PSUs	**35**	**2**	**8**	**5**	**15**	**33 (150)**
Non-functional Government Companies	44	-	1	-	1	44 (1164)
Non-functional Statutory Corporations	-	-	-	-	-	-
Total non-functional PSUs	**44**	**-**	**1**	**-**	**1**	**44 (1164)**
Total	**79**	**2**	**9**	**5**	**16**	**77 (1314)**

The financial performance of 16 PSUs who had submitted their accounts for 2015-16 or later years as on 31 December 2018 is covered in this report. This

1 Bihar State Financial Corporation, Bihar State Road Transport Corporation and Bihar State Warehousing Corporation

2 Non-functional PSUs are those which have ceased to carry out their operations.

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

report does not include 63 PSUs[4] (including three Government Controlled Companies) whose accounts were in arrears for three years or more or were defunct/under liquidation or first accounts were not received or were not due. The 16 PSUs (including one Statutory Corporation) covered in this report registered an annual turnover of ₹ 17,342.83 crore as per their latest finalised accounts. This turnover was equal to 3.56 *per cent* of Gross State Domestic Product (GSDP) for the year 2017-18 (₹ 4,87,628 crore). Out of the 16 PSUs covered in this report, nine PSUs earned profit of ₹ 512.09 crore and seven PSUs suffered a loss of ₹ 8,153.06 crore as per their latest finalised accounts. As of March 2018, the State PSUs covered in this report had employed around 9,360 employees.

There are 63 PSUs (including two Statutory Corporations) which are not covered in this report having an investment of ₹ 4,861.57 crore towards capital (₹ 538.23 crore) and long term loans (₹ 4,323.34 crore). This is a critical area as the investments in these PSUs do not contribute to the economic growth of the State.

Accountability framework

3. The procedure for audit of Government companies is laid down in Sections 139 and 143 of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act, a Government Company means any company in which not less than fifty-one *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Besides, any other company[5] owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this report as Government Controlled Other Companies.

The Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. Section 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of one hundred and eighty days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditors are to be appointed by the CAG within sixty days from the date of registration of the company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

[4] Three Power Sector PSUs referred in footnote 6 of Chapter I and 60 Other than Power Sector PSUs referred in Annexure 4.2.

[5] The Companies (Removal of Difficulties) Seventh Order 2014 dated 4 September 2014 issued by Ministry of Corporate Affairs, Government of India.

Further, as per sub-section 7 of Section 143 of the Act, the Comptroller and Auditor General of India (CAG) may, in case of any company covered under sub-section (5) or sub-section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory audit

4. The financial statements of the Government Companies (as defined in Section 2 (45) of the Act 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139 (5) or (7) of the Act 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Companies Act, 2013.

Audit of Statutory Corporations is governed by their respective legislations. Out of three Statutory Corporations, the CAG is sole auditor for Bihar State Road Transport Corporation (BSRTC). In respect of Bihar State Financial Corporation (BSFC) and Bihar State Warehousing Corporation (BSWC), the audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG.

Submission of accounts by Public Sector Undertakings (PSUs)

5. ***Need for timely finalisation and submission***

According to Section 394 and 395 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the House or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited financial statement for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Role of Government and Legislature

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

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the State Legislature under Section 394 of the Companies Act, 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19 A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Investment by Government of Bihar in State PSUs

7. Government of Bihar (GoB) has high financial stakes in the PSUs. This is mainly of three types:

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

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

Table 2: Sector-wise investment in PSUs

(₹ in crore)

Name of sector	Government Companies		Statutory Corporations		Investment		
	Covered in this report	Not covered in this report	Covered in this report	Not covered in this report	Equity	Long term loans	Total
Power	30,254.78	99.06	-	-	30,353.84	7,472.19	37,826.03
Other than power	67.48	331.47	77.84	107.70	584.49	4,138.16	4,722.65
Total	**30,322.26**	**430.53**	**77.84**	**107.70**	**30,938.33**	**11,610.35**	**42,548.68**

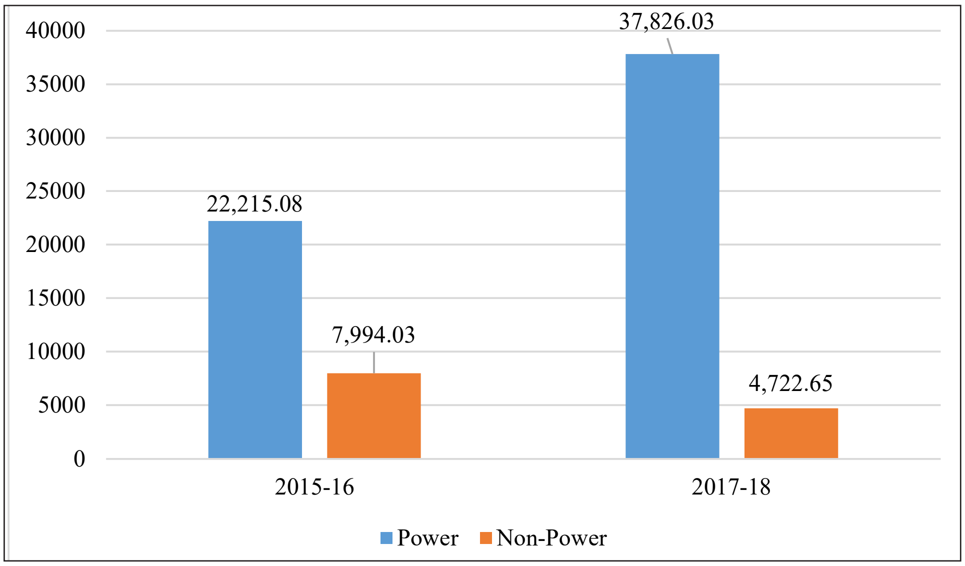
Source: *Compiled based on annual accounts of PSUs and information furnished by PSUs.*

The thrust of PSU investment was mainly in the power sector which constituted 88.90 *per cent* of the total investments of ₹ 42,548.68 crore.

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

Chart 1: Sector-wise investment in PSUs

(Figures in ₹ crore)



Keeping in view the huge investment in the power sector, we are presenting the results of audit of six power sector PSUs in Part I[6] of this report and of the 10 PSUs (other than power sector) in Part II[7] of the report.

[6] Part I includes Chapter I (Functioning of Power Sector Undertakings), Chapter II (Performance Audit relating to Power Sector Undertakings) and Chapter III (Compliance Audit Observations relating to Power Sector Undertakings).

[7] Part II includes Chapter IV (Functioning of PSUs other than Power Sector) and Chapter V (Compliance Audit Observations relating to PSUs other than Power Sector).

PART-I
Power Sector Undertakings

CHAPTER–I

Functioning of Power Sector Undertakings

Chapter I

Functioning of Power Sector Undertakings

1. Introduction

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

Table 1.1: Details of turnover of Power Sector undertakings *vis-a-vis* GSDP of State of Bihar

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18
Turnover	7,999.54	10,574.59	11,188.95	11,607.25
Percentage change in turnover as compared to turnover of preceding year	-	32.19	5.81	3.74
GSDP of Bihar	3,42,951.00	3,69,469.00	4,25,888.00	4,87,628.00
Percentage change in GSDP as compared to GSDP of preceding year	-	7.73	15.27	14.50
Percentage of turnover to GSDP of Bihar	2.33	2.86	2.63	2.38

***Source**: Compiled based on turnover figures of power sector PSUs and GSDP figures as per Economic Review 2017-18 of Government of Bihar.*

The turnover of power sector undertakings has recorded continuous increase and the growth rate of turnover ranged between 3.74 *per cent* and 32.19 *per cent* during the period 2015-18, whereas growth rate of GSDP of Bihar ranged between 7.73 *per cent* and 15.27 *per cent* during the same period. The compounded annual growth[1] of GSDP was 12.45 *per cent* during the last three years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 12.45 *per cent* of the GSDP, the turnover of power sector undertakings recorded higher compounded annual growth of 13.21 *per cent* during last three years. This resulted in increase in share of turnover of these power sector undertakings to the GSDP from 2.33 *per cent* in 2014-15 to 2.38 *per cent* in 2017-18.

Formation of Power Sector Undertakings

1.2 The State Government formulated (30 October 2012) the Bihar Power Sector Reforms Transfer Scheme 2012 (BPSRT Scheme 2012) for unbundling of Bihar State Electricity Board (BSEB) and transfer of assets, properties, liabilities, obligations, proceedings and personnel of BSEB

[1] Rate of Compounded Annual Growth [{(Value of 2017-18/Value of 2014-15)^(1/3 years)}-1]*100.

to five power sector companies including Holding Company {i.e. Bihar State Power (Holding) Company Limited (BSPHCL), South Bihar Power Distribution Company Limited (SBPDCL), North Bihar Power Distribution Company Limited (NBPDCL), Bihar State Power Generation Company Limited (BSPGCL) and Bihar State Power Transmission Company Limited (BSPTCL)}. These five power sector companies came into existence *w.e.f.* 1 November, 2012 and all the assets and liabilities of BSEB (including equity of ₹ 8,923.96 crore) were distributed among these companies according to the provisions of the BPSRT Scheme 2012. Further, two power sector companies *viz*. Lakhisarai Bijlee Company Private Limited (LBCPL) and Pirpainti Bijlee Company Private Limited (PBCPL) were incorporated in April 2008 as subsidiary companies of BSPGCL. Another company namely Bihar Grid Company Limited was incorporated in January 2013 as a joint venture of BSPHCL. However, the State Government had not infused any direct equity in these three companies till 2017-18. Besides these eight companies, one company[2] for hydro generation of power *viz*. Bihar State Hydroelectric Power Corporation Limited (BSHPCL) was incorporated on 31 March 1982 by infusing equity of ₹ 80 crore. Thus, there were nine power sector companies in the State as on 31 March 2018. Of these nine power sector companies, two[3] companies did not commence commercial activities till 2017- 18.

Disinvestment, restructuring and privatisation of Power Sector Undertakings

1.3 No disinvestment, restructuring and privatisation of power sector Undertakings was done during 2017-18 in the state of Bihar.

Investment in Power Sector Undertakings

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

Table 1.2: Activity-wise investment in power sector undertakings

Activity	Number of government undertakings	Investment (₹ in crore)		
		Equity	Long term loans	Total
Generation of Power	1	4,808.95	4,053.50	8,862.45
Transmission of Power	2	6,929.22	1,622.52	8,551.74
Distribution of Power	2	17,243.58	1,253.15	18,496.73
Other[4]	1	1,273.03	50.26	1,323.29
Total	**6**	**30,254.78**[5]	**6,979.43**	**37,234.21**
PSUs not covered in the report[6]	3	99.06	492.76	591.82
Grand Total	**9**	**30,353.84**	**7,472.19**	**37,826.03**

Source: *Compiled based on annual accounts of PSUs and information furnished by PSUs.*

[2] Bihar State Hydroelectric Power Corporation Limited (BSHPCL).

[3] Lakhisarai Bijlee Company Private Limited and Pirpainti Bijlee Company Private Limited.

[4] Bihar State Power (Holding) Company Limited.

[5] Equity comprised ₹ 30,098.54 crore invested by GoB in Bihar State Power (Holding) Company Limited and excludes reinvestment into its four subsidiary companies and one Joint Venture company.

[6] This report does not include three PSUs (BSHPCL, LBCPL and PBCPL) whose accounts were in arrears for three years or more or first accounts were not received.

As on 31 March 2018, the total investment (equity and long term loans) in six power sector undertakings covered in the report was ₹ 37,234.21 crore. The investment consisted of 81.26 *per cent* towards equity and 18.74 *per cent* in long-term loans.

The long term loans advanced by the State government constituted 12.59 *per cent* (₹ 878.71 crore) of the total long term loans, whereas 87.41 *per cent* (₹ 6,100.72 crore) of the total long term loans were availed from other financial institutions. Besides during 2016-17, the State Government had taken over ₹ 2,331.78 crore (75 *per cent*) of the outstanding debts (₹ 3,109.06 crore) of the DISCOMs as on 30 September 2015 under Ujwal DISCOM Assurance Yojana[7] (UDAY) scheme.

Budgetary Support to Power Sector Undertakings

1.5 GoB provides financial support to power sector undertakings in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity during the year in respect of power sector undertakings for the last three years ending March 2018 are as follows:

Table 1.3: Details of budgetary support to power sector undertakings during the years

(₹ in crore)

Particulars[8]	2015-16		2016-17		2017-18	
	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs[9]	Amount
Equity Capital outgo (i)	1	6,931.91	1	5,272.04	1	8,970.63
Loans given (ii)	2	115.59	3	227.24	1	20.75
Grants/Subsidies provided (iii)	3	5,720.86	4	6,494.66	3	2,650.49
Total outgo (i+ii+iii)	5	12,768.36	5	11,993.94	5	11,641.87
Loan repayment/ written off	-	-	-	-	-	-
Loans converted into equity	-	-	1	1,197.60	-	-
Guarantees outstanding	2	939.91	3	3,235.63	3	6,011.76
Guarantee commitment	3	5,500.50	4	8,885.85	4	9,764.69

Source: *Compiled based on annual accounts of PSUs and information furnished by PSUs.*

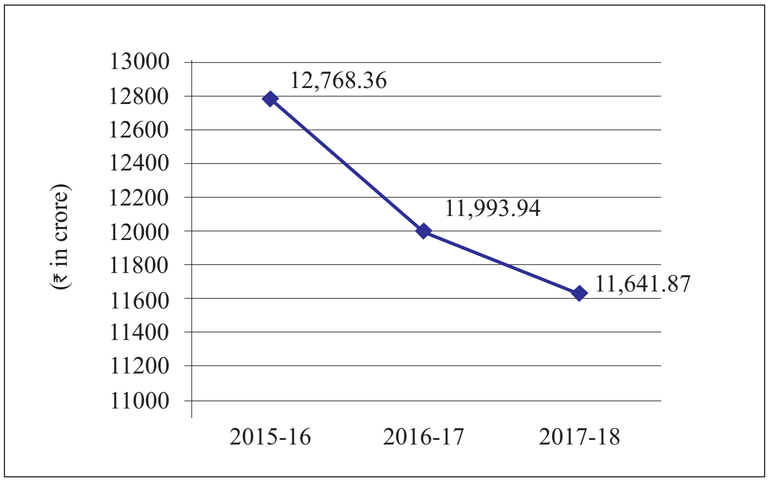
The details of budgetary outgo towards equity, loans and grants/ subsidies for the last three years ending March 2018 are given in the following graph:

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

[8] Amount represents outgo from State Budget only.

[9] GoB released equity directly to the two DISCOMS and two subsidiaries on behalf of their holding company i.e. BSPHCL against which these subsidiaries issued shares to their holding Company. Therefore, for the purpose of infusion of Government's fund, only holding company on behalf of its subsidiaries has been considered. The remaining one Power Sector PSU is a joint venture company.

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



The budgetary assistance received by these PSUs during the year ranged between ₹ 11,641.87 crore and ₹ 12,768.36 crore during the period 2015-16 to 2017-18. The budgetary assistance of ₹ 11,641.87 crore received during the year 2017-18 included ₹ 8,970.63 crore, ₹ 20.75 crore and ₹ 2,650.49 crore in shape of equity, loan and grants/subsidy respectively.

Besides, the Ministry of Power (MoP), Government of India also launched (20 November 2015) UDAY scheme for operational and financial turnaround of State-owned Power Distribution Companies (DISCOMs). The provisions of UDAY and status of implementation of the scheme by the two DISCOMs in Bihar are discussed under *Paragraph 1.19* of this Chapter. During 2016-17, the State Government has taken over ₹ 2,331.78 crore (75 *per cent*) of the outstanding debts (₹ 3,109.06 crore) of the DISCOMs as on 30 September 2015. The addition in equity was mainly towards capital investment and execution of various projects.

In order to enable PSUs to obtain financial assistance from banks and financial institutions, State Government gives guarantee for which a guarantee fee is charged. As per the Resolution No. 7498 dated 5 July 1974 of GoB, the PSUs are liable to pay the guarantee fee at 1/8 *per cent* annually on the guarantee amount of more than ₹ 10 lakh. In case of four PSUs[10], outstanding guarantee was ₹ 6,011.76 crore as on 31 March 2018. However, none of the PSUs paid any guarantee fees as on 31 March 2018.

Reconciliation with Finance Accounts of Government of Bihar

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

[10] Bihar State Power Generation Company Limited, Bihar State Power Transmission Company Limited, North Bihar Power Distribution Company Limited and South Bihar Power Distribution Company Limited

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

(₹ in crore)

Form of investment	As per Finance Accounts	As per records of power sector undertakings	Difference
Equity	30,562.19	30,197.58	364.61
Loans	2,473.77	1,101.80	1,371.97
Guarantees	3,717.26	6,011.76	-2,294.50

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

The differences between the figures are persisting since last many years. The issue of reconciliation of differences was also taken up with the PSUs/ Departments from time to time. It is, therefore, recommended that the State Government and the PSUs should reconcile the differences in a time-bound manner.

Submission of accounts by Power Sector Undertakings

Timeliness in preparation of accounts by Power Sector Undertakings

1.7 There were nine power sector undertakings under the audit purview of CAG as of 31 March 2018. Accounts for the year 2017-18 were submitted by one[11] working PSU by 31 December 2018. Details of arrears in submission of accounts of power sector undertakings as on 31 December[12] for each financial year for the last three years ending 31 March 2018 are given below:

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

Sl. No.	Particulars	2015-16	2016-17	2017-18
1.	Number of PSUs	9	9	9
2.	Number of accounts submitted during the current year	6	11	6
3.	Number of PSUs which finalised accounts for the current year	1	6	1
4.	Number of previous year accounts finalised during the current year	5	5	5
5.	Number of PSUs with arrears in accounts	8	3	8
6.	Number of accounts in arrears	26	24	27
7.	Extent of arrears	One to 15 years	Four to 16 years	One to 12 years

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

11 Bihar Grid Company Limited.

12 For the years 2015-16, accounts received till 30 September 2016 have been considered.

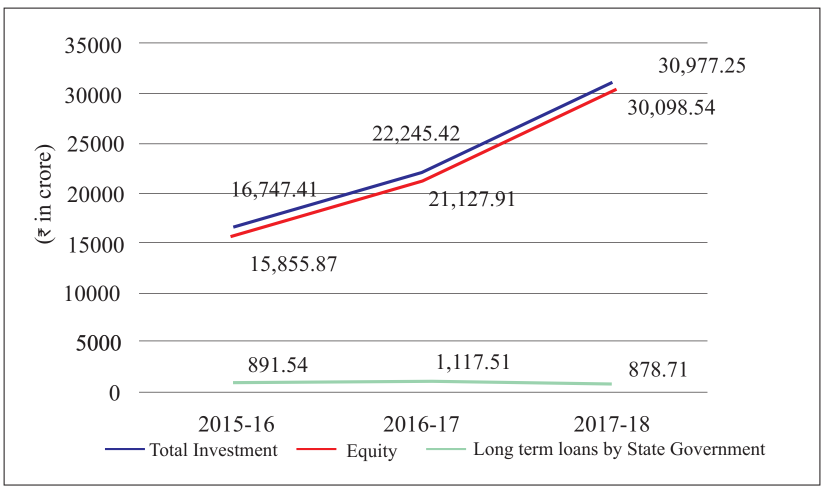
Performance of Power Sector Undertakings

1.8 The financial position and working results of six power sector Companies as per their latest finalised accounts[13] as of 31 December 2018 are detailed in ***Annexure-1.1.***

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the undertakings. The total investment of the State Government and others in these power sector PSUs as on 31 March 2018 was ₹ 37,234.21 crore consisting of ₹ 30,254.78 crore as equity and ₹ 6,979.43 crore as long-term loans as detailed in ***Annexure-1.2***. Out of this, GoB has investment of ₹ 30,977.25 crore in the six power sector PSUs[14] consisting of equity of ₹ 30,098.54 crore and long-term loans of ₹ 878.71 crore.

The year-wise cumulative status of investment of GoB in the form of equity and long-term loans in the power sector PSUs during the period 2015-16 to 2017-18 is as follows:

Chart 1.2: Total investment of GoB in Power Sector undertakings



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

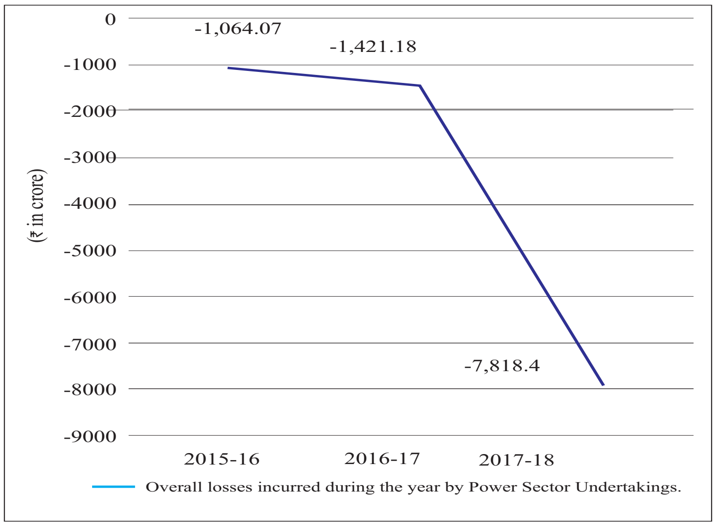
13 Accounts for the latest year up to 2017-18 finalised till December 2019

14 GoB released equity to the Bihar State Power (Holding) Company Limited on behalf of their subsidiaries. Therefore, for the purpose of infusion of Government's fund, only holding companies on behalf of their subsidiaries have been considered. Remaining five power sector PSUs are subsidiaries and joint venture.

Return on Investment

1.9 Return on investment is the percentage of profit or loss to the total investment. The overall position of profits/losses[15] earned/incurred by six power sector undertakings during 2015-16 to 2017-18 is depicted in the following chart.

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



The loss incurred by these PSUs was ₹ 7,818.40 crore in 2017-18 against ₹ 1,064.07 crore in 2015-16. According to the latest finalised accounts of six PSUs covered in this report, two PSUs earned profit of ₹ 287.94 crore and four PSUs incurred loss of ₹ 8,106.34 crore. ***(Annexure- 1.1)***. The profit making PSUs were Bihar State Power Transmission Company Limited (₹ 262.02 crore) and Bihar Grid Company Limited (₹ 25.92 crore). Significant losses were incurred by Bihar State Power Generation Company Limited (₹ 5,031.73 crore), South Bihar Power Distribution Company Limited (₹ 2,330.58 crore) and North Bihar Power Distribution Company Limited (₹ 740.49 crore).

It may be seen from the above analysis that the profits earned by two power transmission PSUs were significantly lower as compared to losses incurred by PSUs in power generation and distribution activity.

Position of power sector undertakings which earned/incurred profit/loss during 2015-16 to 2017-18 is given below:

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

Financial year	Total PSUs in power sector	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had no profit/ loss during the year
2015-16	6	1	2	3
2016-17	6	1	4	1
2017-18	6	2	4	-

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

Real Return on the basis of Present Value of Investment

1.10 In view of the significant investment by GoB in the six power sector companies, return on such investment is essential from the perspective of the State Government. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. Therefore, the return on investment has been calculated after considering the Present Value (PV) of money to arrive at the real return on investment made by GoB. PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest free/defaulted long term loans and capital grants since formation of these companies after unbundling of the erstwhile Electricity Board (November 2012) till 31 March 2018.

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

- Interest free/defaulted long term loans and capital grants have been considered as investment infusion by the State Government. Further, in those cases where interest-free loans given to the PSUs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free /defaulted loans and added to the equity of that year. The funds made available in the form of revenue grants and subsidies have not been reckoned as investment except in the case of grant given under UDAY scheme.
- The average rate of interest on government borrowings for the concerned financial year[16] was adopted as discount rate for arriving at PV since they represent the cost incurred by the government towards investment of funds for the year.

For the period 2012-13 to 2017-18, when two to four power sector PSUs incurred losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of PSUs is commented upon in *Paragraph 1.12*.

1.11 The position of State Government investment in six power sector companies in the form of equity, interest-free/defaulted loans and capital grants since inception of these companies till 31 March 2018 and the consolidated position of the PV of the State Government investment relating to them since 2012-13 till 31 March 2018 is indicated in the following Table 1.7:

[16] The average rate of interest on government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Bihar) for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

Table 1.7: Year-wise details of investment by the State Government and present value of government funds from 2012-13 to 2017-18

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the state Government during the year	Total interest free/ defaulted loan and capital grant	Total investment during the year	Average rate of interest on Government borrowings (in %)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year
i	ii	iii	iv	v = iii+iv	vi	vii = ii+v	viii = vii*(1+vi/100)	ix = vii* vi/100	x
2012-13	0.00	8,923.96	1,575.29	10,499.25	5.79	10,499.25	11,107.16	607.91	-148.45
2013-14	11,107.16	0.00	3,181.36	3,181.36	6.68	14,288.52	15,242.99	954.47	-367.14
2014-15	15,242.99	0.00	1,221.57	1,221.57	6.59	16,464.56	17,549.57	1,085.01	-966.27
2015-16	17,549.57	6,931.91	1,423.14	8,355.05	6.58	25,904.62	27,609.15	1,704.52	-1,064.07
2016-17	27,609.15	5,272.04	5,218.41	10,490.45	6.42	38,099.60	40,545.59	2,445.99	-1,421.18
2017-18	40,545.59	8,970.63	222.89	9,193.52	6.13	49,739.11	52,788.12	3,049.01	-7,818.40
Total	1,12,054.46	30,098.54	12,842.66	42,941.20					

The balance of investment of the State Government in these power sector companies at the end of the year increased to ₹ 42,941.20 crore in 2017-18 from ₹ 10,499.25 crore in 2012-13 as the State Government made further investments in the shape of equity (₹ 21,174.58 crore), loans (₹ 404.92 crore), capital grant (₹ 8,530.67) and UDAY grant (₹ 2,331.78 crore). The PV of investments of the State Government upto 31 March 2018 worked out to ₹ 52,788.12 crore.

It may be seen that the total earnings for the year relating to these PSUs remained negative during 2012-13 to 2017-18 which indicates that instead of generating returns on the invested funds to recover the cost of funds to the Government, they have accumulated huge losses over the years making them commercially unviable.

Erosion of Net worth

1.12 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure.

As on 31 March 2018, there were five PSUs with accumulated losses of ₹ 14,980.54 crore. Out of these five PSUs, four PSUs incurred losses during the year 2017-18 amounting to ₹ 8,106.34 crore. No PSU was under winding up/closure/liquidation/strategic disinvestment.

Net worth of one PSU *viz.*, Bihar State Power Generation Company Limited had been completely eroded by accumulated losses and its net worth was (-) ₹ 275.07 crore against equity investment of ₹ 4,808.95 crore as on 31 March 2018. Further net worth was less than half of the paid up capital[17] in respect of one PSU *viz*. South Bihar Power Distribution Company Limited at the end of 31 March 2018. This indicates potential financial sickness of these PSUs.

[17] Net worth was ₹ 2,476.46 crore against paid up capital of ₹ 8,996.43 crore.

The following table indicates paid up capital, accumulated profit/loss and net worth of loss making power sector undertakings (where funds were infused by GoB) during the period 2015-16 to 2017-18:

Table 1.8: Net worth of loss-making power sector undertakings during 2015-16 to 2017-18

(₹ in crore)

Year	Paid up Capital at end of the year	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue expenditure	Net worth
2015-16	8,013.41	-4,256.36	-	3,757.05
2016-17	14,307.16	-5,679.07	-	8,628.09
2017-18	23,325.56	-14,791.01	-	8,534.55

Dividend Payout

1.13 The State Government has not formulated a dividend policy under which all profit making PSUs are required to pay a minimum return. As per their latest finalised accounts, out of six power sector PSUs, two PSUs earned an aggregate profit of ₹ 287.94 crore during 2017-18, but none of them declared dividend. Dividend payout relating to six power sector undertakings where equity was infused by GoB during the period 2015-16 to 2017-18 is shown in the table below:

Table 1.9: Dividend payout of six power sector undertakings during 2015-16 to 2017-18

(₹ in crore)

Year	Total PSUs where equity infused by GoB		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend payout ratio (%)
	Number of PSUs	Equity infused by GoB	Number of PSUs earning profit	Profit earned	Number of PSUs	Dividend declared/paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2015-16	6	15,855.87	1	9.54	-	-	-
2016-17	6	21,127.91	1	1.53	-	-	-
2017-18	6	30,098.54	2	287.94	-	-	-

During the period 2015-16 to 2017-18, the number of PSUs which earned profits ranged between one and two, but none of the PSU declared/paid dividend to GoB. Further analysis disclosed that none of these companies had declared/paid dividend since inception.

Return on Equity

1.14 Return on Equity (ROE)[18] is a measure of financial performance to assess how effectively management is using the company's assets to create profits. It is calculated by dividing net income (i.e. net profit after taxes) by shareholders' fund and expressed as a percentage. ROE has been calculated for those PSUs where funds had been infused by the State Government and whose shareholders' fund was positive during the respective years.

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

The details of shareholders' fund and ROE of these power sector undertakings[19] during the period from 2015-16 to 2017-18 are given in the following table:

Table 1.10: Return on Equity relating to power sector undertakings where funds were infused by GoB

Year	Net Income/ total earnings for the year[20] (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (%)
2015-16	-1,064.07	11,706.09	-9.09
2016-17	-1,421.18	15,664.56	-9.07
2017-18	-2,786.67	15,573.15	-17.89

As can be seen from the above table, ROE has remained negative during the entire three year period and further worsened during 2017-18 mainly due to increase in losses incurred by State power distribution companies.

1.15 Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed.

ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[21]. The details of ROCE of PSUs covered in this report during the period from 2015-16 to 2017-18 are given in the table below:

Table 1.11: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (%)
2015-16	-589.38	16,599.83	-3.55
2016-17	-956.32	22,334.80	-4.28
2017-18	-7,374.88	22,277.51	-33.10

The ROCE of the power sector undertakings ranged between -3.55 *per cent* and -33.10 *per cent* during the period 2015-16 to 2017-18.

Analysis of long term loans of the Companies

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

19 During 2015-16 and 2016-17, ROE has been calculated in respect of all six Power Sector PSUs covered in the Report as their Shareholders' Fund was positive during these years. For 2017-18, ROE has been calculated in respect of five Power Sector PSUs excluding Bihar State Power Generation Company Limited whose shareholders' fund as well as net income was negative during the year.

20 As per annual accounts of the respective years.

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

Interest Coverage Ratio

1.17 Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio of PSUs which had outstanding loans covered in the report during the period from 2015-16 to 2017-18 are given in table below:

Table 1.12: Interest coverage ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2015-16	472.00	-589.38	3	1	2
2016-17	461.70	-954.50	4	2	2
2017-18	378.37	-2,343.15	5	2	3

It was observed that the number of power sector companies with interest coverage ratio of more than one increased from one company in 2015-16 to two companies in 2016-17 and 2017-18. Of the five PSUs having liability of interest bearing loans during 2017-18, two PSU[22] had interest coverage ratio of more than one whereas the remaining three PSUs had negative/less than one interest coverage ratio. This indicates that these PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

Age-wise analysis of interest outstanding on State Government Loans

1.18 As on 31 March 2018, interest amounting to ₹ 426.27 crore was outstanding on the long term loans of four PSUs given by GoB. The age-wise analysis of interest outstanding on GoB loans in PSUs is depicted in Table 1.13.

Table 1.13: Interest outstanding on State Government Loans

(₹ in crore)

Sl. No.	Name of PSU	Outstanding interest on loans	Outstanding for less than 1 year	Outstanding for 1 to 3 years	Outstanding for more than 3 years
1	Bihar State Power Transmission Company Limited	270.94	100.26	170.68	-
2	South Bihar Power Distribution Company Limited	36.62	3.18	6.36	27.08
3	North Bihar Power Distribution Company Limited	85.39	31.14	54.25	-
4	Bihar State Power (Holding) Company Limited	33.32	3.54	7.08	22.70
	Total	**426.27**	**138.12**	**238.37**	**49.78**

22 Bihar State Power Transmission Company Limited and Bihar Grid Company Limited.

Assistance under Ujwal DISCOM Assurance Yojana (UDAY)

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

Scheme for improving operational efficiency

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

Scheme for financial turnaround

1.19.2 The participating States were required to take over 75 *per cent* of the DISCOMs debt by 30 September 2018 i.e. 50 *per cent* in 2015-16 and 25 *per cent* in 2016-17. The scheme for financial turnaround *inter alia* provided that:

- 'The State will issue *'*Non Statutory Liquidity Ratio (Non-SLR) bonds*'* and the proceeds realised from issue of such bonds shall be transferred to the DISCOMs which in turn shall discharge the corresponding amount of banks/financial institutions' debt. The bonds so issued will have a maturity period of 10-15 years with a moratorium on repayment of principal upto five years.
- Debt of DISCOMs will be taken over in the priority of debt already due, followed by debt with higher cost.
- The transfer to the DISCOM by the State in 2015-16 and 2016-17 will be as a grant which can be spread over three years with the remaining transfer through State loan to the DISCOM. In exceptional cases, 25 *per cent* of grant can be given as equity.

Implementation of the UDAY Scheme

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

A. Achievement of operational parameters

The achievements *vis-a-vis* targets under UDAY scheme regarding different operational parameters relating to the two State DISCOMs were as follows:

Table 1.14: Parameter wise achievements vis-a-vis targets of operational Performance up to 31 March 2019

Parameters	Target		Achievement		Achievement (in Percentage)	
	NBPDCL	SBPDCL	NBPDCL	SBPDCL	NBPDCL	SBPDCL
Feeder Metering (Rural) (in Nos.)	1,122	1,041	1,122	1,041	Achieved	Achieved
Distribution Transformer Metering (Rural) (in Nos.)	54,724	51,102	20,486	22,139	37	43
Rural Feeder Audit (in Nos.)	905	667	0	0	0	0
Feeder Segregation (in Nos.)	747	565	339	210	45	37
Smart Metering above 200 KWH (in Nos.)	40,647	2,95,466	0	0	0	0
Electricity Access to un-connected households (in lakh)	86.93	29.07	86.93	47.82	Achieved	Achieved
Distribution of LEDs under UJALA Scheme (in lakh)	39.30	68	39.30	111.82	Achieved	Achieved
Reduction of AT&C Loss[23] (in *per cent*)	20	22	27.35	32.61	Not Achieved	Not Achieved
ACS-ARR GAP (₹ per unit)	0.48	0.34	0.25	0.66	Achieved	Not Achieved

Source: Information furnished by DISCOMs

The DISCOMs have not initiated action for rural feeder audit and smart metering. They have also performed poorly in areas of distribution transformer metering in rural areas and feeder segregation. Further, going by the current trend of progress, the DISCOMs will find it difficult to achieve the most important target of reduction of AT&C loss to 15 *per cent* by 31 March 2020.

B. Implementation of Financial Turnaround

1.19.4 A tripartite Memorandum of Understanding (MoUs) was signed (22 February 2016) between MoP, GoB and the respective State DISCOM (*i.e*. SBPDCL and NBPDCL). As per provisions of the UDAY scheme and tripartite MoU, out of total outstanding debt (₹ 3,109.06 crore) pertaining to the two State DISCOMs as on 30 September 2015, GoB took over total debt of ₹ 2,331.78 crore during 2016-17 by issuing bonds. The balance 25 *per cent* of loan amounting to ₹ 777.28 crore has been rescheduled by Canara Bank at base rate +0.1 *per cent.*

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[23] Aggregate Technical and Commercial (AT&C) loss is the sum total of technical and commercial loss and shortage due to non-realisation of billed amount.

Comments on Accounts of Power Sector Undertakings

1.20 Two power sector companies forwarded their six audited accounts to the Principal Accountant General during 1 January 2018 to 31 December 2018. All six accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG for the accounts of 2015-18 are as follows:

Table 1.15: Impact of audit comments on Power Sector Companies

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	1	20.55	-	-	1	8.72
2	Increase in profit	-	-	-	-	1	191.75
3	Increase in loss	3	233.50	3	112.92	2	15.96
4	Decrease in loss			-	-	1	700.84
5	Non-disclosure of material facts			3	93.42	1	277.96
6	Errors of classification	3	11,652.76	2	25.38	1	4.24

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

During the year 2017-18, the Statutory Auditors had issued qualified certificates on five accounts. Compliance to the Accounting Standards by the PSUs remained poor as the statutory auditors had pointed out 18 instances of non-compliance to the Accounting Standards in five accounts. **CAG has also declined to give an opinion in view of the serious shortcomings in respect of Bihar State Hydroelectric Power Corporation Limited for the years 2002-03 to 2005-06 and North Bihar Power Distribution Company Limited for the year 2016-17.**

Performance Audit and Compliance Audit Paragraphs

1.21 For Part-I of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2018, a performance audit on 'Implementation of Rural Electrification Schemes in Bihar' and two compliance audit paragraphs relating to power sector undertakings were issued to the Principal Secretary of Energy Department, GoB with the request to furnish replies within six weeks. Replies on the performance audit and the compliance audit paragraphs have been received (March/August 2019) from the State Government and suitably incorporated in this report. The total financial impact of the performance audit is ₹ 2,741.24 crore and financial impact of the two compliance audit paragraphs is ₹ 127.92 crore.

Audit Fee Payable by BSEB

1.22 The audit fee payable by BSEB to CAG as per the provisions of section 69 (2) of the Electricity (Supply) Act, 1948 has been outstanding for the period upto 2012-13 and accumulated to ₹ 33.94 crore.

Follow up action on Audit Reports

1.23 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that it elicits appropriate and timely response from the executive. The Finance Department, Government of Bihar issued (April 2015) instructions to all administrative departments to submit replies/explanatory notes to paragraphs/performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

Discussion of Audit Reports by COPU

1.24 The status of discussion by COPU of performance audits and paragraphs related to power sector that appeared in Audit Reports (PSUs) as on 30 September 2019 was as under:

Table 1.16: Performance Audits/Paragraphs appeared in Audit Reports *vis-a-vis* discussed as on 30 September 2019

Period of Audit Report	Number of PAs/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2015-16	02	09	-	-
2016-17	-	03	-	-
Total	**02**	**12**	**-**	**-**

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

Compliance to Reports of COPU

1.25 Action Taken Notes (ATNs) to three paragraphs appearing in nine Reports of the COPU presented to the State Legislature between December 2013 and November 2016 had not been received (September 2019) as indicated in the following table:

Table 1.17: Compliance to COPU Reports

Year of COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs not received
2013-14	01	01	01
2014-15	-	-	-
2015-16	01	01	01
2016-17	05	01	01
2017-18	01	-	-
2018-19	01	-	-
Total	**09**	**03**	**03**

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

The above mentioned Reports of COPU contained recommendations in respect of paragraphs pertaining to Bihar State Electricity Board which featured in the Reports of the CAG of India for the years 2005-06, 2008-09 and 2009-10.

CHAPTER–II

Performance Audit relating to Power Sector Undertakings

Chapter II
Performance Audit relating to Power Sector Undertakings

South Bihar Power Distribution Company Limited and North Bihar Power Distribution Company Limited

2. Performance Audit on "Implementation of Rural Electrification Schemes in Bihar"

Introduction

2.1 The Electricity Act, 2003 has accorded priority to rural electrification and provision of electricity services in order to provide access to electricity by all. The national goal of rural electrification is to provide access to electricity by all Rural Households (RHHs), which will improve the standard of living of the rural populace apart from all-round development. Keeping this in view, the Government of Bihar (GoB) has identified rural electrification as a major thrust area. In accordance with this, GoB notified (August 2012) its Rural Electrification Plan (REP) for the State to achieve the national goal and nominated Bihar State Electricity Board (BSEB) or its successor Company as the nodal agency for rural electrification in the State. Subsequent to unbundling, BSEB was restructured into five companies *viz*. (i) Bihar State Power (Holding) Company Limited, (ii) North Bihar Power Distribution Company Limited, (iii) South Bihar Power Distribution Company Limited, (iv) Bihar State Power Generation Company Limited and (v) Bihar State Power Transmission Company Limited w.e.f. 01 November 2012.

North Bihar Power Distribution Company Limited (NBPDCL) and South Bihar Power Distribution Company Limited (SBPDCL) are the distribution companies (DISCOMs) providing electricity supply to 38 districts[1] of Bihar.

The DISCOMs have undertaken the following projects exclusively for rural electrification in Bihar:

a. Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY): Government of India (GoI) launched (March 2005) RGGVY which aimed at electrifying all villages and habitations in order to provide access to electricity by all RHHs. The scheme was extended in September 2013 for continuance to cover the remaining Census villages and habitations with population of above 100 and for providing free electricity connections to BPL Households (HHs) in villages/ habitations in the 12th Five Year Plan (FYP: 2012-17) in addition to villages/ habitations/ BPL HHs already included under projects sanctioned for 10th FYP (2002-07) and 11th FYP (2007-12). Rural Electrification Corporation (REC) sanctioned an amount of ₹ 8,350.69 crore (₹ 3,508.73 crore for SBPDCL and ₹ 4,841.96 crore for NBPDCL) for 38 projects (district-wise) under the scheme. RGGVY provided a time frame for completion of the project as two years from the date of award of a project. The physical and financial progress as on March 2019 of projects under the scheme is detailed in ***Annexure 2.1.*** This scheme was subsequently subsumed in Deendayal Upadhyaya Gram Jyoti Yojana in December 2014.

[1] NBPDCL- 21 districts and SBPDCL- 17 districts

b. Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY): GoI launched (December 2014) DDUGJY subsuming the targets laid down under the erstwhile RGGVY. DDUGJY consists of two additional components i.e. separation of agricultural and non-agricultural feeders and strengthening/ augmentation of sub-transmission and distribution infrastructure. REC sanctioned an amount of ₹ 5,827.22 crore for Bihar (₹ 2,433.14 crore for SBPDCL and ₹ 3,394.08 crore for NBPDCL) for 38 projects (district-wise) under the scheme. DDUGJY provided a time frame for completion of projects as two years from the date of award of a project. The physical and financial progress as on March 2019 of projects under the scheme is detailed in ***Annexure 2.2.***

c. Decentralised Distributed Generation projects (DDG) - GoI launched DDG scheme in 2009 under RGGVY to electrify un-electrified villages where grid connectivity was either not feasible or not cost effective. In Bihar, DDG was to be implemented through solar energy. The physical and financial progress as on March 2019 of projects under the scheme is detailed in ***Annexure 2.3.***

d. Full-scale electrification of villages in 11 districts under Backward Region Grant Fund - GoB sanctioned (October 2013) grant (Special Plan) of ₹ 837.62 crore (₹ 337.72 crore for NBPDCL and ₹ 499.90 crore for SBPDCL) under Backward Region Grant Fund (BRGF) as additional fund to supplement the full-scale electrification of 11 districts/projects sanctioned under 11th FYP Phase II. The physical and financial progress as on March 2019 of projects under the scheme is detailed in ***Annexure 2.4.***

e. Replacement of Burnt/Defective Transformers - GoB sanctioned (October 2014) ₹ 333.49 crore to DISCOMs for replacement of burnt/ defective transformers installed under RGGVY in 10th FYP and 11th FYP.

f. Mukhyamantri Vidyut Sambandh Nischay Yojna (MVSNY) - GoB sanctioned (March 2016) ₹ 1,897.50 crore for providing electricity connections to above poverty line (APL) HHs of rural areas under MVSNY. Thereafter, GoI launched (October 2017) Saubhagya scheme to provide electricity connections to all HHs (Urban and Rural). MVSNY was merged with Saubhagya scheme in December 2017. The physical and financial progress as on March 2019 of projects under the scheme is detailed in ***Annexure 2.5.***

2.1.1 Status of Rural Electrification in Bihar

As per the Saubhagya dashboard, as on 31 December 2019 there were 39,073 inhabited villages (as per Census 2011), all of which were electrified. There were 1,19,07,539 rural households which were also all electrified. Further, under the GoI flagship rural electrification scheme DDUGJY, the status of implementation of various components as on 31 December 2019 was as follows:

S. No.	Component	Target	Achievement
1.	Construction of new Power sub-stations (in Nos.)	311	197 (63 %)
2.	Installation of Distribution Transformers (DTRs)	75,088	36,365 (48 %)
3.	Construction of lines (in Circuit Kilo Meters)	36,489	43,403 (100 %)
4.	Consumer metering	10,27,863	5,49,585 (53 %)
5.	Installation of DTR meters	20,357	20,357 (100 %)

Activity process under RGGVY and DDUGJY

2.2 The roles of various entities in scheme formulation, approval and implementation are shown in chart 2.1.1 below:

Chart 2.1.1: The roles of various entities under the Scheme

Levels	Roles
Ministry of Power (MoP), Government of India (GoI)	• Formulation of scheme • Appointment of REC as nodal agency for implementation of the scheme • Constitution of a monitoring committee (MC)*, to whom detailed project reports (DPRs) are to be submitted after scrutiny and appraisal by REC.
Rural Electrification Corporation (REC)	• Overall responsibility for implementation of the scheme as per the scheme guidelines • Scrutiny and appraisal of project DPRs • Coordination with project implementing agencies (PIAs)/DISCOMs and monitoring of the scheme • Release of fund on behalf of GoI.
Department of Energy (Department), GoB.	• Set up a State level standing committee (SLSC)** to examine the DPRs prepared by PIAs and submission to REC. • Monitor the progress of the scheme through monthly progress reports and resolve issues relating to implementation through SLSC.
Project Implementing Agencies (PIAs)/DISCOMs	• Prepare district-wise DPRs for electrification work after carrying out actual field survey and release of BPL connections as per the scheme guidelines • Submit the project DPRs for recommendation by the SLSC to MC through REC. • Execute the work of electrification and release of BPL connections.

Project funding mechanism

2.3 The RGGVY scheme was to be financed with 90 *per cent* capital subsidy to the State Government by GoI through REC and 10 *per cent* as loan by REC to the State Government. Besides, capital subsidy of ₹ 3,000 per connection was also to be provided to DISCOMs for releasing free connections to BPL RHHs.

* MC comprises Secretary, MoP as Chairman, representatives of Departments of Expenditure, Panchayati Raj, Rural Development, New and Renewable Energy of GoI and Planning Commission.

** SLSC is headed by Chief Secretary and consists of Secretaries of Departments of Energy, Rural Development, Finance, Panchayati Raj, Forest, Revenue and a representative of the REC and any other member nominated by GoB.

The DDUGJY scheme was to be financed with 60 *per cent* capital subsidy to the State Government by GoI through REC, 10 *per cent* by DISCOMs/ State Government and 30 *per cent* as loan from financial institutions/ banks.

The State schemes were financed with 100 *per cent* grant by the State Government.

Organisational set up

2.4 BSPHCL is the holding Company of the DISCOMs. The management of BSPHCL and the DISCOMs are vested with Board of Directors comprising of Chairman-cum-Managing Director (for BSPHCL) and Managing Directors (for DISCOMs) appointed by the State Government. The day-to-day operations are carried out by the Managing Directors, who are Chief Executives of the DISCOMs, assisted by Director (Project), Chief Engineers, Superintending Engineers and Executive Engineers posted at the DISCOMs Headquarters and in the field.

Role of State Government

2.5 For execution of RGGVY and DDUGJY schemes, a tripartite agreement amongst REC, GoB and DISCOMs was entered into on 26 November 2014 and 30 December 2015 respectively. In the tripartite agreement, GoB authorises release of funds for implementation of the project directly to DISCOMs on their recommendation and on their behalf, to meet expenditure to be incurred for construction of projects by DISCOMs covered under the schemes. GoB undertakes to repay the loan component of such funds, interest accrued thereon and other charges to REC.

GoB has set up a State Level Standing Committee (SLSC) to vet the district-wise list of villages, habitations and BPL HHs to be covered under the scheme and recommend the projects formulated by the implementing agency in accordance with the guidelines.

For the State schemes, timely release of funds was the main role of the State Government.

Audit Objectives

2.6 The Performance Audit was conducted with a view to assess whether:

- Planning and execution of schemes/works was done in an efficient, economic and effective manner;
- There was prudent financial management for sustainable electrification in rural Bihar;
- Effective control mechanism was in place for project implementation, and
- The overall objective of rural electrification through various Central and State Government schemes was achieved.

Audit Criteria

2.7 The audit criteria considered for attaining the audit objectives were:

- Office memorandum and guidelines for RGGVY/ DDUGJY;
- Instructions as per sanction letters of MVSNY and other works;
- State Rural Electrification Plan; The Electricity Act, 2003;
- Bihar Financial Rules 2005;
- Guidelines/Instructions/Circulars/Tariff Orders issued by GoI/REC/ GoB, Bihar Electricity Regulatory Commission (BERC), Electricity Board and tripartite agreement executed between REC, State Government and the DISCOMs for implementation of the schemes;
- Agenda notes and minutes of the meetings of Board of Directors (BoD) of the DISCOMs; and
- Minutes of meetings of State Level Standing Committee and District Level Co-ordination Committee with respect to rural electrification works.

Scope and Methodology of Audit

2.8 The Performance Audit was conducted from August 2018 to November 2018 with a view to assess the performance in conceptualisation and implementation of schemes/projects for rural electrification and their achievements with reference to the objectives set for the same. The audit covered the period from 2013-14 to 2017-18 based on scrutiny of documents/ information maintained in the DISCOMs Headquarters, their field units and Energy Department, GoB.

The methodology comprised of explaining the audit objectives to the Principal Secretary, Energy Department, GoB and Management in an entry conference held on 29 August 2018, examination of records and related documents, issue of preliminary audit observations, on-site inspection, beneficiary survey and discussion with Management followed by an exit conference with the Principal Secretary, Energy Department, GoB and Management held on 08 February 2019.

Sampling

2.9 The rural electrification schemes (excluding DDG and full-scale electrification of villages under BRGF[2]) are being implemented in 38 projects/ districts in the State. Out of these, eight projects[3] (i.e. four projects of each DISCOM) forming 21.05 *per cent* of total number of projects were selected on random sampling basis for assessing implementation of RGGVY and DDUGJY besides State schemes. These eight districts accounted for projects with sanctioned cost of ₹ 2,661.72 crore (18.77 *per cent* of total sanctioned cost of ₹ 14,177.91 crore) under RGGVY and DDUGJY.

[2] DDG and full-scale electrification of villages under BRGF schemes were implemented in 11 districts each.

[3] Gaya under 11 FYP phase II and Jehanabad, Munger and Sheikhpura under 12 FYP for SBPDCL. Similarly, Purnea and Kishanganj under 11 FYP phase II and Muzaffarpur and Sitamarhi under 12 FYP for NBPDCL

Two blocks from each selected district, two villages from each selected block and five beneficiaries from each selected village were selected for beneficiary survey of RGGVY scheme. The districts selected under RGGVY scheme were also selected for DDUGJY and other schemes/works for detailed audit.

The records related to implementation of schemes/works were seen during audit at Headquarter offices of the DISCOMs, offices of the Electrical Superintending Engineer (ESE) in respective circles, offices of the Electrical Executive Engineer (EEE) (Project) in selected districts and Energy Department, GoB.

Acknowledgement

2.10 Audit acknowledges the cooperation and assistance extended by the officials of the DISCOMs.

Audit findings

2.11 Audit findings are discussed in the succeeding paragraphs.

Planning of RE schemes/works

2.12 The DISCOMs are responsible for formulation, development and implementation of the projects in the districts falling under their jurisdiction. The schemes (RGGVY and DDUGJY) involved preparation of Detailed Project Reports in line with REC's guidelines and specifications. The erstwhile BSEB had appointed consultants for preparation of DPRs under RGGVY 11 FYP phase II and 12 FYP whereas DPRs under DDUGJY had been prepared by the DISCOMs themselves. Irregularities noticed are discussed in the following paragraphs:

Deficiency in Rural Electrification Plan

2.12.1 GoB notified (August 2012) a Rural Electrification Plan (REP) for providing access to electricity for all RHHs which would improve the standard of living of the rural populace apart from all- round development.

Para 3.7 of REP stipulates that the State and the distribution licensee would facilitate coordination in policy and planning between electricity supply institutions and other sectors such as rural industries, food processing, cold chain and various economic services to promote economic load development.

Further, in the DPR prepared by the DISCOMs for DDUGJY it was stated that the Agriculture Department has also drawn up (April 2012) a road map for increasing agricultural productivity levels in the next two five-year plans 2012-17 and 2017-22. Detailed projected power requirement for agro-based industries, food processing industries and animal husbandry & fisheries as per the road map was 108 MW in 2017-18 which would increase upto 160 MW till 2021-22.

Audit noticed that the Government/DISCOMs did not plan any scheme so that load requirement for these industries could be met. Thus, planning for rural electrification for promoting rural industries was deficient to that extent.

The Energy Department stated (March 2019) that in the DPR infrastructure work has been considered under two broad categories i.e. Rural Electricity Distribution Backbone (REDB) which caters to the requirement of all kinds of load including load of rural industries (5kw per 500 RHH) and Village Electricity Infrastructure (VEI) which primarily caters to load of rural households, both APL and BPL.

The reply of the Department is not acceptable as the load of 5kw per 500 RHH was considered for small industries only whereas the requirement of food processing, cold chain, agro-based industries, food processing industries, etc. requiring load above 5kw were not considered in the DPR.

Avoidable expenditure on engagement of consultants

2.12.2 As per Rule 131W of Bihar Finance (Amendment) Rule, 2005, engagement of consultants may be resorted only when the concerned Department does not have requisite expertise.

As per the guidelines of RGGVY 11 FYP, proper survey was to be done for preparation of the DPRs. The erstwhile BSEB invited bids (November 2010) for detailed survey and preparation of DPRs for full-scale electrification works in villages/ habitations covered under 10 FYP and 11 FYP of the scheme. On the basis of the Notice Inviting Tender (NIT), three agencies were engaged for the work for ₹ 19.57 crore.

Audit noticed that:

- BSEB did not analyse the work to be outsourced or to be undertaken by the Board itself. Since adequate expertise by way of technical manpower was available, hence preparation of DPRs[4] by outsourcing could have been avoided by the Management to safeguard its financial interest as evident from the fact that DPRs under DDUGJY had been prepared by the DISCOMs on their own.
- In six[5] out of eight test-checked districts it was observed that there was wide variation between the quantities assessed in Letter of Award (LOA) and actual executed quantities. The differences were mainly in the work of PSC[6] pole, conductors, distribution transformer (DTR), aerial bunch cable, new low tension line and new distribution sub-station work. The variation ranged from (-) 70 *per cent* to (+) 791 *per cent* as shown in ***Annexure 2.6.*** This huge variation indicated that DPRs were prepared without detailed survey as envisaged in the tender.
- Further, the Monitoring Committee while approving (December 2013) the DPRs under 12 FYP (2012-17) of RGGVY, directed DISCOMs to recast the DPRs based on sanctioned parameters of 12 FYP[7]. The DPRs of 27 districts were got recasted by the DISCOMs from the same outsourced agencies at an additional cost of ₹ 3.06 crore for which no provision was there in the agreement.

[4] The DPRs were prepared by the consultants during the period 2011-13.
[5] Munger, Muzaffarpur, Sitamarhi, Sheikhpura, Gaya and Jehanabad.
[6] Pre-Stressed Concrete.
[7] Villages and habitations (of population 100 and above) which have not been covered under 10 and 11 Plan were made eligible to be covered under 12 Plan.

Preparation of DPRs by engaging consultants in violation of Rule 131W of BFR, resulted in avoidable expenditure of ₹ 22.63 crore

Thus, by engaging consultants for preparation of DPRs, the Board violated Rule 131W of the Bihar Finance (Amendment) Rule, 2005 which resulted in avoidable expenditure of ₹ 22.63 crore.

The Energy Department stated (March 2019) that the strength of technical officers in the organisation was very less and that too consisting of newly recruited engineers of 2009, 2011 and 2012 batch and the requirement for DPRs was for full-scale electrification which involved detailed survey work. Thus, BSEB decided to take assistance of consultants for preparation of DPRs.

It was further stated that revision in the DPRs was required due to change in guidelines for preparation of DPRs as issued by REC (September 2013) and the revised DPRs were to be submitted within a very short time. Hence, the newly restructured companies i.e. SBPDCL and NBPDCL after unbundling of BSEB were practically under compulsion to seek the assistance of the previously hired three agencies.

The reply of the Department is not acceptable as significant experience had already been gained by the organisation which came into existence long back. Besides, the reason given for hiring consultants for preparation of DPRs i.e. shortage of manpower was not found recorded at the time of decision to appoint consultants. As regard the revision in the DPRs due to change in guidelines/scope for preparation of DPR, the Department has not stated the conditions of the agreement under which additional payment has been made.

Loss of grant due to preparation of DPR without actual survey

2.12.3 As per the guidelines of DDUGJY, the utility shall formulate district-wise bankable DPRs based on detailed field survey. SBPDCL formulated (June 2015) DPRs for separation of agriculture and non-agriculture feeders and strengthening, augmentation of sub-transmission and distribution network under DDUGJY scheme at a cost of ₹ 2,433.13 crore. REC accorded its approval (July 2015) to the DPR and sanctioned the said amount which included 60 *per cent* as grant by GoI. Accordingly, SBPDCL awarded (December 2016) the work to 12 contractors at a cost of ₹ 2,552.28 crore. The contractors conducted actual survey for execution and informed (June to August 2018) that all agricultural pumps/tube-wells could not be energised under the awarded cost. Therefore, to cover the left-out consumers (i.e. 1.39 lakh) an additional estimate of ₹ 1,632.67 crore[8] was prepared by SBPDCL.

Preparation of DPR without actual survey resulted in short approval of project cost which led to loss of grant to the State by ₹ 979.60 crore

Thus, preparation of DPR without actual survey/need assessment resulted in short approval of project cost by ₹ 1,632.67 crore which ultimately resulted in loss of grant to the State by ₹ 979.60 crore being 60 *per cent* of the additional project cost.

The Department stated (March 2019) that considering limitations in meeting the entire requirement of each State due to availability of limited funds under the scheme, all the states in the country were tentatively indicated the amount under which the DPR was to be prepared and submitted for sanction. Accordingly, the DPR of ₹ 2,433.13 crore for SBPDCL was submitted for sanction.

[8] The additional estimate of ₹ 1,632.67 crore was yet to be approved by the State Government (January 2020)

The reply is not acceptable since the Department cannot anticipate the extent of rejection/pruning of quantities and cost projected in DPRs by GoI. As such, the full cost estimates were required to be sent for approval. This is also evident from the fact that the REC accorded sanction to the cost projected in the DPRs as sent by the DISCOMs. Moreover, documents indicating tentative amount proposed for Bihar by REC were not submitted in support of the Department's reply. Thus, failure of the DISCOMs to include total number of tube-wells under DPRs as surveyed by the contractors resulted in short approval of project cost.

Non-preparation of Repair & Maintenance and Assets Replacement Plan

2.12.4 The guidelines for preparation of DPRs under 12 FYP of RGGVY issued (September 2013) by REC stated that the State Governments shall have to clearly indicate the mechanism that would be adopted by them to ensure maintenance of the assets created. Further, REP (August 2012) of GoB also stated that special efforts would be made so that not only adequate revenue is generated to cover the cost of power supplied, Operation and Maintenance (O&M) expenses and loan servicing but also fund is generated for replacement of the assets in future without need for any capital subsidy.

In the Executive Committee meeting (October 2016) of Bihar Vikas Mission[9] (BVM) chaired by the Chief Secretary, GoB, it was directed that a new maintenance policy may be formulated for newly created infrastructure.

Scrutiny of records revealed that assets created under RE schemes were put to use since 2014-15. During the years 2015-16 to 2017-18, DISCOMs incurred an amount of ₹ 133.22 crore on O&M of these assets and charged depreciation of ₹ 277.54 crore on the fixed assets of ₹ 9,679.34 crore created under rural electrification schemes, as per Annual Accounts as detailed in ***Annexure 2.7***.

DISCOMs have not framed any maintenance plan or created replacement fund such as sinking fund reserve to cope with the rising O&M expenditure and replacement of assets

It is evident that significant amounts will be required not only for maintaining the infrastructure created but also for replacement of infrastructure. However, audit observed that the DISCOMs have not framed any maintenance plan or created any replacement fund such as sinking/reserve fund to cope with the rising O&M expenditure and replacement of assets contrary to the guidelines of RGGVY and the direction of Chairman, Executive Committee of BVM.

The Energy Department stated (March 2019) that a comprehensive maintenance policy has been approved for both DISCOMs by BoD in its 87th meeting held on 24 January 2019, which includes both preventive maintenance and breakdown maintenance.

The reply confirms the audit observation as action was taken after the matter was pointed out by audit in November 2018.

Non settlement of insurance claims

2.12.5 As a disaster recovery plan, the DISCOMs took insurance coverage for all assets/infrastructure created. Details of sum assured, premium paid, claim submitted and received by both the DISCOMs during the period 2013-14 to 2017-18 are as follows:

[9] The Government of Bihar has constituted the Bihar Vikas Mission, to ensure the implementation and monitoring of achievement of seven resolves (*Saat Nischay*) for development of Bihar.

Table No. 2.1: Statement of Sum assured, Premium paid, Claims submitted & received

(Amount: ₹ in crore)

Name of the DISCOM	Sum assured	Premium paid	Claims submitted	Claims received as on March 2019	*Per cent* of claim received
SBPDCL	7,137.52	8.42	10.04	3.40	33.86
NBPDCL	8,915.78	9.50	12.02	0.77	6.41
Grand Total	**16,053.30**	**17.92**	**22.06**	**4.17**	**18.90**

Audit noticed that:

- DISCOMs paid premium of ₹ 17.92 crore during the period 2013-14 to 2017-18 against which they submitted claims of ₹ 22.06 crore as on 31 March 2019. However, only ₹ 4.17 crore had been received till 31 March 2019 from the insurance companies against the claims lodged. Reasons for short recovery of claims were non-submission of required paper/documents to the insurance companies relating to proof of claim lodged.
- Further, in five[10] districts, Audit also noticed that there was loss of assets worth ₹ 4.78 crore (₹ 3.55 crore in NBPDCL and ₹ 1.23 crore of SBPDCL) during 2013-14 to 2017-18. However, the DISCOMs did not submit the claims with all required documents due to failure to obtain the same from the concerned departments[11], owing to which the claims were declined. This shows the lackadaisical approach of the DISCOMs in submitting claims to the insurance companies.

Thus, settlement of claims by the insurance companies was significantly low and some claims of loss of assets could not be lodged with the required documents.

The Energy Department stated (March 2019) that to speed up the claim realisation and facilitate in insurance related procedural activities, SBPDCL and NBPDCL have appointed (April 2018) an agency. As a result, DISCOMs realised ₹ 50 lakh in 2015-16 and settled its claim at ₹ 77 lakh for 2017-18. The Department further stated that though the claims for damage were lodged with the insurer but due to want of specific documents from other departments, the claims were declined.

The reply of the Department confirms that the system of lodging claim for their settlement/realisation was ineffective which compelled the Management to appoint an external agency to streamline this area.

Recommendation:

The DISCOMs should strictly adhere to the Scheme guidelines and ensure due diligence in preparation of DPRs.

Project management

2.13 Audit examined execution of projects in eight districts (sanctioned cost of ₹ 2,661.72 crore) out of 38 districts (sanctioned cost of ₹ 14,177.91

[10] Jehanabad, Kishanganj, Purnea, Sheikhpura and Sitamarhi.

[11] Verification report from the Police Department, report from the Meteorological Department and Disaster Management Department etc.

crore) under RGGVY and DDUGJY besides State schemes as discussed in para 2.9. The deficiencies observed during examination of records at the Headquarters of the DISCOMs and in execution of work are discussed below:

Delay in implementation of RGGVY scheme

2.13.1 RGGVY provided a time cycle of completion of project as two years from the date of award of a project. The DISCOMs awarded (July 2013 – December 2014) the work under RGGVY on turnkey basis to 29 turnkey contractors (TKCs)[12] at a total cost of ₹ 8,706.88 crore[13]. The scheduled time for completion of the projects was 24 months i.e. July 2015 to December 2016. The physical progress as of March 2019 of the scheme is detailed in ***Annexure 2.1.***

As can be seen from the Annexure, while extent of electrification of villages/ habitations achieved by the DISCOMs as of March 2019 was in the range of 91 *per cent* to 100 *per cent*, the service connections to BPL HHs in comparison to the sanctioned quantity was in the range of 32 *per cent* to 53 *per cent* only. Item-wise analysis of eight test-checked districts is given in ***Annexure 2.8.*** From the Annexure it can be seen that the number of Power Sub-stations (PSS), 11 KV lines, 33 KV lines, distribution transformers (DTR) and LT lines required to be installed was not achieved/achieved in excess of the quantity finalised by DISCOMs after survey and ranged from zero *per cent* to 296.14 *per cent*. Even after lapse of two years from the scheduled date of completion, the DISCOMs could not complete the projects in all respects. Reasons for the slow progress of work were non-availability of PSC poles, right of way (RoW) problems, delay in approval of Bill of Quantities (BoQ) and award of work to ineligible bidders.

While accepting the observation, the Energy Department stated (March 2019) that delay was largely due to the fact that during execution of this project, GoB/GoI asked the DISCOMs to undertake rural electrification work not limited to villages and habitations only but to cover the households as well.

The reply of the Department is not acceptable as coverage of households was already included in RGGVY guidelines issued by MoP in 2012.

Delay in implementation of DDUGJY scheme

2.13.2 DDUGJY provided a time cycle for completion of projects as two years from the date of award of the project. The DISCOMs awarded (January 2017– March 2017) the work under DDUGJY on turnkey basis to 23 TKCs[14] at a total cost of ₹ 6,287.84 crore[15]. The scheduled time for completion of the projects was 24 months i.e. January/ March 2019. The physical progress of the scheme as of March 2019 is detailed in ***Annexure 2.2***.

Audit noticed that the work was not being executed as per approved PERT chart and after lapse of 24 to 26 months, the execution of work was far behind the scheduled time as can be seen from the Annexure. As against

[12] TKC in SBPDCL: 13 and TKC in NBPDCL: 16.

[13] SBPDCL: ₹ 3,411.00 crore and NBPDCL: ₹ 5,295.88 crore.

[14] TKC in SBPDCL: 12 and TKC in NBPDCL: 11.

[15] SBPDCL: ₹ 2552.28 crore and NBPDCL: ₹ 3735.56 crore.

DPR/awarded quantity of construction of 296 PSS, only 117 PSS were constructed. Similarly, as against construction of 1,312 agriculture feeders, 810 non-agriculture feeders and installation of 70,651 DTR, only 698 agriculture feeders and 182 non-agriculture feeders were constructed and 16,558 DTRs were installed till March 2019.

The reasons for the poor progress were delay in handing over of land for construction of PSS, delay in approval of GTP[16] and drawings, delay in finalisation of BoQ and non-identification of direction of HT and LT lines, all of which were factors within the control of the DISCOMs. Further, lackadaisical approach of the contractors as well as deployment of inadequate manpower also resulted in slow progress of work.

While accepting the observation, the Energy Department stated (March 2019) that due to certain technical issues cropping up during finalisation of vendors for procurement of key materials as per technical specifications of new Standard Bidding Document[17], the finalisation of vendors and procurement of material could effectively be started from the last quarter of 2017 after getting clarification (August 2017) from REC and the work gained momentum subsequently.

The reply of the Department is not acceptable as hindrances were required to be removed before start of execution of work. Further, the reply is silent on delays occurring after award/commencement of work.

Use of non-conventional energy (Decentralised Distributed Generation Scheme-DDG)

2.13.3 The work of DDG projects was awarded (May 2017) at a cost of ₹ 272.03 crore. The LOA included installation of 6,016 standalone units and 522 Mini Grid Plants (MGP) with scheduled date of completion as December 2017. Against the original scope of 6,016 Stand Alone System (SAS) units, the same was revised (September 2018) to 10,965 units. Against the revised target of 10,965 units, 9,725 units were installed till September 2018. Similarly, against the original scope of 522 MGP, the same was revised (September 2018) to 374, out of which only 205 MGP were installed till September 2018. Audit observed that provisional extension of time upto April 2019 was granted while deferring the decision on recovery of penalty and liquidated damages to final time extension.

The reasons for not completing the projects was mainly attributable to delay in handing over of land by the DISCOMs, revision in scope and location of villages at remote sites.

While accepting the observation, the Energy Department stated (March 2019) that arrangement of land in inaccessible areas where DDG projects are mostly situated had been a challenging task for the DISCOMs. Depending upon the availability and size of land, the number and rating of MGP and SAS also varied which contributed to revision of scope and location of MGP and SAS making the task of completion a difficult and challenging one.

16 Guaranteed Technical Particulars (GTP).

17 Technical specifications of Power transformers, Distribution transformers, XLPE cable, etc.

Cost over-run on RGGVY projects under 12 FYP

2.13.4 As per the guidelines, DISCOMs were required to prepare DPRs based on updated Schedule of Rates (SoR) to avoid revision in estimates. Therefore, for preparation of cost estimates, the DISCOMs should have an SoR and the same should be updated periodically with the market rate so as to avoid preparation of cost estimates at lower rates and consequent under approval of the project cost as REC approved the project cost based on the estimates submitted by the DISCOMs. Further, as per tripartite agreement between REC, GoB and DISCOMs for RGGVY 12th FYP, cost overrun, if any, on any ground shall not be entertained and has to be borne by GoB.

For preparation of DPR of 27 projects under RGGVY (12 FYP), the work was awarded (April 2011) to three agencies and the DPR was sent for approval of GoI in November 2013. Accordingly, GoI sanctioned (December 2013/ January 2014) 27 projects valuing ₹ 4,959.64 crore[18] under RGGVY 12th FYP.

Audit noticed that the work was awarded to TKCs during August 2014 to December 2014 for ₹ 5,882.36 crore, i.e. 14.51 *per cent* above the sanctioned cost resulting in cost overrun. The main reasons for increase in project cost were non-realistic preparation of cost estimates. Since DISCOMs did not have an SoR, they prepared the cost estimates on the basis of item rates of previous finalised contracts of similar projects. On comparing the rates of items of 12th FYP projects with that of sanctioned rates of 11th FYP phase II projects, it was found that the DPR rates for 12th FYP projects were 2.31 *per cent* to 29.66 *per cent* lower than the sanctioned rates for 11 FYP phase-II projects.

Non-preparation of SoR by DISCOMs resulted in additional burden of ₹ 830.47 crore on the State exchequer

Thus, failure of the DISCOMs to have a Schedule of Rates (SoR) resulted in additional burden of ₹ 830.47 crore (90 *per cent* of ₹ 922.75 crore[19]) on the State exchequer.

While accepting the fact of lack of SoR, the Department stated (March 2019) that against a total DPR cost of ₹ 8,914.45 crore for all 27 districts an amount of ₹ 5,220.67 crore only was sanctioned. Hence even if their SoR would have been updated regularly and DPR prepared on it, that would not have any bearing on the sanctioned amount of DPR and as such there is no question of additional burden of ₹ 830.47 crore on the State exchequer.

The reply of the Department is not convincing as reasons for approval of lesser amount by REC was deviation in scope of work and not rates. Thus, excess burden on the State exchequer was incurred due to non-preparation of updated SoR by the DISCOMs.

Undue favour in award of work to PMA

2.13.5 NIT was issued (August 2016) for appointment of Project Management Agency (PMA) for providing services for implementation of service connections to above poverty line (APL) HHs under State Plan Scheme (MVSNY) in all 17 districts of SBPDCL. As per clause 12 of

[18] Sanctioned cost: ₹ 5,220.67 crore less five *per cent* supervision charge

[19] Difference of sanctioned cost (excluding supervision charges) and award cost.

section 1A of eligibility criteria of NIT, the price bid for NBPDCL will be opened first and in no case would price part of the bid for SBPDCL be opened if a bidder is declared L1 in NBPDCL.

Audit noticed that four bidders submitted their bids for SBPDCL. In technical bid evaluation, two firms were declared unacceptable/non-responsive on the ground of non-submission of requisite documents. Further, due to application of clause 12 of the NIT, out of two eligible bidders, the price part of only one bidder was opened (October 2016). The quoted rate of the agency was ₹ 77.17 crore. SBPDCL, after holding negotiation with the agency, awarded (April 2017) the work at ₹ 44.28 crore. While seeking ex-post facto approval from BoD (July 2017), the Management cited the reason for reduction in cost as withdrawal of survey of rural households from the scope of work as the same had been completed by SBPDCL.

In this regard, Audit observed that:

- The tender evaluation committee rejected the offer of two bidders on grounds[20] which could have been clarified by seeking clarification from them. In case of appointment of TKC for implementation of this project, various required papers[21] were not submitted by the bidders, however, the Company awarded the work after seeking additional clarifications from bidders.
- Besides, out of two technically qualified bidders, one bidder was not considered in light of provision of clause 12 of section 1A as he was declared L1 in NBPDCL. The bid of the remaining single bidder was opened (October 2016). The quoted rate of the bidder was ₹ 77.17 crore. After five months, negotiation was held with the bidder in March 2017 in which the quoted rate was lowered by 43 *per cent* to ₹ 44.28 crore. The reason for reduction in quoted rate during negotiation was intimated to the BoD as reduction in substantial portion of survey work from the scope of the PMA, thereby requiring less manpower. This was factually incorrect since scope of the work in NIT did not include survey work of rural HHs and accordingly the quoted rate also did not include the same.

Thus, from the above facts it was clear that a single financial bid was opened and the Management was unable to verify the competitiveness/ reasonableness of the quoted price which did not serve the interest of the Company. Further, Management also placed incorrect facts before the BoD for approval of the appointment of PMA, which resulted in extension of undue benefit to the bidder by awarding the work valued at ₹ 44.28 crore.

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[20] One bidder on the ground that though under bid validity period the agency mentioned "Yes", it did not submit the supporting document and it also did not submit the Notarised Affidavit regarding truthfulness and correctness of documents though it mentioned "Yes" in the relevant column. In case of the other bidder, the Company rejected the agency on the ground that it did not submit Annual Audited Accounts for the year 2015-16 and documents of project cost (experience certificate). Further, it mentioned incorrect NIT number in Notarised Affidavit.

[21] Certificate of CA as well as affidavit of turnover for electrical work for computation of Minimum Annual Average Turnover (MAAT), Quality Assurance Program (QAP), Certificate from Bank confirming the liquidity of tenderer, document related to EPF, Sale tax registration number, work completion schedule, etc.

The Department stated (March 2019) that there was no provision in the tender document to seek clarifications against the submitted documents from bidders. With regard to lowering of quoted price and placing incorrect facts before BoD, it was stated that a fresh NIT was invited (August 2016) for PMA with reduction in scope of survey work.

The reply of the Department was not correct as there were provisions available under para 18 and para 20 of the bid document for Management to seek further clarification from responsive bidders. Further, the survey work was not under the scope of PMA in the NIT of August 2016 and the rate was also quoted accordingly. The Management, however, put the reduced scope of work as justification for lowering of rate by 43 *per cent* before BoD which was incorrect and misleading.

Undue favour to PMA

2.13.6 To provide project management services for rural electrification work in five districts[22] of SBPDCL, M/s Louis Berger was appointed (November 2013) as a PMA under RGGVY-11 FYP phase II. As per para 6.0 of Letter of Award (LOA), PMA was required to deploy a supervision team consisting of minimum eight personnel in each district and a team leader at Company Headquarters along with other required personnel. Further, para 16.2 provided that in case of significant deficiencies in service causing adverse effect, penal action including debarring for a specified period may be initiated. However, details of penal action to be taken in case of default by PMA *viz.*, amount of penalty, stage of penalty, etc. was not included in the LOA.

Scrutiny of records revealed that the PMA did not deploy the minimum eight number of manpower per district as required under LOA. As against requirement of 40 persons (eight for each of the five districts), only 27 persons were deployed. Further, the service of PMA was continued without a team leader for more than three years and meetings called by SBPDCL to review the monitoring of the project were also not attended by the PMA. On account of deficiency in service rendered, SBPDCL withheld (June 2016) the payment of ₹ 3.18 crore. However, the same was subsequently released (March 2017) after assurance from the PMA to improve the service.

Audit observed that despite deficiencies observed in rendering of service, SBPDCL could not impose any penalty for short deployment of manpower because of absence of a suitable clause in the agreement which resulted in undue favour to the PMA.

The Energy Department stated (March 2019) that considering filling up of vacant post of team leader by the PMA and their submission about non-improvement in the performance of the contractor despite their efforts and hardship faced by them due to non-payment, the withheld amount was released by SBPDCL. The Department further stated that as the final closure

[22] Patna, Rohtas, Banka, Gaya and Nalanda.

of the project was not ensured by the PMA, process of debarment against the firm[23] has been initiated for not fulfilling the deliverables.

The reply of the Department is not acceptable as release of withheld amount on the basis of submission of the PMA was not justified as it had already failed in deployment of adequate manpower. Further, action taken by the Department by debarring the firm from participation in future tenders confirms the audit contention.

Irregular expenditure over sanctioned cost on PMA

2.13.7 As per the guidelines of DDUGJY, PMA was to be appointed to assist DISCOMs in project management and ensure timely implementation of the projects. 100 *per cent* grant was to be provided by GoI towards expenditure incurred on PMA up to 0.5 *per cent* of approved project cost (₹ 5,827.22 crore) or award cost (₹ 6,287.84 crore), whichever was lower. The DISCOMs had to bear any additional cost on deployment of PMA from their own sources. As per the guidelines, the term of appointment of the PMA was 33 months i.e. six months for completion of bidding process, 24 months for completion of works and three months for associated activities after completion of the works.

Audit observed that:

- As against the term of 33 months as per the guidelines, the PMA for both the DISCOMs (SBPDCL and NBPDCL) were deployed (January 2016) for a period of 42 months i.e. an excess period of nine months for which no justification was found on record.

DISCOMs hired PMA at an excess cost of ₹ 43.35 crore over the sanctioned amount of ₹ 29.14 crore

- PMA was hired at a cost of ₹ 72.49 crore i.e. at an excess cost of ₹ 43.35 crore over the sanctioned amount by GoI for PMA i.e. ₹ 29.14 crore.
- Further, expenditure of ₹ 50.40 crore has already been incurred (September 2018) for the services of PMA without getting fund for the additional expenditure of ₹ 21.26 crore which was made by diverting the DDUGJY project fund without approval of REC.

The Department stated (March 2019) that in order to meet the DISCOMs' specific requirement, appointment of PMA was made for maximum period of 42 months instead of 33 months. The Department further stated that additional fund for PMA has been sanctioned by GoB in February 2019.

The reply of the Department is not acceptable as the guidelines stipulated the term of appointment of PMA for the said work as 33 months only. Further, the State Government has given sanction for additional fund in February 2019 after being pointed out by audit in September 2018. However, payment was already being made by diverting the DDUGJY project fund without approval of REC.

Excess expenditure on PMA under DDUGJY

2.13.8 As per the guidelines of DDUGJY relating to appointment of PMA, 10 *per cent* payment was to be given as mobilisation advance, 80 *per cent*

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[23] The agency has been debarred (April 2019) from participating in all future tenders of SBPDCL from the date of issue of letter, till competition of the work of PMA against RGGVY 11th plan phase-II.

in a phased manner as per achievement of project milestones and remaining to be released after three months of completion of works.

However, in the Request for Proposal (RFP), the above guidelines were modified and it was mentioned that 15 *per cent* of the contract value was to be paid as interest-bearing mobilisation advance, 80 *per cent* was to be paid on the basis of value of admitted invoices and the balance five *per cent* was to be paid after three months of final project completion. Further, in case the PMA did not opt to take mobilisation advance, interim payment was to be made at 95 *per cent*. The PMA was appointed for a period of 42 months at a cost of ₹ 72.49 crore (excluding service tax/IGST) by the DISCOMs.

The PMA did not take any mobilisation advance and the DISCOMs made payment of ₹ 40.96 crore at 95 *per cent* of invoice value amounting to ₹ 43.12 crore (59.48 *per cent* of PMA's contract value) to the PMA as on 30 September 2018. However, as against the total project cost of ₹ 6,287.84 crore under DDUGJY, total expenditure incurred (September 2018) on the project was ₹ 1,617.44 crore (25.72 *per cent* of total project cost).

In this regard, audit observed the following deviation in the terms of NIT[24] from the DDUGJY scheme guidelines:

- The payment to PMA was not based on the achievement of project milestones which resulted in excess payment of ₹ 22.03 crore i.e. (33.76[25] *per cent* of ₹ 72.49 crore × 90 *per cent*) to the PMA.
- Interim payment to the PMA was made at 95 *per cent* instead of 90 *per cent* of the contract value in violation of the guidelines which resulted in excess payment of ₹ 2.16 crore (5 *per cent* of ₹ 43.12 crore) to the PMA.

DISCOMs failed to execute the agreement as per DDUGJY guidelines which resulted in excess payment of ₹ 24.19 crore to PMA

Thus, failure of the DISCOMs to execute the agreement as per the REC guidelines resulted in excess payment of ₹ 24.19 crore.

The Department stated (March 2019) that all the payments to the PMA have been done as per NIT / LOA clause and the terms of payment as envisaged in DDUGJY guidelines are indicative in nature and not linked with the contractor's payment. They further stated that in light of their earlier experience of engagement of PMA based on achievement of project milestone, PMA was engaged on man-month basis.

The reply of the Department is not acceptable as indicative terms of payment should have been modified in the interest of the DISCOMs. Hence, the DISCOMs should have suitably incorporated the clause of 80 *per cent* payment in a phased manner as per achievement of project milestones in NIT/LOA so as to safeguard their financial interests.

Award of contract to ineligible bidder

2.13.9 For execution of rural electrification work under RGGVY for Lakhisarai, Sheikhpura, Jehanabad and Arwal districts, two NITs were issued (October 2014) on turnkey basis. Para 1.6 of the NIT stipulated

[24] Terms of NIT were approved by Board of Directors.

[25] Percentage of payment to PMA: 59.48 *per cent* – Percentage of payment to TKC (i.e. work done 25.72 *per cent*) =33.76 *per cent*

that the tenderers should furnish certificates by their bankers regarding the credit limit allowed to them and also banker's assessment of their solvency. Para 1.10 (ii) of the NIT provided that the bidder shall provide complete annual reports and audited accounts for the last five years immediately preceding the date of submission of bid. Besides, Para 1.15 (V) also stated that tenderers shall include the evidence of adequacy of working capital i.e. evidence to assess line of credit and availability of other financial resources. The work was awarded (November 2014) to the L1 bidder, at a cost of ₹ 307.17 crore[26] with completion schedule of 24 months.

In both the aforesaid NITs, Audit observed that the work was irregularly awarded on the recommendation of tender evaluation committee to an ineligible bidder by overlooking the clause of the NITs as the bid of the L1 bidder was technically deficient. The deficiencies observed were as below:

- As per the bid requirement, annual reports and audited accounts for the years 2009-10 to 2013-14 were to be submitted by the bidders. Accordingly, other bidders had submitted annual reports for the years 2009-10 to 2013-14. However, the L1 bidder submitted annual reports for five years from 2008-09 to 2012-13.
- As against the requirement of bid documents for bidders to furnish evidence of adequate working capital, the working capital of L1 bidder for the year 2013-14 was negative (- ₹ 81.59 crore).
- As regards fund-based credit facility, L1 bidder had already availed credit facility of ₹ 66.90 crore against limit of ₹ 64.27 crore (May 2014). Besides, in respect of non-fund based credit facility i.e. bank guarantees, the bidder had a sanctioned limit of ₹ 93 crore out of which it had utilised ₹ 53.31 crore (57.32 *per cent*).

Further, Audit noticed that though the works were scheduled to be completed by November 2016, achievement with respect to financial progress even after lapse of almost two years upto September 2018 was only 34 *per cent*. SBPDCL issued termination notice (September 2016), debarred the TKC from further participation in bid and invoked (April 2018) the performance bank guarantee of TKC. Besides, the TKC had sublet the work twice, first in March 2017 and thereafter in January 2018. Despite all this, the work was not completed.

Thus, lack of due diligence on the part of the DISCOM in technical evaluation of bids led to selection of an ineligible TKC having unsound financial position in terms of inadequate working capital and lack of credit facility. This also impacted project implementation which was visible from the poor progress of work.

The Energy Department stated (March 2019) that the NIT specified annual reports for the last five years and nowhere in the NIT were specific financial years like 2009-10 to 2013-14 mentioned.

[26] Lakhisarai: ₹ 113.28 crore, Sheikhpura: ₹ 26.41 crore, Jehanabad: ₹ 107.88 crore and Arwal: ₹ 59.60 crore.

As regards evidence of adequate working capital, the Department stated that the assessment of adequacy was to be seen in the light of the banker's (SBI) certificate regarding fund-based/non fund-based limits. In this certificate, the firm was having available limit of ₹ 37.06 crores.

The reply of the Department is not acceptable as the NIT specifically stipulated that the complete annual reports together with audited statement of accounts of the bidder for the last five years immediately preceding the date of submission of bid was to be furnished. Since bids were invited in October 2014, accounts upto 2013-14 were required to be submitted by the bidders. Thus, while evaluating the bid the Management ignored the words 'immediately preceding' and acted arbitrarily.

Further, the reply of the Department regarding adequate working capital was also not acceptable as despite considering available credit line and other financial resources of the bidder, the adequacy of working capital of the bidder came to (-) ₹ 44.53 crore (- ₹ 81.59 crore + ₹ 37.06 crore). Further, as per bank certificate, this credit limit was not given exclusively for this bid.

Extra cost due to lack of prudence in award of tenders under RGGVY and non-conventional energy (DDG)

2.13.10 In order to execute RGGVY scheme NBPDCL issued (August 2014) LOA to a contractor on turnkey basis for Begusarai district and Darbhanga district. The specifications of materials used in both districts were the same. Audit observed that the ex-works price[27] of various materials[28] to be supplied by the TKC were different for these nearby districts which resulted in extra cost for the same work.

Further, in order to execute DDG projects, SBPDCL issued (May 2017) LOA to another contractor. Similarly, NBPDCL also issued (May 2017) LOA to execute DDG scheme to the same contractor. Both the contracts were awarded on turnkey basis.

Audit observed that the specification of the materials used were same in both DISCOMs. The ex-works price for installation of 5 KW, 10 KW, 15 KW, 20 KW and 50 KW DDG plants along with associated works to be supplied by the same turnkey contractor were however different for both the DISCOMs.

Thus, failure to exercise financial prudence to keep ex-works cost of same items with the same contractor at the same level resulted in avoidable expenditure of ₹ 8.18 crore in two schemes by the DISCOMs.

The Energy Department stated (March 2019) that under turnkey execution of work in the power sector across the country, the tender is decided on the basis of lump sum lowest rate quoted by the bidder against a particular NIT and the individual rate quoted against different items has got no role in deciding the tender.

[27] Selling cost of goods at seller's factory.

[28] 5 MVA load tap changer, RCC base plate, Galvanised pre-fabricated steel material, 63 KVA transformer etc.

The reply of the Department was not acceptable as the bidders were required to quote item-wise rate of each component of work with the final overall cost. Thus, the same was comparable in case of similar items under different projects. Further, financial prudence requires that ex-works cost of the same items of the same contractor should not be different for SBPDCL and NBPDCL. This also indicates poor coordination between DISCOMs in finalising the turnkey contracts.

Deficiency in replacement of burnt/defective transformers

2.13.11 GoB released (October 2014) ₹ 333.49 crore for replacement of 14,822 burnt/defective Distribution Transformers of 10/16/25/40 KVA capacity installed under RGGVY-10 FYP and 11 FYP. The DISCOMs, with the consent of GoB, awarded the work to TKCs of 11 FYP phase-II and 12 FYP under variation clause with completion schedule of two and a half months due to urgency of work.

Audit noticed that the quantity was finally frozen (September 2015) to 10,388 DTs from the originally assessed 14,822 DTs and the same were installed. Subsequently, DISCOMs decided (May 2016) to replace the remaining 4,434 DTs through normal process of O&M, reasons for which were not found on record. Thus, the DISCOMs could not execute the total work of installation of 14,822 DTs though approval for the same was obtained from GoB. Audit further observed that total fund utilised for this work was only ₹ 199.60 crore and the balance amount of ₹ 133.89 crore was neither refunded to GoB despite lapse of 36 months nor was any approval for utilisation of the same in any other scheme obtained from GoB.

While accepting the audit observation the Department stated (March 2019) that the DISCOMs will return the balance fund to GoB after its reconciliation.

Failure of DISCOMs in vendor development

2.13.12 A number of projects were to be implemented under various schemes for rural electrification for which several materials were to be sourced from private vendors. Out of several required materials, items like poles, conductor, distribution transformer, cable, energy meter and power transformer were critical for implementation of the scheme. In view of huge requirement of materials for rural electrification, DISCOMs should have framed a policy for developing new manufacturers/vendors in the State for critical materials by giving technological support, making credit policy or relaxing some criteria like tax relief, assured supply guarantee, pricing preference etc. to enlarge the pre-approved list of vendors based on earlier laid down criteria[29].

Audit observed that the DISCOMs did not frame any policy for vendor development. It was also observed that out of six items critical for completion of projects, Management extended relaxation for new entrants in only one

[29] The firm should be in business for at least two years and its annual manufacturing capacity should be at least five times the ordered quantity and the firm should have supplied similar equipment/ item to Central/ State Power utilities in the last two years.

material i.e. PSC pole. Against the existing criteria of vendor approval, the TKCs of Gaya and Patna districts failed to supply PSC poles, conductors, DTs, cable and power transformers as per approved PERT chart. The TKCs had to supply almost 90 *per cent* of material till January 2015 but supplied only eight *per cent* to 42 *per cent* in Patna district and eight *per cent* to 56 *per cent* in Gaya district till January 2015.

Thus, the DISCOMs could not envisage the need for vendor development which hampered the progress of rural electrification.

The Department stated (March 2019) that keeping in view the rising demand due to rapid electrification, new vendors for various items are expected to establish themselves in the State.

The reply confirms the audit contention as it is silent on efforts taken for developing new vendors in the State in view of huge work of rural electrification undertaken by DISCOMs.

Recommendations:

The DISCOMs should:

1. **Ensure reasonableness/ competitiveness of rates before awarding the work.**
2. **Frame BoQ on the basis of current SoR and take up the matter with GoB to bear the burden of cost difference of sanctioned cost and awarded cost; and**
3. **Take corrective measures to control delays in implementation of projects.**

Financial management

Financial Performance and Working Results

2.14.1 The financial performance and working results of DISCOMs during the period 2013-14 to 2017-18 is depicted in ***Annexures 2.9*** and ***2.10.***

From the Annexures, it is evident that:

- DISCOMs failed to generate adequate revenue to cover the cost of power supplied as income earning on every rupee spent declined from ₹ 0.94 to ₹ 0.73 in SBPDCL and ₹ 0.97 to ₹ 0.87 in NBPDCL during the period.
- DISCOMs were yielding negative return on Capital Employed. Consequently, they were dependent on Government grant for capital expenditure and revenue subsidy for power supplied to rural consumers and excess transmission and distribution losses as compared to the targets fixed by the Bihar Electricity Regulatory Commission (BERC). Non-augmentation of earning capacity reflects poor financial performance of the DISCOMs triggering continued reliance on subsidy to sustain their operational functions.

The Energy Department stated (March 2019) that the DISCOMs' earning capacity has improved over the past few years and the dependency on Government subsidies and grants has also reduced as revenue from operations has increased by 22 *per cent* while revenue subsidies and grants have reduced by 43 *per cent* in FY 2017-18 from FY 2016-17.

The reply is not acceptable as during the given period income earned on per rupee spent decreased mainly due to increase in power purchase cost and AT&C losses remaining in excess of the limits prescribed by BERC.

As regards negative return on Capital Employed, the Department accepted the audit observation.

Billing and subsidy to rural consumers

2.14.2 For the year 2017-18, total energy billed by both the DISCOMs were 18,247.8 MUs, out of which power sold to rural consumers {(Kutir Jyoti (KJ), domestic consumer-I (DS-I), non-domestic-I (NDS-I) and Irrigation and Agricultural Services-I (IAS-I)} were 6,092.64 MUs (33.39 *per* cent). The billing and subsidy details in respect of rural consumers during 2013-14 to 2017-18 are given in table 2.2.

Table No. 2.2: Billing and Subsidy details in respect of rural consumers

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Average cost of supply (ACS)/ unit (in ₹)	6.73	6.79	6.84	6.81	7.73
Weighted Average Billing Rate (ABR) of rural consumers in ₹/ unit	1.24	2.27	2.03	2.24	1.51
Difference	5.49	4.52	4.81	4.57	6.22
Percentage of ABR in respect of ACS	18.42	33.43	29.68	32.89	19.53
ABR of all consumers in ₹/unit	4.56	4.28	4.30	4.32	4.57
Revenue subsidy provided by GoB (₹ in crore)	1,151.21	909.35	1,994.82	1,970.59	1,554.31

The number of rural consumers increased from 25.21 lakh in 2013-14 to 79.80 lakh in 2017-18 due to implementation of rural electrification schemes. It may be seen from the above table that the difference between the average billing rate of rural consumers also increased from ₹ 5.49 per unit (2013-14) to ₹ 6.22 per unit (2017-18). Due to difference in the average billing rate and average cost of supply to rural consumers, GoB provided revenue subsidy of ₹ 7,580.28 crore during 2013-14 to 2017-18 which increased the burden on the State exchequer from ₹ 1,151.21 crore (2013-14) to ₹ 1,554.31 crore (2017-18)**.** In order to make rural electrification schemes sustainable in the long run, DISCOMs are required to minimise the gap between revenue realised and cost of supply.

DISCOMs failed to minimise the gap between revenue realised and cost of supply

The Department stated (March 2019) that the utility's comprehensive plan to reduce AT&C losses, improve billing and collection efficiency coupled with realistic tariff increase and rationalisation to cover the costs sufficiently have made the DISCOMs financially more viable.

The reply of the Department is not convincing as gap in the average billing rate and average cost of supply to rural consumers had increased.

Avoidable subsidy for distribution loss

2.14.3 The State Government in consonance with para 3.9 of State's Rural Electricity Plan provides subsidy/resource gap to DISCOMs. Apart from providing revenue subsidy to DISCOMs, GoB also provided an amount of

₹ 7,745.86 crore as subsidy to meet the disallowed power purchase expenses due to difference in actual distribution loss and distribution loss approved by BERC during the period 2013-14 to 2016-17[30]. Further, in 2017-18, GoB also provided ₹ 1,476 crore as investment in equity to recoup the difference of actual distribution loss and distribution loss approved by BERC. Audit observed that the disallowed power purchase expense by BERC indicates inefficiency of DISCOMs to bring down the distribution losses.

Thus, the State Government provided funds for distribution loss in excess of loss approved by BERC which defeated the objective of promoting efficiency, profitability and viability of the DISCOMs.

The Energy Department stated (March 2019) that it was difficult for the DISCOMs to achieve the target of AT&C losses fixed by BERC within the stipulated time due to huge base of domestic consumers. Considering the practical difficulties in reduction of AT&C losses as per trajectory of BERC, the State Government has taken a conscious decision to provide financial assistance to the DISCOMs to meet the gap. Further, the Department stated that the support of the State Government towards shortfall in achieving the distribution loss target has also reduced over the years with improved performance of the DISCOMs.

The reply of the Department is not convincing as the Government provided financial assistance to the DISCOMs to meet the gap created due to inefficiency of the DISCOMs and the reduction in support of the State Government is due to increase in the target of the distribution losses consequent upon implementation of UDAY scheme in 2016-17 and 2017-18 as compared to the target[31] set by BERC.

Funds received and their utilisation

2.14.4 For creation of electricity infrastructure in rural areas of Bihar, ₹ 12,316.73 crore was provided by GoI and GoB till March 2019 under the following schemes. Financial progress of funds received and expenditure incurred against the sanctioned cost of the projects in the Schemes as on March 2019 is depicted in table 2.3.

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[30] The distribution loss during 2013-14 was 46.65 *per cent* in case of SBPDCL and 33.48 *per cent* in case of NBPDCL against target of 23 *per cent* approved by BERC for both the DISCOMs. Similarly the distribution loss during 2017-18 was 37.21 *per cent* in case of SBPDCL against target of 30 *per cent* and 25.22 *per cent* in case of NBPDCL against target of 24 *per cent* approved by BERC.

[31] Target as per BERC: 2016-17 and 2017-18: 19.25 *per cent* and 18.25 *per cent* for both DISCOMs respectively.
Target as per UDAY: 2016-17: 34 *per cent* for NBPDCL and 38 *per cent* for SBPDCL; 2017-18: 28 *per cent* for NBPDCL and 30 *per cent* for SBPDCL.

Table No. 2.3: Statement of funds received and their utilization

(₹ in crore)

Name of the Scheme	Number of districts involved	Sanctioned cost	Funds received from REC	Funds received from State Government	Total funds received	Expenditure incurred	Percentage of expenditure incurred against funds received (in *per cent*)	Percentage of expenditure incurred against the sanctioned cost (in *per cent*)
RGGVY	38 districts	8,350.69	5,422.70	1,076.88	6,499.58	7,514.57	115.62	89.99
DDUGJY	38 districts	5,827.22	2,758.53	897.91	3,656.44	2,981.91	81.55	51.17
Full scale electrification of villages	11 districts	837.62	-	834.87	834.87	686.20	82.19	81.92
Replacement of burnt/ defective transformers	38 districts	333.49	-	333.49	333.49	199.60	59.85	59.85
MVSNY	14 circles (38 districts)	1,897.50	-	992.35	992.35	795.29	80.14	41.91
Total		**17,246.52**	**8,181.23**	**4,135.50**	**12,316.73**	**12,177.57**	**98.87**	**70.61**

Audit observed the following:

- Short receipt of fund under RGGVY was due to decrease in number of BPL connections in comparison to estimated number of connections in DPR as discussed in **para 2.16.2**. The main reason for excess expenditure over the funds received was additional expenditure on execution of infrastructure projects[32] which was temporarily met from available funds of other schemes[33] and interest earned on project funds. DISCOMs requested REC to utilise the savings of BPL connections under infrastructure component. The request is under consideration (March 2019).
- Short receipt of fund under DDUGJY was due to poor physical progress of the scheme as stated in **para 2.13.2**.
- Replacement of only 10,388 burnt/defective transformers against the scope of installation of 14,822 transformers was the reason for short expenditure under the scheme for replacement of burnt/defective transformers as discussed in **para 2.13.11**.
- Short receipt of fund under MVSNY was mainly due to the reason that while approval of the scheme was taken for providing connections to 50 lakh consumers, however during implementation of the scheme the same was reduced to 15.26 lakh consumers after survey. Further, no fund was received after December 2017 due to merger of the scheme with the Saubhagya scheme of GoI.

While accepting the observation relating to short receipt of fund under RGGVY, the Energy Department stated (March 2019) that DPR was submitted to REC for approval. The Energy Department did not reply on

[32] Rural Electricity Distribution Backbone and Village Electricity Infrastructure

[33] DDUGJY, Replacement of burnt/defective transformers and Saubhagya

the poor physical progress of DDUGJY, short expenditure under the scheme for replacement of burnt/defective transformers and short receipt of fund under MVSNY.

Other financial irregularities

Non-reconciliation of fund disbursed by REC

Failure to reconcile the fund received from REC during July 2013 to March 2018 resulted in shortage of fund to the tune of ₹ 82.04 crore

2.14.5 As a prudent financial management measure the funds disbursed by REC for execution of projects should have been reconciled at regular intervals by the DISCOMs for safeguarding their financial interests. Audit observed that there was a difference of ₹ 82.04 crore between fund disbursed by REC and fund received by SBPDCL during July 2013 to March 2018. However, the Company failed to ascertain the reasons for short receipt of fund and also did not approach REC to reconcile the difference thereof. Failure of the Company to reconcile the same had resulted in shortage of funds to the tune of ₹ 82.04 crore in RGGVY 11 FYP and 12 FYP.

The Energy Department in its reply stated (March 2019) that reconciliation of fund with REC has been finalised and a letter has been sent by DISCOMs (February 2019) to Energy Department, GoB for reimbursement of the same.

Non-reimbursement of fund by GoB

2.14.6 An amount of ₹ 59.89 crore was payable (February 2015) by GoB to REC for the RGGVY loan sanctioned to it. Energy Department, GoB requested (March 2015) REC to adjust the loan amount against the claims of RGGVY funds. Accordingly, REC deducted (December 2017) the amount from the next instalment. Audit observed that although more than three years had lapsed since the amount had been deducted but the DISCOMs have not taken any effort to get the fund reimbursed from GoB.

The Department accepted the audit observation and stated (March 2019) that a letter has been sent (February 2019) by DISCOMs to the Department for reimbursement of the same.

Non-remittance of interest earned on scheme funds to GoI

DISCOMs failed to remit the interest earned on schemes funds of ₹ 116.57 crore to GoI

2.14.7 The guidelines of RGGVY stipulated that the amount accruing as interest on the unutilised RGGVY subsidy shall be remitted to the Ministry of Power (MoP), GoI account on yearly basis. Further, DDUGJY guidelines stated that any interest earned on DDUGJY capital subsidy/grant shall be remitted to the MoP at least once in a quarter. Audit observed that in contravention of the scheme guidelines, interest of ₹ 52.75 crore earned on unutilised funds under RGGVY 11 FYP Phase II, 12 FYP and DDUGJY was not remitted to MoP. Further, in line with the guidelines of the schemes, interest earned on mobilisation advances should also have been remitted to MoP. However, interest earned on mobilisation advance under the above mentioned schemes amounting to ₹ 109.95 crore was not remitted to MoP.

While accepting the observation, the Department stated (March 2019) that an amount of ₹ 46.13 crore was remitted to MoP. The balance amount has not been remitted due to shortage of fund under RE scheme. However, the amount of interest has been worked out and will be remitted after receipt of funds from REC.

Partial reimbursement and non-claiming of State and local taxes

2.14.8 As per tripartite agreement between REC, GoB and DISCOMs under RGGVY and DDUGJY, state and local taxes are to be borne by GoB.

Audit noticed that:

- The DISCOMs claimed an amount of ₹ 458.70 crore against an amount paid from RGGVY/ DDUGJY fund as entry tax during the years 2013-14 to 2017-18 and GoB reimbursed only ₹ 94.18 crore. Thus, an amount of ₹ 364.52 crore was yet to be received from GoB towards entry tax. Audit noticed that there was delay ranging from one month to 27 months in claiming of entry tax from GoB by the DISCOMs.

DISCOMs failed to claim the receivable amount of VAT amounting to ₹ 48.56 crore from GoB

- DISCOMs paid an amount of ₹ 48.56 crore from RGGVY fund as Value Added Tax (VAT) during the period 2013-17. However, in violation of the scheme guidelines, the DISCOMs did not claim the amount paid on account of VAT from GoB even after a lapse of five years.

While accepting the observation, the Department stated (March 2019) that an amount of ₹ 307.50 crore of entry tax pertaining to both DISCOMs was pending and it was in the process of reimbursement. It was further stated that DISCOMs were in the process of claiming reimbursement of VAT.

Diversion of DDUGJY's fund in purchase of land

2.14.9 As per DDUGJY guidelines, cost of land for sub-station is not eligible for coverage under the scheme.

DISCOMs made payment of ₹ 14.29 crore towards cost of land by diverting the fund of DDUGJY scheme in violation of the guidelines

Audit noticed that the DISCOMs made payments of ₹ 14.29 crore (September 2016 to September 2018) towards the cost of land for power sub-stations by diverting the funds of DDUGJY scheme in violation of the guidelines.

The Energy Department stated (March 2019) that it principally agreed for reimbursement of actual cost of land for construction of sub-station. For timely execution of the project, procurement of land was necessary and its payment was made from available funds.

The reply of the Department is not acceptable because as per the guidelines of DDUGJY, cost of land for sub-station is not eligible for coverage under the scheme. Further, the amount is yet to be reimbursed by the Department (January 2020).

Recommendations:

1. With the objective of promoting managerial efficiency, profitability and viability, the DISCOMs should make efforts to adhere to the target of distribution losses fixed by BERC to avoid burden on the State exchequer on this account;

2. The DISCOMs should strictly comply with scheme guidelines relating to fund management; and

3. The DISCOMs should reconcile the difference in disbursement and receipt of funds in a time-bound manner as this may be susceptible to fraud/misappropriation.

Monitoring process

2.15 Monitoring is a systematic process of collecting, analysing and using information to track progress of the schemes being implemented towards reaching their objectives and to guide management decisions. The following deficiencies were noticed in the monitoring process of the DISCOMs.

Non-convening of meeting of State Level Standing Committee (SLSC) and District Electricity Committee (DEC)

2.15.1 SLSC[34] was required to vet the district-wise list of villages, habitations and BPL HHs to be covered under RGGVY scheme and recommend the project proposals formulated by the implementing agency in accordance with the scheme guidelines. SLSC was to monitor progress of implementation of the scheme, exercise quality control and resolve issues relating to implementation of sanctioned projects *viz.* allocation of land for sub-stations, right of way, forest clearance, railway clearance, safety clearance etc.

Further, as requested by MoP, GoB notified (May 2015) constitution of DEC[35] in each district of Bihar under the chairmanship of the senior-most MP of that district. It was also notified that the DEC would meet at least once in three months at the District headquarter. The DEC was to be consulted for the preparation of DPRs under DDUGJY. The DEC also had to review the quality of power supply and consumer satisfaction and promote energy efficiency and energy conservation. It would be the responsibility of the Member Secretary (Chief Engineer/Superintending Engineer of the concerned DISCOM) to ensure that the requisite meetings take place and quarterly report is sent to the nodal agency i.e. REC.

- Audit observed that three meetings (November 2013, June 2015 and August 2018) of SLSC were held since its constitution in November 2013 till the date of audit (November 2018). Scrutiny of the minutes of the meeting revealed that these meetings were held mainly for recommending DPRs of projects. The meeting held in August 2018 also reviewed the progress of ongoing schemes.

While accepting the observation, the Energy Department stated (March 2019) that apart from these three meetings the entire working of distribution companies was monitored monthly at the level of Chief Secretary along with Energy Secretary and other concerned Secretaries with District Magistrate and local company officials.

- Similarly, the meeting of DEC was convened in four districts[36] only once in the year 2015. After that no meeting was convened during the calendar years 2016, 2017 and 2018 (upto September 2018). Thus, DISCOMs

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[34] SLSC was constituted by GoB in November 2013. It comprise of Chief Secretary (Chairman) and Secretaries of Energy, Rural Development, Finance, Panchayat Raj, Forest, Revenue and a representative of REC.

[35] DEC comprises of senior-most MP of the concerned district as Chairman, other MPs of the district (Co-chairperson), District Collector (Convener), District Panchayat President (Member), MLAs of the district (Member), senior-most representative of CPSUs of Power, Coal and NRE Ministry if located in the concerned district (Member) and CE/Superintending Engineer of the DISCOM concerned (Member/Secretary).

[36] Arwal, Bhagalpur, Jehanabad and Nalanda.

could not ensure regular holding of DEC meetings which resulted in inadequate monitoring with respect to quality of power supply, consumer satisfaction, energy efficiency and energy conservation.

The Department, while accepting the observation, stated that the meetings of District Electric Committee are being conducted but due to coordination issues, it could not be conducted regularly at the prescribed frequency.

Quality of Power

2.15.2 As per para 13 of chapter four of Standard of Performance approved by BERC, it shall be the endeavour of the licensee to maintain uninterrupted supply to consumers and minimise breakdown and interruptions. For ensuring power quality, every feeder and distribution transformer was also to be equipped with high quality energy meter.

To assess the quality of power supplied, test-check of records of 14 PSS[37] of five Electric Supply Divisions (ESD) was conducted by audit in December 2018 which revealed that:

- Average tripping/shut down of PSS ranged from one to 20 numbers per day in a month (April 2018) during the summer season while the range of the same was one to 13 per day in a month during the winter season (November 2018). The range of time per tripping/ shut down of PSS in a month in summer was 27 minutes to 270 minutes whereas in a month in winter it ranged from 15 minutes to 112 minutes. Thus, the DISCOMs' endeavour to provide uninterrupted power supply to consumers could not be achieved to that extent.
- Voltage and power factor at PSS and DTs was not being monitored by DISCOMs to assess the quality of power in terms of adequate voltage being fed to the consumers.
- During the period from January 2018 to December 2018, 5,350 complaints were registered in the test-checked units, out of which 3,924 complaints were regarding fuse blown in one phase of LT line or HT line, 607 were concerned with low/high voltage and 819 were regarding issues like earth fault, jumper fault and fire on poles/ transformers, etc. This indicated poor monitoring of PSS and load balances on phases of DTs.
- Development of comprehensive energy accounting system enables quantification of losses in different segments of the system and energy auditing provides the means to identify areas of leakage, wastage or inefficient use. For energy accounting, auditing and checking of distribution losses, meters were installed at DTs. In the test-checked districts, audit noticed that DT-wise energy accounting, auditing and checking was not being done. Therefore actual DT-wise distribution loss was not being ascertained by the DISCOMs. Thus, the purpose of installation of DT meters and expenditure of ₹ 4.09 crore[38] made under RGGVY on the same was unfruitful.

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[37] Eight PSS in SBPDCL and six PSS in NBPDCL

[38] Total installed DT meter = 9,663x ₹ 4,236.83 per DT meter = ₹ 4,09,40,488.29

Thus, data relating to quality of power at PSS level and at DT level was not adequately monitored by the DISCOMs for ensuring supply of quality power to consumers.

The Department, while accepting the observation, stated (March 2019) that for proper assessment of the quality of power to the consumer, metering arrangement has been installed in the earlier identified 71 towns in Bihar which is being extended to cover the remaining towns and other rural areas.

Non-rectification of defects observed by NQM, RQM and TPIA

2.15.3 RGGVY scheme envisaged a three-tier Quality Control Mechanism (QCM) which included Third Party Inspection Agency (TPIA) at Tier-I level, REC Quality Monitors (RQM) at Tier-II level and National Quality Monitors (NQM) at Tier-III level. The responsibility of enforcing quality mechanism lies with Project Implementation Agency (PIA) for Tier-I, REC for Tier-II and MoP for Tier-III.

Scrutiny of inspections done by NQM, RQM and TPIA during August 2016 to August 2018 *vis-à-vis* their compliance revealed that 2,16,812 defects were observed by the above agencies in 10,840 villages in respect of both DISCOMs, out of which 71,026 defects were rectified till August 2018 which constitutes only 32.76 *per cent* of total defects. The overall compliance by SBPDCL was 24.62 *per cent* while in case of NBPDCL it was 41.53 *per cent*.

The Department stated (March 2019) that rectification of defects as observed by NQM, RQM and TPIA was viewed very seriously. However, the reply is silent on pending rectification of defects as per the report of NQM, RQM and TPIA. The DISCOMs further stated (February 2020) that the observations are still under compliance[39].

Non-submission of price adjustment bill

2.15.4 As per tripartite agreement between REC, GoB and DISCOMs for implementation of DDUGJY scheme, price adjustment shall be given on cable/conductor, transformers, and equipment. The price adjustment amount towards price components shall be subject to a ceiling of twenty (+/- 20 *per cent*) of ex-works price. Further, the contractor had to promptly submit the price adjustment invoices within three months from the date of shipment/work done, whether it was positive or negative. Scrutiny of payment files of the eight test-checked districts revealed that the price adjustment bills were not submitted by the contractors. The DISCOMs also failed to take action for obtaining these bills as per agreement condition. As a result, adjustment in prices, if any, could not be assessed/ verified.

The Department accepted and replied (March 2019) that now agencies are submitting the price variation bills.

[39] Up to February 2020, out of total 4,07,811 defects observed by quality monitoring agencies in 24,628 villages, 2,98,763 defects were rectified.

Discrepancies observed during Beneficiary Survey and Joint Inspection

2.15.5 With the overall objective to assess effectiveness and efficiency in implementation of the rural electrification schemes, a joint inspection-cum- beneficiary survey was conducted (October 2018) by Audit teams and officials of the DISCOMs of 160 beneficiaries selected on random basis in 32 villages of eight districts of DISCOMs comprising both SBPDCL and NBPDCL. During the course of joint inspection, audit observed various deficiencies and shortcomings in these villages due to which quality of power was not maintained, which are summarised below:

(i) No electricity infrastructure work was executed in eight test-checked villages (Kutout, Kanhauli and Birdaban village of Sheikhpura district, Ali Neora and Prasad village of Muzaffarpur district, Bengahi and Mehthi village in Sitamarhi district and Gandhar village of Jehanabad district) though covered under RGGVY.

(ii) Billing of BPL consumers was not being done on regular basis (42 consumers);

(iii) Lightning arrestor of DTs were found burst and not replaced (eight DTs);

(iv) Breather of DTs was found open (16 DTs);

(v) Poles were not properly aligned with respect to the ground and were lying in tilted position (108 poles);

(vi) Sagging was more than the tolerable limit[40] in respect of some conductors (sagging between 236 poles);

(vii) Anti-climbing barbed wire was also not found available on HT side and LT side (HT side: 102 poles and LT side: 343 poles).

In reply, the Department stated (March 2019) that deficiencies pointed out by audit have been rectified. It was further stated that the deficiencies are regularly attended by the agencies during defect liability period as per provisions made in the contract.

The reply is not convincing as the defects were noticed during the time of joint inspection and were subsequently rectified at the instance of audit.

Overall achievement of Rural Electrification

2.16 During the period 2013-14 to 2017-18, rural electrification in Bihar under RGGVY, DDUGJY and MVSNY was undertaken by the DISCOMs. The DISCOMs have claimed that 100 *per cent* electrification of RHHs has been achieved till October 2018. The achievement against various parameters such as coverage of RHH and BPL HH, connected load, quality of power etc. has been depicted in ***Annexure 2.11.*** Deficiencies observed in achievement of the targets/objectives of the scheme are discussed below:

[40] Prescribed tolerable limit: three *per cent* on 1,000 meters

Difference in identification of RHHs

2.16.1 Audit compared the data of RHHs electrified as shown on the Saubhagya dashboard with Census 2011 data of RHHs. The district-wise details of number of RHHs as per Census 2011 and number of RHHs electrified are given in ***Annexure 2.12.*** The summarised position of electrification of RHHs by DISCOMs is given in Table 2.4.

Table No. 2.4: Status of electrification of RHHs as of October 2018

Sl. No.	Name of DISCOM	No. of RHHs as per Census 2011	No. of RHHs as per DPR (RGGVY)	No. of electrified RHHs as per Saubhagya dashboard	Percentage of actual RHHs electrified vis-a-vis Census 2011	Percentage of actual RHHs electrified vis-a-vis DPR
1	SBPDCL	52,22,193	55,97,987	40,20,779	76.99	71.83
2	NBPDCL	1,16,40,747	1,17,38,605	78,86,760	67.75	67.19
	Total	**1,68,62,940**	**1,73,36,592**	**1,19,07,539**	**70.61**	**68.68**

It may be seen from the above table that:

- Although the DISCOMs claimed 100 *per cent* electrification of RHHs, the percentage achievement of electrification of HHs (October 2018) in both the DISCOMs as compared to the total number of RHHs as per Census 2011 data as well as total number of RHHs as per DPR was 70.61 *per cent and* 68.68 *per cent*, respectively.
- Further, in SBPDCL, the district-wise achievement of electrification in RHHs ranged between 35.90 *per cent* (Jehanabad) to 155.38 *per cent* (Patna) as compared to the target as per DPR, while the same ranged between 49.76 *per cent* (Jehanabad) to 102.66 *per cent* (Nawada) as compared to the total number of RHHs in Census 2011.
- Similarly, in NBPDCL, the district-wise achievement of electrification in RHHs ranged between 47.55 *per cent* (Katihar) to 126.28 *per cent* (Kishanganj) as compared to the target as per DPR, whereas the same ranged between 49.47 *per cent* (Sitamarhi) to 91.52 *per cent* (Gopalganj) as compared to the total number of RHHs in Census 2011.

Thus, the overall achievement of providing electricity to all RHHs claimed by DISCOMs was not factually correct.

The Department stated (March 2019) that during execution of the schemes, it was found that all families categorised under separate households living under the same roof were not willing to take separate connections and as such the number of RHHs and number of connections differ. Further, both the DISCOMs claimed 100 *per cent* electrification after energisation of all willing households.

The reply is not acceptable as the DPR was based on the survey conducted by the consultant which was also accepted by REC. Further, the connection provided by DISCOMs does not support the contention of the Department as in four districts, the actual number of RHHs provided with electric connections was more than the numbers estimated in the DPR, which ranged from 102 *per cent* to 155 *per cent*. It was further noticed during audit of Muzaffarpur Electricity Supply Division (July 2019) that three HHs of Madhopur and 25 HHs of Gangapur village under Mushahri Block, and nine HHs of Narayan Bheriyahi and five HHs of Bangra Chaupan village under Kanti Block belonging to BPL families were not provided electricity connection even though these HHs are in existence for the past five to 10 years.

Difference in estimation and identification of beneficiaries

2.16.2 As electrification of non-electrified BPL HHs was to be financed with 100 *per cent* capital subsidy, proper identification of such HHs was critical in order to facilitate not only achievement of the scheme objectives, but also reaching the eligible beneficiaries and maintaining financial prudence. However, there were wide variations amongst the figures of BPL HHs as per the DPRs prepared by the consultants and the BPL connections frozen by the DISCOMs as depicted in Table 2.5.

Table No. 2.5: Status of electrification of BPL HHs

Name of Plan	Name of DISCOM	No. of BPL HHs as per			Comparison of actual achievement with DPR (in *per cent*)	Comparison of frozen numbers with DPR (in *per cent*)
		DPR	Numbers frozen	Actually done (March 2019)		
RGGVY-11 FYP Phase-II and 12 FYP (including RE component subsumed in DDUGJY)	SBPDCL	30,83,064	13,28,300	10,47,075	33.96	43.08
	NBPDCL	53,64,312	24,25,661	24,32,777	45.35	45.22
Grand Total		**84,47,376**	**37,53,961**	**34,79,852**	**41.19**	**44.44**

It is evident from the above table that the number of BPL HHs actually electrified as against the DPR data was substantially low. Though the estimate of BPL families should have been more accurate subsequent to the survey, in all 38 projects there was a difference of over 46.93 lakh between the number of connections frozen and the numbers shown in the DPRs. Further, overall achievement was still short by 7.30 *per cent* of the frozen numbers even after expiry of three years from the scheduled date of completion (November 2016).

The Department stated (March 2019) that as per definition, the categorisation of household is dependent upon the separation of *chulha* amongst the family members even though they reside in the same house under the same roof. Hence, the figures of total number of households is guided by this definition whereas it was found during release of BPL service connections under RE-DDUGJY that all families categorised under separate households living under the same roof were not willing to take separate connections. Further, both the DISCOMs claimed 100 *per cent* electrification after energisation of all willing households.

The reply of the Department is not convincing as:

- The term "*chulha*" has not been defined in any of the rural electrification schemes.
- Further, there is the example of GoI scheme "Pradhan Mantri Ujjwala Yojana (PMUY)" which aims to provide LPG connections to BPL households. Under PMUY which is a similar scheme in terms of release of LPG connections to households, the number of beneficiaries/ households achieved was 68.25 lakh[41] (February 2019).
- Moreover, DISCOMs, in their submissions to BERC (November 2015) made projections to give electric connections to 54 lakh BPL HHs by March 2018, against which the actual number of connections given to BPL HHs as on March 2019 was 34.80 lakh only.

Thus, the DISCOMs failed to achieve the targets set with respect to BPL beneficiaries. Further, DISCOMs furnished different sets of figures to different authorities which creates doubt about the veracity of data.

Non-implementation of rural electrification works in franchisee area

2.16.3 Franchisees were appointed for electricity distribution in towns and the adjoining area of Bhagalpur and Muzaffarpur by SBPDCL and NBPDCL who started their operations w.e.f. January 2014 and November 2013 respectively. It was stipulated in the agreement that BSEB may undertake RGGVY electrification works under distribution franchisee (DF) area including rural areas of Muzaffarpur and Bhagalpur districts after administrative and regulatory approval. Further, as per clause 5.2.5 of the DF agreement, there shall be back-to-back arrangements between the distribution licensee and DF for execution of schemes proposed by GoI or the State Government.

Scrutiny of records revealed that REC sanctioned (January 2014) DPRs for electrification in Bhagalpur and Muzaffarpur districts including the areas handed over to DFs. However, the appointed TKCs were not allowed by DISCOMs to undertake execution of rural electrification projects in DF areas of Bhagalpur and Muzaffarpur for want of administrative approval from GoB, regulatory approval of the Bihar Electricity Regulatory Commission and non-availability of back-to-back arrangements with DF of Bhagalpur and Muzaffarpur. Audit observed that the DISCOMs, instead of making back-to-back arrangement for execution subject to taking approval of administrative and regulatory body of the State, erroneously sought administrative approval from REC and MoP. As a result, the work commenced (December 2017) in DF areas of Bhagalpur comprising of seven blocks (700 villages, 2,182 habitations, 2,00,664 BPL HHs) and in Muzaffarpur comprising of eight blocks (875 villages, 1,498 habitations, and 1,63,589 rural BPL HHs) with delay of almost three years from the date of appointment of TKC. Thus, on account of laxity on the part of the Management, overall objective of full-scale electrification of Bhagalpur

[41] Derived on the basis of percentage of Urban and Rural population of Census 2011 i.e. 89 *per cent* Rural and 11 *per cent* Urban of total beneficiaries/households of 76.68 lakh (connections under PMUY) as on February 2019.

and Muzaffarpur area could not be achieved. As a result, the works were not completed as of March 2019.

The Energy Department stated (March 2019) that after obtaining administrative and regulatory approval, it took time in finalisation of back-to-back arrangement and agreement for execution of the work which materialised only after a series of discussions with the Muzaffarpur franchisee.

The fact remains that the DISCOMs took abnormal time in getting administrative and regulatory approval which was granted only in June 2017. This not only delayed the achievement of intended objectives of rural electrification work in DF areas of Bhagalpur and Muzaffarpur districts but also deprived the beneficiaries from access to electricity.

Recommendation:

DISCOMs should ensure completion of projects within the stipulated timelines to achieve intended objectives of the Schemes to provide access to electricity to all RHHs (including BPL families).

Conclusion

The overall objective of rural electrification of households in Bihar has not been achieved despite claims made by the DISCOMs of 100 *per cent* electrification as there were differences in the HHs electrification as per Census data and DPR *vis-a-vis* RHHs actually electrified which ranged from 70.61 *per cent* to 68.68 *per cent* respectively. Moreover, the actual achievement in respect of providing electricity to BPL HHs was also 41.19 *per cent* of DPR target.

The DPRs were not prepared based on actual field survey. As a result, there were wide variations in quantity envisaged in DPRs and those actually executed. The implementation of projects under RGGVY/ DDUGJY schemes was delayed due to poor contract management, lack of monitoring and inefficient execution. Works were awarded to ineligible bidders.

Financial sustainability of the DISCOMs in the long run suffers from risk as the DISCOMs' income earning on every rupee spent was declining continuously during the last five years. The financial management of the DISCOMs was also deficient as funds amounting to ₹ 512.28 crore under different schemes were blocked due to non-reconciliation/claim by the DISCOMs.

There was deficient control mechanism at the State Government/ DISCOM level as meetings of State Level Standing Committee and District Electricity Committee were not held regularly to monitor the projects. The DISCOMs were not prompt in sending reports of compliance of rectification of defects observed by Third Party Inspection Agency, REC Quality Monitors and National Quality Monitors and were not maintaining records for ensuring supply of quality power to consumers.

CHAPTER–III

Compliance Audit Observations relating to Power Sector Undertakings

Chapter III

3. Compliance Audit Observations

This Chapter includes important audit findings emerging from test-check of transactions of the power sector undertakings.

South Bihar Power Distribution Company Limited and North Bihar Power Distribution Company Limited

3.1 Loss due to avoidable payment

Failure of the DISCOMs to award the contract through tendering resulted in avoidable payment of ₹ 12.69 crore as higher trading margin.

Rule 131 ZL (b) of Bihar Finance (Amendment) Rules (BFR), 2005 stipulates that all works and services having estimated value of above ₹ 10 lakh should be awarded through tenders. Further, Central Vigilance Commission (CVC) guidelines[1] also emphasise for awarding Government contracts through tender, in order to ensure transparency, fairness and equitable treatment of all tenderers and to weed out corrupt/irregular practices.

Scrutiny of records (November 2017) of South Bihar Power Distribution Company Limited revealed that a Member Client Agreement[2] was entered into (October 2012) between a Trader Member and Bihar State Electricity Board (BSEB) for purchase and sale of power on Indian Energy Exchange (IEX) by the Trader Member on behalf of BSEB. The trading margin (professional charges) of the Trader Member for providing such services was three paisa per KWH of energy purchased and one paisa per KWH of energy sold. The validity of the agreement was for a period of one year from the date of signing of the agreement, which was extendable at mutually agreed terms and conditions. The Trader Member was providing the services at the same rates till date (December 2018). The DISCOMs[3] (NBPDCL and SBPDCL, successor companies of BSEB) purchased 11,532.8 Million Units (August 2015 to December 2018) of power through the Trader Member.

Audit observed that:

- The contract for sale and purchase of power was awarded (October 2012) to the Trader Member on nomination basis i.e. without inviting tender which was in violation of BFR and CVC guidelines. Further, in absence of bidding, competitive rates for award of contract could not be obtained.
- Though it was decided (November 2015) by the Management to select the traders through competitive bidding, the same was not done due to

[1] Order No. 23/7/07 (July 2007) which was based on the judgement of Hon'ble Supreme Court of India arising out of SLP (Civil) No. 10174 of 2006.

[2] Member Client Agreement is an agreement to be executed between Trader Member and Client to facilitate trading of power (sale/purchase) on power exchange platform. It allows a member to accept and place order on the client's behalf to power exchange.

[3] BSEB was restructured (November 2012) into five companies, i.e. Bihar State Power (Holding) Company Limited, Bihar State Power Generation Company Limited, Bihar State Power Transmission Company Limited, North Bihar Power Distribution Company Limited (NBPDCL) and South Bihar Power Distribution Company Limited (SBPDCL).

non-finalisation of the Request for Proposal (RFP) and bid documents by both the DISCOMs.

- After lapse of the validity period of the agreement (October 2013) instead of inviting fresh tender, the DISCOMs extended[4] the validity (upto October 2017) of the said agreement at the same trading margin rates and on the same terms and conditions as incorporated in the original agreement. Even after expiry of the extended period of agreement in October 2017, the DISCOMs continued to avail the services of the Trader Member at the same trading margin till date (December 2018).
- Audit further noticed that a similar agreement was entered into (January 2011) in the neighboring state of Jharkhand by Jharkhand State Electricity Board with the same Trader Member for purchase and sale of power at the same trading margin rates of three paisa per KWH of energy purchased and one paisa per KWH of energy sold, which was subsequently revised (July 2015) by the DISCOM[5] of Jharkhand to 1.9 paisa per KWH and 0.9 paisa per KWH respectively.

Thus, failure of the DISCOMs to award the contract through tendering resulted in extension of contract to the same party at non-competitive rates in violation of the BFR rules and prescribed CVC guidelines. This further resulted in avoidable payment of ₹ 12.69 crore[6] (August 2015 to December 2018) as higher trading margin to the Trader Member in comparison to the trading margin rates paid by the DISCOM of Jharkhand.

The Department in its reply stated (December 2018) that the main reason for not going for tender was primarily due to the credit facility provided to DISCOMs for 30 days, which sometimes goes up to three months. They further stated that as per CERC Regulations, the trading margin is four paisa/KWH, if the selling price of power is less than or equal to ₹ 3/KWH and the same is seven paisa, if the selling price of power is more than ₹ 3/KWH. The total volume traded by JBVNL, Jharkhand on power exchange was much lower than the DISCOMs of Bihar.

The reply is not acceptable as the provision of credit facility was not a part of the agreement. Also, Management failed to finalise the RFP and bid documents which resulted in extension of agreement. The CERC Regulations prescribed the maximum rates and there is no restriction to fix the trading margin below the rates prescribed by CERC. In absence of tendering, the DISCOMs failed to arrive at competitive rates of trading margin. Further, in Jharkhand, the contract was awarded at the rates mentioned above irrespective of the quantum of power purchased and the rates were also

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4 By executing three supplementary agreements dated 06 July 2013, 15 December 2015 and 28 August 2018.

5 Jharkhand Bijli Vitran Nigam Limited was formed (January 2014) as the DISCOM of Jharkhand after unbundling of Jharkhand State Electricity Board.

6 11,532.8 Million Units (MU) *10,00,000 *1.1 (3.0 paisa - 1.9 paisa) = ₹ 12.69 crore; SBPDCL ₹ 7.04 crore and NBPDCL ₹ 5.65 crore (Calculation for SBPDCL and NBPDCL being made in the ratio 60:40 (August 2015 to September 2015), 58:42 (October 2015 to March 2017) and 54:46 (April 2017 to December 2018).

subsequently revised downward. In Bihar, the DISCOMs failed to obtain competitive rates which resulted in avoidable payment.

3.2 Payment of additional charge for deviation

Due to failure to forecast the electricity demand and limit the drawal of electricity within prescribed limits under CERC Regulations 2014, the DISCOMs incurred additional charge for deviation of ₹ 115.23 crore.

Central Electricity Regulatory Commission (CERC-Deviation Settlement mechanism and related matters) Regulations, 2014 were issued (January 2014) with the objective of maintaining grid discipline and grid security through commercial mechanism.

Regulation seven *inter alia* stipulates that over-drawals/under-drawals of electricity by any buyer during a time block shall not exceed 12 *per cent* of its scheduled drawal or 150 MW, whichever is lower, when grid frequency is 49.70 Hz and above. Further, Regulation 7 (3) stipulates that additional charge for deviation from the prescribed limit shall be applicable for over-drawal of electricity for each time block in excess of the volume limit specified at the rates specified[7].

Subsequently, Bihar Electricity Regulatory Commission issued (September 2015) BERC-Multi Year Distribution Tariff Regulations, 2015 which specifies {Regulation 20.2(4)} that incremental cost of power purchase due to deviation in respect of power purchase at higher rate shall be allowed only if it is justified to the satisfaction of the Commission. Further, Regulation 20.2(5) specifies that any cost increase in power procurement by the licensee by way of penalty shall not be allowed.

Scrutiny of records of DISCOMs[8] (April 2019) revealed that :-

- The State Load Dispatch Centre, in consultation with DISCOMs and Eastern Region Load Dispatch Centre, prepares drawal schedule on day ahead basis incorporating all the sources of power *viz.* Central Sector allocations, long term and short term Power Purchase Agreements, bilateral and collective transactions etc. for drawal of energy. Therefore, to avoid payment of any penal charges, drawal of power should be in such a way so that deviation between scheduled and actual drawal

[7] Condition B: when 12 *per cent* of schedule of drawal is more than 150 MW

i	For over drawal of electricity by any buyer is above 150 MW and up to 200 MW in a time block	Equivalent to 20% of the charge for deviation corresponding to average grid frequency of the time block.
ii	For over drawal of electricity by any buyer is above 200 MW and up to 250 MW in a time block	Equivalent to 40% of the charge for deviation corresponding to average grid frequency of the time block
iii	For over drawal of electricity by any buyer is above 250 MW in a time block	Equivalent to 100% of the charge for deviation corresponding to average grid frequency of the time block

[8] North Bihar Power Distribution Company Limited (NBPDCL) and South Bihar Power Distribution Company Limited (SBPDCL)

of energy should remain within the permissible limit to avoid levy of penal charges. However, the DISCOMs failed to forecast the drawal of energy and deviated from the scheduled drawal of electricity beyond permissible limits continuously during the period April 2014 to March 2019 which resulted in payment of additional charges for deviation amounting to ₹ 115.23 crore (SBPDCL ₹ 66.77 crore[9] and NBPDCL ₹ 48.46 crore[10]).

- Further, as per the regulations enumerated above, BERC disallowed additional charges (for the years 2014-15 to 2017-18) for deviation while considering incremental power purchase cost during finalisation of the Tariff Orders for the F.Y 2016-17 to 2019-20 (DISCOMs) and stressed on adherence to the prescribed CERC regulations to avoid any additional charges for deviation.

Thus, due to failure to forecast the electricity demand and limit the drawal of electricity within the prescribed limits under CERC Regulations 2014, the DISCOMs incurred additional charges for deviation of ₹ 115.23 crore, out of which BERC disallowed ₹ 84.46 crore[11] during finalisation of the tariff orders as the same were levied due to over drawal of power beyond the specified limit as per CERC (Deviation Settlement Mechanism & related matters) Regulations, 2014. Further, ₹ 30.77 crore paid for additional deviation charges for the year 2018-19 is yet to be considered by BERC.

The Energy Department stated (August 2019) that deviation from scheduled drawal takes place due to increase in demand of power subsequent to the implementation of 24×7 Power for All, outage of generation units, power supply to villages and drought affected districts and supply of power owing to law and order problems etc.

The reply of the Department is not acceptable as the stated reasons for deviation from scheduled drawal should have been considered by the DISCOMs while forecasting demand. Hence, under-drawal/over-drawal should be within the specified limit to avoid any additional deviation charges. Further, BERC also stated in the tariff orders for F.Y 2014-15 to 2017-18 that under-drawal/over-drawal should be strictly within the specified limit to avoid any additional deviation charges. However, the DISCOMs failed to ensure this.

[9] SBPDCL: 2014-15 - 58 *per cent* of ₹ 25.07 crore, 2015-16 - 58 *per cent* of ₹ 19.87 crore, 2016-17 - 58.11 *per cent* of ₹ 21.43 crore, 2017-18 and 2018-19 - 57.82 *per cent* of ₹ 48.86 crore (₹ 18.09 crore + ₹ 30.77 crore)

[10] NBPDCL: 2014-15 - 42 *per cent* of ₹ 25.07 crore, 2015-16 - 42 *per cent* of ₹ 19.87 crore, 2016-17 - 41.89 *per cent* of ₹ 21.43 crore, 2017-18 and 2018-19 - 42.18 *per cent* of ₹ 48.86 crore (₹ 18.09 crore + ₹ 30.77 crore)

[11] 2014-15: ₹ 25.07 crore, 2015-16: ₹ 19.87 crore, 2016-17: ₹ 21.43 crore, 2017-18: ₹ 18.09 crore.

PART-II

State Public Sector Undertakings (other than Power Sector)

CHAPTER–IV
Functioning of State Public Sector Undertakings (other than Power Sector)

Chapter IV

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

Introduction

4.1 In Bihar, there were 70 State Public Sector Undertakings (PSUs) as on 31 March 2018 which were related to sectors other than power sector. These State PSUs were incorporated during the period between 1953-54 and 2017-18 and included 67 Government Companies and three Statutory Corporations *i.e.* Bihar State Road Transport Corporation, Bihar State Warehousing Corporation and Bihar State Financial Corporation. Six Government Companies did not commence commercial activities till 2017-18.[1] These Government Companies further included 44 non-functional Companies and 25 subsidiary Companies[2] owned by other Government Companies. Five[3] Companies were added during the year 2017-18.

The nature of PSUs in other than power sector is indicated in Table 4.1:

Table 4.1: Nature of PSUs (other than power sector) in Bihar

Nature of the PSUs	Total number	Number of PSUs in Bihar				Number of PSUs not covered in the Report
		Accounts for 2017-18	Accounts for 2016-17	Accounts for 2015-16	Total	
Government Companies	64	0	4	5	9	55
Statutory Corporations	3	1	0	0	1	2
Total Companies/ Corporations	67	1	4	5	10	57
Government Controlled other Companies	3	-	-	-	-	3
Total	**70**	**1**	**4**	**5**	**10**	**60**

This report covers the financial performance of 10 PSUs as detailed in ***Annexure-4.1***. It does not include 60 PSUs whose accounts are in arrears for three years or more or were defunct/under liquidation or first accounts were not received or were not due as detailed in ***Annexure-4.2.***

The State Government provides financial support to the State PSUs in the shape of equity, loans and grants/subsidy from time to time. The State Government did not infuse any funds in 25 companies which are subsidiaries of above State PSUs. Equity of these 25 subsidiaries was contributed by the respective co-partner/holding companies.

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[1] SCADA Agro Business Limited Khagaul, SCADA Agro Business Limited Dehri, SCADA Agro Business Limited Arrah, SCADA Agro Business Limited Aurangabad, SCADA Agro Business Limited Mohania and SCADA Agro Forestry Company Limited Khagaul

[2] Sl. No. B7, B8, B9, B10, B11, B12, B13, B19, B20, B21, B22, B23, B25, B27, B28, B31, B32, B33, B34, B35, B36, B37, B38, C1 and C2 of ***Annexure 4.2***.

[3] Bihar State Mining Corporation Limited, Bihar State Education Finance Corporation Limited, Patna Smart City Limited, Muzaffarpur Smart City Limited and Bhagalpur Smart City Limited.

Contribution to Economy of the State

4.2 A ratio of turnover of the 10 PSUs covered in this Report to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the State economy. The table below provides the details of turnover of PSUs (other than power sector) and GSDP of the state of Bihar for a period of four years ending March 2018:

Table 4.2: Details of turnover of State PSUs (other than Power Sector) *vis-a-vis* GSDP of Bihar

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18
Turnover	5,138.63	5,763.49	5,736.43	5,735.58
Percentage change in turnover as compared to turnover of preceding year	-	12.16	-0.47	-0.01
GSDP of Bihar	3,42,951.00	3,69,469.00	4,25,888.00	4,87,628.00
Percentage change in GSDP as compared to GSDP of preceding year	-	7.73	15.27	14.50
Percentage of turnover to GSDP of Bihar	1.50	1.56	1.35	1.18

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

The turnover of these 10 PSUs increased from ₹ 5,138.63 crore in 2014-15 to ₹ 5,735.58 crore in 2017-18. The growth rate of turnover ranged between 12.16 *per cent* and -0.47 *per cent* during the period 2015-16 to 2017-18, whereas growth rate of GSDP of the State ranged between 7.73 *per cent* and 15.27 *per cent* during the same period. The compounded annual growth[4] of GSDP was 12.45 *per cent* during the last three years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 12.45 *per cent* of the GSDP, the turnover of non-power sector undertakings recorded compounded annual growth of 3.73 *per cent* during the last three years. This resulted in marginal decrease in the share of turnover of these PSUs to the GSDP from 1.50 *per cent* in 2014-15 to 1.18 *per cent* in 2017-18.

Investment in State PSUs (other than Power Sector)

4.3 Details of investment in equity and long term loans in the 10 PSUs[5] covered in this Report upto 31 March 2018 are detailed in ***Annexure-4.3.***

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

1. PSUs not in open market competition (monopolistic PSUs): In Bihar, out of 10 PSUs, two PSUs fall under this category as they have monopolistic/oligopolistic nature of operations i.e. their operations do not have any competition or have very limited competition.
2. PSUs with assured income: This category includes PSUs whose major income comes from assured sources such as Government grants/

[4] Rate of Compounded Annual Growth [{(Value of 2017-18/Value of 2014-15)^(1/3 years)}-1]*100.

[5] Total 70 PSUs - 60 PSUs whose accounts were in arrear for three years or more or were defunct/under liquidation or first accounts were not received or were not due.

subsidies, centage, commission, interest on bank deposits etc. Five PSUs fall under this category.

3. PSUs in competitive sector: This category includes three PSUs, which are open to market competition.

4.4 The sector-wise summary of investment in these State PSUs as on 31 March 2018 is given below:

Table 4.3: Sector-wise investment in State PSUs (other than power sector)

Sector	Number of PSUs	*Investment* (*₹ in crore*)								
		Equity			Total	Long term loans			Total	Grand Total
		GoB	GoI	Others[6]		GoB	GoI	Others		
PSUs in monopolistic sector	2	5.34	0.00	0.00	5.34	0.00	0.00	0.00	0.00	5.34
PSUs with assured income	5	53.50	0.00	0.00	53.50	0.00	0.00	43.00	43.00	96.50
PSUs in competitive environment	3	48.59	0.00	37.89	86.48	259.95	0.00	4.63	264.58	351.06
Total of PSUs covered in report	**10**	**107.43**	**0.00**	**37.89**	**145.32**	**259.95**	**0.00**	**47.63**	**307.58**	**452.90**
Total of PSUs not covered in the report	**60**	**376.40**	**28.28**	**34.49**	**439.17**	**3,613.60**	**2.50**	**214.48**	**3,830.58**	**4,269.75**
Total	**70**	**483.83**	**28.28**	**72.38**	**584.49**	**3,873.55**	**2.50**	**262.11**	**4,138.16**	**4,722.65**

Source: *Compiled based on annual accounts of PSUs and information furnished by PSUs.*

As on 31 March 2018, the face value[7] of total investment (equity and long term loans) in the 10 PSUs covered in this report was ₹ 452.90 crore. The investment consisted of 32.09 *per cent* towards equity and 67.91 *per cent* in long-term loans. The long term loans advanced by the State Government constituted 84.51 *per cent* (₹ 259.95 crore) of the total long term loans.

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

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

Budgetary Support to State PSUs (other than Power Sector)

4.6 The Government of Bihar (GoB) provides financial support to State PSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity during the year in respect of State PSUs for the last three years ending March 2018 are as follows:

[6] It includes investment by holdings companies, financial institutions, banks, etc.
[7] The original cost of the equity shares paid by the subscribers.

Table 4.4: Details regarding budgetary support to State PSUs (other than power sector) during the years

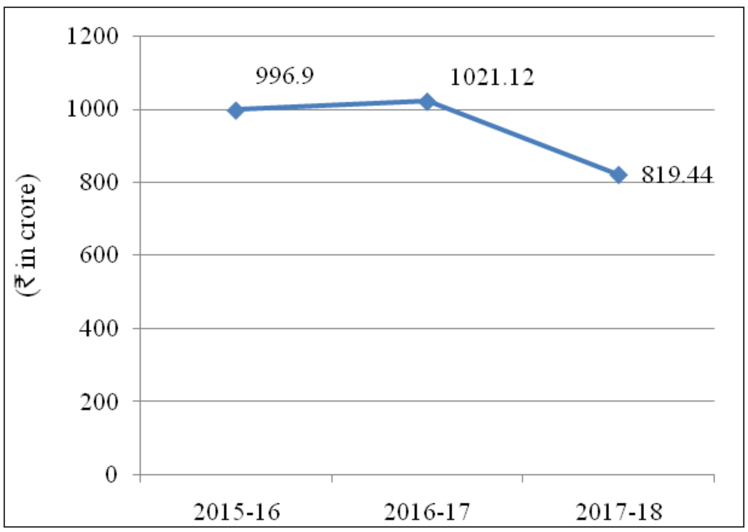
(₹ in crore)

Particulars[8]	2015-16		2016-17		2017-18	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	2	7.00	2	1.11	5	29.65
Loans given (ii)	5	327.59	1	1.34	-	-
Grants/Subsidy provided (iii)	5	662.31	6	1,018.67	4	789.79
Total Outgo (i+ii+iii)	**5[9]**	**996.90**	**7**	**1,021.12**	**9**	**819.44**
Loan repayment written off	-	-	-	-	-	-
Loans converted into equity	-	-	1	19.34	-	-
Guarantees outstanding	2	2,043.00	3	86.15	4	1,018.24
Guarantee commitment	4	3,548.50	3	2,055.00	4	4,633.00

Source: *Compiled based on annual accounts of PSUs and information furnished by PSUs.*

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

Chart 4.1: Budgetary outgo towards Equity, Loans and Grants/ Subsidies



The annual budgetary assistance to these PSUs during the year ranged between ₹ 819.44 crore and ₹ 1,021.12 crore during the period 2015-16 to 2017-18. In order to enable PSUs to obtain financial assistance from banks and financial institutions, the State Government gives guarantee for which a guarantee fee is charged. As per the Resolution No. 7498 dated 5 July 1974 of GoB, the PSUs are liable to pay the guarantee fee at 1/8 *per cent* annually on the guarantee amount of more than ₹ 10 lakh. There were four functional PSUs against which accumulated/ outstanding guarantee was ₹ 1,018.24 crore as on 31 March 2018. However, the PSUs did not pay any guarantee fee.

8 Amount represents outgo from State budget only.

9 The figure represents number of PSUs which have received outgo from budget under one or more heads i.e. equity, loans and grants/ subsidies.

Reconciliation with Finance Accounts of Bihar

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

Table 4.5: Equity, loans and guarantees outstanding as per Finance Accounts of Government of Bihar *vis-à-vis* records of State PSUs (other than power sector)

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	722.36	483.83	238.53
Loans	2,784.24	3,873.55	-1,089.31
Guarantees	1,127.26	1,018.24	109.02

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

Audit observed that out of 70 State PSUs, such differences occurred in respect of 51 PSUs as shown in ***Annexure-4.4***. The differences between the figures have been persisting for many years. The issue of reconciliation of differences was taken up with the PSUs and the Departments from time to time. Major difference in balances was observed in Bihar State Financial Corporation. **Audit, therefore, recommends that the State Government and the respective PSUs should reconcile the differences in a time-bound manner.**

Submission of accounts by State PSUs (other than power sector)

4.8 Out of the 70 State PSUs, there were 26 functional PSUs *i.e.* 23 Government Companies and three Statutory Corporations and 44 non-functional PSUs under the purview of CAG as of 31 March 2018. The status of timelines followed by the State PSUs in preparation of accounts by the functional state PSUs is as detailed under:

Timeliness in preparation of accounts by State PSUs

4.8.1 Accounts for the year 2017-18 were required to be finalised by all PSUs by 30 September 2018. However, out of 67 Government Companies (23 functional Government Companies and 44 non-functional Government Companies) no Government Company submitted their accounts for the year 2017-18 for audit by CAG on or before 31 December 2018. Further, out of the three Statutory Corporations (all functional) accounts of only one Statutory Corporation[10] for the year 2017-18 was presented for audit before 31 December 2018.

[10] Bihar State Financial Corporation

Details of arrears in submission of accounts of PSUs (other than power sector) as on 31 December 2018[11] are given below:

Table 4.6: Position relating to submission of accounts by the State PSUs (other than Power Sector)

Particulars		Government Companies/Government Controlled Other Companies/Statutory Corporations			
		Government Companies	Government controlled other Companies	Statutory corporations	Total
Total number of PSUs under the purview of CAG's audit as on 31.03.2018		64	03	03	70
Less: New PSUs from which accounts for 2017-18 were not due		02	02	-	04
Number of PSUs from which accounts for 2017-18 were due		62	01	03	66
Number of PSUs which presented the accounts for 2017-18 for CAG's audit by 31 December 2018		-	-	01	01
Number of PSUs having arrear accounts as of 31 December 2018		62	01	02	65
Number of accounts in arrears		1,268	02	17	1,287
Break- up of Arrears	(i) Under Liquidation	108	-	-	108
	(ii) non-functional	1,056	-	-	1,056
	(iii) First Accounts not submitted	-	01	-	01
	(iv) Others	104	01	17	122
Age–wise analysis of arrears against 'Others' category	One year (2017-18)	03	01	-	04
	Two years (2016-17 and 2017-18)	10	-	-	10
	Three years and more	91	-	17	108

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

GoB had provided ₹ 4,533.08 crore (Equity: ₹ 71.97 crore Loan: ₹ 2,488.63 crore, Capital Grant, ₹ 355.37 crore Subsidy: ₹ 1,617.11 crore) to 21 PSUs, accounts of which had not been finalised by 31 December 2018 whereas no investment was made in the remaining 48 PSUs during the period for which accounts are in arrears. PSU wise details of investment made by the State Government during the years for which accounts are in arrears are shown in ***Annexure-4.5***.

In the absence of finalisation of accounts and the subsequent audit of above 69 PSUs, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the funds were utilised for the purpose for which these were provided by the State Government.

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

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

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

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

Winding up of non-functional State PSUs

4.10 44 State PSUs were non-functional Companies having a total investment of ₹ 757.48 crore mainly, in Bihar State Sugar Corporation Limited (₹ 342.95 crore), Bihar State Industrial Development Corporation Limited (₹ 80.58 crore), Bihar State Water Development Corporation Limited (₹ 59.68 crore), towards capital (₹ 184.79 crore) and long term loans (₹ 572.69 crore) as on 31 March 2018. The number of non-functional PSUs at the end of each year during the last three years ended 31 March 2018 is given below:

Table 4.7: Non-functional State PSUs

Particulars	2015-16	2016-17	2017-18
No. of non-functional PSUs	40	44	44
Out of above, number of PSUs which were under liquidation	5	5	5

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

As regards 39 non-functional PSUs[12], the Government may take appropriate decision regarding winding up of these PSUs.

Placement of Separate Audit Reports of Statutory Corporations

4.11 Out of three Statutory Corporations, one Corporation (Bihar State Financial Corporation) had forwarded the accounts of 2017-18 by 31 December 2018.

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

[12] Out of 44 non-functional PSUs, five PSUs were under liquidation

Table 4.8: Status of placement of SAR of the Statutory Corporations

Sl. No.	Name of the Corporation	Year of Accounts up to which SARs placed in the State Legislature	Date of placement of SAR	Year for which SARs not placed in the Legislature	
				Year of Accounts	Date of issue to the Government
1.	Bihar State Financial Corporation	2014-15	29.03.2016	2015-16	16 December 2016
2.	Bihar State Warehousing Corporation	2010-11	26.07.2018	2011-12	08 August 2019
3.	Bihar State Road Transport Corporation[13]	-	-	1974-75 to 2005-06 (32) Details are as under 2001-02 2002-03 2003-04 2004-05 2005-06	 26 December 2007 25 January 2010 20 May 2014 10 February 2015 29 September 2015

Source: *Compiled based on information furnished by Bihar Legislative Assembly secretariat*

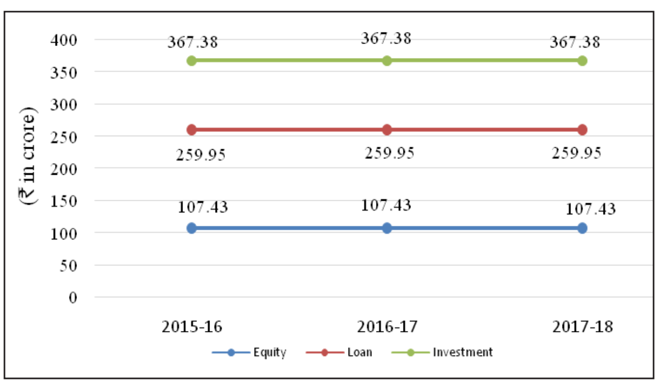
Performance of State PSUs (other than Power Sector)

4.12 The financial position and working results of the 10 State PSUs covered in this report as per their latest finalised accounts[14] as of 31 December 2018 are detailed in ***Annexure-4.3.***

The PSUs are expected to yield reasonable return on investments made by Government in the undertakings. The total investment of State Government and others in the PSUs was ₹ 452.90 crore consisting of equity of ₹ 145.32 crore and long term loans of ₹ 307.58 crore. Out of this, GoB has investment of ₹ 367.38 crore in the 10 PSUs consisting of equity of ₹ 107.43 crore and long term loans of ₹ 259.95 crore.

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

Chart 4.2: Total investment of GoB in PSUs (other than power sector)



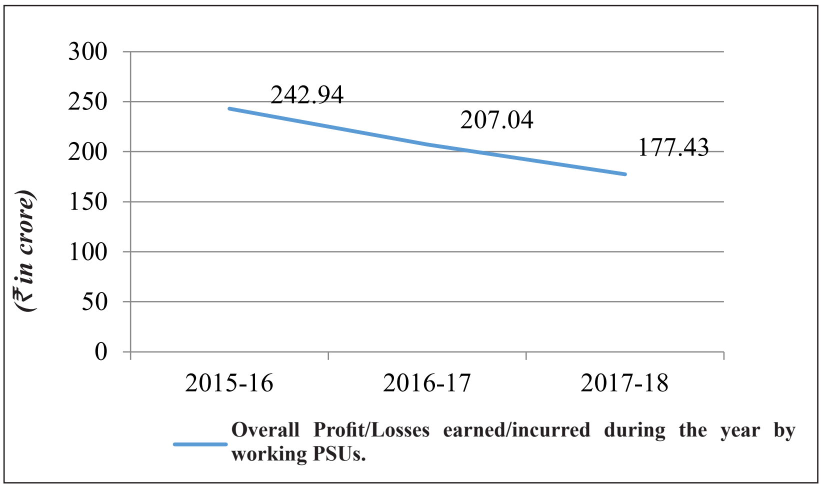
[13] SAR of the year 1974-75 to 2005-06 were not placed in legislature.
[14] Latest finalised accounts for the years 2015-16 to 2017-18.

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

Return on Investment

4.13 The Return on Investment is the percentage of profit or loss to the total investment. The overall position of profits/losses[15] earned/incurred by the 10 State PSUs during 2015-16 to 2017-18 is depicted below in the chart:

Chart 4.3: Profit/Losses earned/incurred by PSUs (other than Power Sector) during the years



4.13.1 The number of PSUs that earned profit was seven in 2017-18. The profit earned decreased to ₹ 177.43 crore in 2017-18 from ₹ 242.94 crore in 2015-16. Return on Equity in all the 10 PSUs i.e. including loss making was 29.88 *per cent* in 2015-16 which decreased to 22.41 *per cent* in 2017-18. The details of sector-wise profit of PSUs during 2017-18 are summarised in Table No. 4.9.

Table No 4.9 Sector-wise profitability of PSUs

Sector	Number of profit/loss making PSUs	Profit after Tax (₹ in crore)	Percentage of profit to total profit after tax
PSUs in monopolistic sector	2	14.05	7.92
PSUs with assured income	5	210.10	92.08
PSUs in competitive environment	3	-46.72	-
Total	**10**	**177.43**	**-**

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

It may be seen from the above table that out of 10 PSUs, seven PSUs earned profit (₹ 224.15 crore), all of which were either having monopolistic

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

advantage or were having assured income from budgetary support, centage, commission, interest on bank deposits etc. Further, all three PSUs working in competitive environment incurred losses totaling ₹ 46.72 crore during 2017-18.

Thus in audit's view self-sustainability of these PSUs is doubtful.

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

4.14 An analysis of the earnings *vis-a-vis* investments in respect of those 10 State PSUs where funds had been infused by the State Government was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. Therefore, the return on investment has been calculated after considering the Present Value (PV) of money to arrive at the real return on investment made by GoB. PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest free/defaulted loans and capital grants in these Companies starting from 2000-01 till 31 March 2018. During the period from 2000-01 to 2017-18, these PSUs had a positive return on investment during the years 2005-06 to 2017-18. The return on investment for these years have, therefore, been calculated and depicted on the basis of PV.

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

- Loans have been considered as fund infusion by the State Government. However, in case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of loans over the period. The funds made available in the form of grant/subsidy have not been reckoned as investment except for capital grant since they do not qualify to be considered as investment.
- The average rate of interest on Government borrowings for the concerned financial year[16] was adopted as discount rate for arriving at Present Value since it represents the cost incurred by the Government towards investment of funds for the year and has therefore been considered as the minimum expected rate of return on investments made by the Government.

4.15 PSU-wise position of State Government investment in these 10 State PSUs in the form of equity, interest free/defaulted loans and capital grants on historical cost basis for the period from 2000-01 to 2017-18 is indicated in ***Annexure-4.6.*** Further, consolidated position of NPV of the State Government investment relating to these PSUs for the same period is indicated in table 4.10.

[16] The average rate of interest on Government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Bihar) for the concerned year wherein the calculation for the average rate for interest paid = Interest payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

Table 4.10: Year-wise details of investment by the State Government and present value (PV) of Government investment for the period from 2000-01 to 2017-18

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the state Government during the year	Interest free/ defaulted loans and capital grants given by the State Government during the year	Total investment during the year	Average rate of interest on Government borrowings (in %)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year[17]
i	ii	Iii	Iv	v=iii+iv	vi	vii=ii+v	viii=vii*(1+vi/100)	ix=vii*vi/100	x
Up to 2000-01	0.00	52.09	12.75	64.84	11.41	64.84	72.24	7.40	-6.12
2001-02	72.24	0.00	0.00	0.00	9.00	72.24	78.74	6.50	-81.30
2002-03	78.74	0.00	83.94	83.94	7.20	162.68	174.39	11.71	-48.08
2003-04	174.39	0.00	12.18	12.18	6.14	186.57	198.03	11.46	-13.14
2004-05	198.03	0.00	41.59	41.59	9.59	239.62	262.60	22.98	-7.47
2005-06	262.60	0.00	7.97	7.97	8.20	270.57	292.75	22.19	15.40
2006-07	292.75	5.00	71.00	76.00	7.15	368.75	395.12	26.37	32.62
2007-08	395.12	0.00	0.00	0.00	7.15	395.12	423.37	28.25	70.48
2008-09	423.37	5.00	29.99	34.99	7.93	458.36	494.71	36.35	41.38
2009-10	494.71	25.00	0.00	25.00	6.48	519.71	553.39	33.68	22.49
2010-11	553.39	20.00	0.18	20.18	6.87	573.57	612.97	39.40	140.59
2011-12	612.97	0.00	0.00	0.00	6.35	612.97	651.89	38.92	176.61
2012-13	651.89	0.00	0.00	0.00	5.79	651.89	689.64	37.74	123.91
2013-14	689.64	0.34	0.00	0.34	6.68	689.98	736.07	46.09	130.16
2014-15	736.07	0.00	0.00	0.00	6.59	736.07	784.58	48.51	246.89
2015-16	784.58	0.00	0.37	0.37	6.58	784.95	836.60	51.65	242.94
2016-17	836.60	0.00	0.17	0.17	6.42	836.77	890.49	53.72	207.04
2017-18	890.49	0.00	0.00	0.00	6.13	890.49	945.07	54.59	177.43
Total	945.07	107.43	260.14	367.57					

The balance of investment by the State Government in these PSUs at the end of the year increased to ₹ 367.57 crore in 2017-2018 from ₹ 64.84 crore in 2000-01 as the State Government made further investments in the shape of equity (₹ 55.34 crore) and loans/capital grant (₹ 247.39 crore) during the period 2001-02 to 2017-18. The PV of funds infused by the State Government up to 31 March 2018 amounted to ₹ 945.07 crore. During 2000-01 to 2004-05, these Companies continued to suffer losses. However, during 2005-06, these Companies earned some profits though total earnings remained below the minimum expected return to recover cost of funds infused in these PSUs. From 2006-07 onwards, these Companies started earning sufficient profits to recover cost of funds infused as five[18] of these PSUs earned substantial profits during this period.

[17] Total earnings for the year depicts total of net earnings (profit/loss) for the concerned year relating to those 10 PSUs (other than power sector) where funds were infused by the State Government. In case where annual accounts of any PSU was pending during any year then net earnings (profit/loss) for that year has been taken as per latest audited accounts of the concerned PSU.

[18] Bihar Rajya Pul Nirman Nigam Limited, Bihar State Road Development Corporation Limited, Bihar Urban Infrastructure Development Corporation Limited, Bihar State Beverages Corporation Limited and Bihar State Educational Infrastructure Development Corporation Limited.

Further, GoB has invested equity of ₹ 376.40 crore and loans/capital grant of ₹ 4,410.10 crore upto 2017-18 in the remaining 60 other than power sector PSUs (including 43 non-functional PSUs). The present value of GoB investment in these PSUs stood at ₹ 8,605.72 crore as of 31 March 2018 for which real Return on Investment could not be worked out in the absence of earnings (Profit/Loss) figures due to non-finalisation of accounts for the last three years.

Return on Equity of PSUs

4.16 Return on Equity (ROE)[19] is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. Sector-wise ROE of PSUs is depicted in Table No-4.11.

Table 4.11: Sector-wise Return on Equity

Sl. No.	Sector	ROE during 2015-16		ROE during 2016-17		ROE during 2017-18	
		No. of PSUs	ROE (*per cent*)	No. of PSUs	ROE (*per cent*)	No. of PSUs	ROE (*per cent*)
1	PSUs in monopolistic environment	2	11.02	2	11.17	2	11.17
2	PSUs with assured income	5	20.27	5	16.84	5	16.84
3	PSUs in competitive environment	3	-	3	-	3	-
	Total	**10**	**29.88**	**10**	**24.71**	**10**	**22.41**

It may be seen from the above table that ROE of monopolistic PSUs and PSUs with assured income was positive. On the other hand, PSUs in competitive sector had negative earnings as well as negative net worth during the period 2015-16 to 2017-18. As the Profit After Tax and Shareholders' fund were negative in case of PSUs in competitive environment sector, the ROE could not be worked out.

This reflects that PSUs working in competitive environment are not commercially viable.

A comparison of ROE of monopolistic/assured income vs competitive environment Sectors is depicted in Table 4.12.

Table 4.12: Monopolistic/Assured Income vs Competitive Environment sector PSUs' comparison of Return on Equity

Year	Monopolistic/Assured Income PSUs		Competitive PSUs	
	No. of PSUs	ROE (*per cent*)	No. of PSUs	ROE (*per cent*)
2015-16	7	19.40	3	-
2016-17	7	16.32	3	-
2017-18	7	28.01	3	-

[19] Return on Equity = (Net Profit after Tax and preference dividend/Equity)*100 where Equity = Paid up share capital + Free Reserves and Surplus – Accumulated Loss – Deferred Revenue Expenditure.

Return on Capital Employed

4.17 Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[20]. The details of ROCE of 10 PSUs during the period from 2015-16 to 2017-18 are given in Table. 4.13.

Table 4.13: Return on Capital Employed

Year wise Sector-wise break-up	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (In %)
2015-16			
PSUs in monopolistic environment	19.19	125.55	15.28
PSUs with assured income	311.46	1,248.88	24.94
PSUs in competitive environment	3.33	-253.88	-
Total	**333.98**	**1,120.55**	**29.81**
2016-17			
PSUs in monopolistic environment	19.52	125.77	15.52
PSUs with assured income	284.19	1,290.38	22.02
PSUs in competitive environment	1.18	-270.82	-
Total	**304.89**	**1,145.33**	**26.62**
2,017-18			
PSUs in monopolistic environment	19.52	125.77	15.52
PSUs with assured income	284.19	1,290.38	22.02
PSUs in competitive environment	-28.46	-316.81	-
Total	**275.25**	**1,099.34**	**25.04**

It was observed that ROCE decreased from 29.81 *per cent* during 2015-16 to 25.04 *per cent* during 2017-18 due to increase in losses of Bihar State Financial Corporation during 2017-18. The ROCE of three PSUs[21] in competitive sector was negative during 2017-18 and could not be worked out as both EBIT and Capital Employed were negative.

PSUs incurring losses

4.18 There were three PSUs that incurred losses during the years 2015-16 to 2017-18. The losses incurred by these PSUs are given in Table No 4.14.

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

[21] Bihar State Film Development and Finance Corporation Limited, Bihar State Agro Industries Development Corporation Limited (Non-Working) and Bihar State Financial Corporation.

Table No. 4.14: Number of PSUs that incurred losses during 2015-16 to 2017-18

Year	No. of PSUs incurred loss	Net loss for the year (₹ in crore)	Accumulated loss (₹ in crore)	Net Worth[22] (₹ in crore)
PSUs in Monopolistic Environment				
2015-16	-	-	-	-
2016-17	-	-	-	-
2017-18	-	-	-	-
PSUs with Assured Income				
2015-16	-	-	-	-
2016-17	-	-	-	-
2017-18	1	-	0.09	0.25
PSUs in Competitive Environment				
2015-16	3	15.30	614.77	-518.46
2016-17	3	17.11	631.71	-534.40
2017-18	3	46.72	667.87	-581.39

It may be seen from the above table that all the three PSUs in competitive environment had suffered losses during 2015-16 to 2017-18 and their accumulated losses increased from ₹ 614.77 crore in 2015-16 to ₹ 667.87 crore in 2017-18. This reflects adversely on the sustainability of these PSUs.

Erosion of Net worth of PSUs

4.19 As on 31 March 2018, there were four PSUs with accumulated losses of ₹ 667.96 crore. Of the 10 PSUs, three PSUs in competitive environment sector incurred losses amounting to ₹ 46.72 crore and seven PSUs which were either in monopolistic environment or had assured source of income had earned profit of ₹ 224.15 crore in the year 2017-18, though one PSU (Bihar Forestry Development Corporation Limited) had accumulated loss of ₹ 0.09 crore. No PSUs were under winding up/closure/liquidation/strategic disinvestment.

Net worth of all the three PSUs[23] in competitive sector had been completely eroded by accumulated loss and their net worth was (-) ₹ 581.39 crore against equity investment of ₹ 86.48 crore in these PSUs as on 31 March 2018.

In these three competitive sector PSUs whose capital had been eroded, Government loans outstanding as on 31 March 2018 amounted to ₹ 259.95 crore.

Dividend Payout

4.20 The State Government had not formulated a dividend policy under which all profit making PSUs are required to pay a minimum return.

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22 Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision

23 Bihar State Agro Industries Development Corporation Limited, Bihar State Financial Corporation and Bihar State Film Development and Finance Corporation Limited

Dividend payout in respect of 10 PSUs, covered in this report, where equity was infused by the State Government during 2015-16 to 2017-18 is shown in the table below:

Table 4.15: Dividend Payout of 10 PSUs (other than power sector) during 2015-16 to 2017-18

(₹ in crore)

Year	Total PSUs where equity infused by GoB		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (%)
	Number of PSUs	Equity infused by GoB	Number of PSUs	Profit earned	Number of PSUs	Dividend declared/paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2015-16	10	107.43	7	258.24	2[24]	6.05	2.34
2016-17	10	107.43	7	224.15	-	-	-
2017-18	10	107.43	7	224.15	-	-	-

During the period 2015-16 to 2017-18, seven PSUs earned profits. However, only two PSUs declared/paid dividend to GoB during 2015-16. The Dividend Payout Ratio during 2015-16 was 2.34 *per cent*. Further no PSU declared/paid dividend in 2016-17 and 2017-18.

Analysis of Long Term Loans of PSUs (other than power sector)

4.21 Analysis of the long term loans of the PSUs which had leverage during 2015-16 to 2017-18 was carried out to assess the ability of the PSUs to serve the debt owed by the PSUs to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

Interest Coverage Ratio

4.22 Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lessor the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicates that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio of PSUs (other than power sector) covered in the report which had outstanding loans during the period from 2015-16 to 2017-18 are given in table 4.16:

Table 4.16: Interest coverage ratio of functional State PSUs (other than power sector) having liability of loans

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans	Number of PSUs having interest coverage ratio of more than one	Number of PSUs having interest coverage ratio less than one
2015-16	19.72	124.86	3	1	2
2016-17	19.38	122.51	3	1	2
2017-18	19.35	92.87	3	1	2

[24] Bihar State Road Development Corporation Limited (₹ five crore), Bihar Rajya Pul Nirman Nigam Limited (₹ 1.05 crore)

Of the three State PSUs (other than power sector) having liability of interest- bearing loans during 2017-18, one PSU[25] had interest coverage ratio of more than one whereas the remaining two PSUs[26] had negative interest coverage ratio as their EBIT was negative. This indicates that these PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

In respect of the above two PSUs net worth was negative as on 31 March 2018, which indicates high risk of insolvency of these PSUs.

Age-wise analysis of interest outstanding on State Government Loans

4.23 As on 31 March 2018, interest amounting to ₹ 217.83 crore was outstanding on the long term loans of three PSUs provided by GoB. The age-wise analysis of interest outstanding on GoB loans in PSUs is depicted in Table No 4.17.

Table No 4.17: Interest outstanding on State Government Loans

(₹ in crore)

Sl. No.	Name of PSU	Outstanding interest on loans	Outstanding for less than 1 year	Outstanding for 1 to 3 years	Outstanding for more than 3 years
1	Bihar State Film Development and Finance Corporation Limited	0.51	0.02	0.06	0.43
2	Bihar State Agro Industries Development Corporation Limited (Non-functional)	18.92	-	-	18.92
3	Bihar State Financial Corporation	198.40	18.24	54.72	125.44
	Total	**217.83**	**18.26**	**54.78**	**144.79**

Comments on Accounts of State PSUs (other than power sector)

4.24 Nine functional Companies forwarded 15 audited accounts to the Accountant General during the period from 1 January 2018 to 31 December 2018. Eight accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are as follows:

Table 4.18: Impact of audit comments on Functional Companies (other than Power Sector)

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	4	14.68	5	25.61	4	26.09
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	-	-	1	1.82	-	-
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts	1	0.7	4	14.07	1	39.17
6.	Errors of classification	1	1.06	-	-	4	1074.10

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

[25] Bihar State Road Development Corporation Limited.

[26] Bihar State Financial Corporation and Bihar State Film Development and Finance Corporation Limited.

During the year 2017-18, the Statutory Auditors had issued qualified certificates on 15 accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 17 instances of non-compliance to the Accounting Standards in five accounts. **Further, CAG has also declined to give an opinion in view of the serious shortcomings in respect of five accounts of Bihar State Food and Civil Supplies Corporation Limited for the years 1994-95 to 1998-99.**

4.25 The State has three Statutory Corporations *i.e.* (i) Bihar State Financial Corporation (BSFC) (ii) Bihar State Warehousing Corporation (BSWC) and (iii) Bihar State Road Transport Corporation (BSRTC), The CAG is the sole auditor in respect of BSRTC.

Out of three functional Statutory Corporations, BSFC forwarded its annual accounts for the year 2017-18 whereas BSWC and BSRTC forwarded annual accounts for the year 2011-12 and 2006-07 respectively during 1 January 2018 to 31 December 2018. All the three accounts were selected for audit. The Statutory Auditors had given qualified certificates on annual accounts of BSWC and BSFC for the year 2011-12 and 2017-18 respectively. **CAG has declined to give an opinion on the accounts of BSWC for the year 2011-12 in view of the serious shortcomings.**

Compliance Audit Paragraphs

4.26 For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2018, six compliance audit paragraphs were issued to the Principal Secretary of the respective Administrative Department with request to furnish replies within six weeks. Replies have been received for all six compliance audit paragraphs from the State Government. The total financial impact of the six compliance audit paragraphs is ₹ 57.50 crore.

Follow up action on Audit Reports

Replies outstanding

4.27 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Bihar issued (April 2015) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

As on 30 September 2019 reply/explanatory notes to three out of five paragraphs of Audit Report of 2016-17 were not received from the departments.

Discussion of Audit Reports by COPU

4.28 The status of discussion of performance audits and paragraphs related to PSUs (other than power sector) that appeared in Audit Reports (PSUs) by COPU as on 30 September 2019 was as under:

Table 4.19: Performance audits/paragraphs appeared in Audit Reports *vis-a-vis* discussed as on 30 September 2019

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2015-16	2	3	-	3
2016-17	2	5	-	2

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

Compliance to Reports of COPU

4.29 Action Taken Notes (ATNs) on reports of the COPU presented to the State Legislature during November 2016 to November 2018 had not been received (30 September 2019) from the State PSUs (other than Power Sector) as indicated in the following table:

Table 4.20: Compliance to COPU Reports

Year of the COPU Report	Total number of Reports of COPU	Total number of recommendations in COPU Reports	Number of recommendations where ATNs not received
2015-16	1	-	-
2016-17	3	1	1
2017-18	2	1	1
2018-19	8	2	2
2019-20	2	-	-
Total	**16**	**4**	**4**

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

The above mentioned Reports of COPU contained recommendations in respect of paragraphs pertaining to Education, Excise & Prohibition and Co-operative Departments, GoB, which appeared in the Reports of the CAG of India for the year 2008-09 to 2014-15.

CHAPTER–V
Compliance Audit Observations relating to State Public Sector Undertakings (other than Power Sector)

Chapter V

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

This Chapter includes important audit findings emerging from test check of transactions of the State Government companies.

Government companies

Bihar State Road Development Corporation Limited

5.1 Avoidable payment of interest

The Company made avoidable payment of interest of ₹ 37.75 crore due to unnecessary withdrawal of loan of ₹ 193 crore from HUDCO.

Road Construction Department, Government of Bihar (GoB) accorded (September 2013) administrative approval of ₹ 3,160 crore for construction of 'Ganga Path[1]', Patna. The project was to be financed through the State Government contribution for ₹ 1,160 crore and the remaining ₹ 2,000 crore was to be raised through loan from Housing and Urban Development Corporation (HUDCO). Accordingly, Bihar State Road Development Corporation Limited (Company) entered (February 2014) into an agreement with HUDCO for loan of ₹ 2,000 crore.

Scrutiny of records revealed (March 2017) that:

- The Company awarded (August 2013) the work of construction of Ganga Path to a contractor at a total cost of ₹ 1,777.37 crore with scheduled date of completion (September 2017) being 48 months from the date of start of work. However, the progress of work was very slow due to delay in acquisition of land and conflict of title in the Government land which hampered the encumbrance-free transfer of land to the contractor on time.
- GoB released ₹ 836.20 crore (during 2013-18[2]) to the Company as project fund. Audit observed that the fund released by GoB was sufficient to meet the expenditure incurred (₹ 565.95 crore during 2013-18[3]) on the project by the Company. However, despite sufficiency of fund received from GoB, the Company, without assessing the requirement of fund, withdrew loan amounting to ₹ 193 crore from HUDCO in two instalments.
- The Company withdrew the first instalment of ₹ 125 crore from HUDCO in February 2014 despite availability of ₹ 20.22 crore as balance out of the funds received from GoB. Similarly, the Company withdrew the second instalment of ₹ 68 crore from HUDCO in March 2015 despite having balance GoB fund of ₹ 260.21 crore.

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1 A road from Digha to Didarganj (Approx. 23.50 KMs) in Patna on the bank of river Ganga.

2 ₹ 125 crore (August 2013), ₹ 50 crore (July 2014), ₹ 250 crore (September 2014), ₹ 150 crore returned in March 2015, ₹ 25 crore (July 2016) and ₹ 536.20 crore (2017-18).

3 ₹ 117.3 crore (2013-14), ₹ 37.03 crore (2014-15), ₹ 136.78 crore (2015-16), ₹ 202.48 crore (2016-17) and ₹ 72.36 crore (2017-18).

- Since there was no actual requirement of loan due to slow progress of work, the Company refunded the loan amount (₹ 150 crore in November 2015 and ₹ 43 crore in December 2017) to HUDCO and paid ₹ 37.75 crore during 2013-18 as interest on loan to HUDCO.

Thus, due to inefficient financial management, the Company unnecessarily withdrew interest-bearing loan of ₹ 193 crore from HUDCO despite availability of sufficient fund from GoB and incurred avoidable expenditure of ₹ 37.75 crore on payment of interest during 2013-18 on such loan availed.

The Department stated (July 2019) that the agreement with HUDCO was made for financing the construction of Ganga Path. The Company withdrew the first and second instalments of loan amount to avoid automatic closure of the loan agreement and automatic curtailment of the loan amount as referred in clause 5.2 (i) and 5.2 (ii) respectively. The work could not progress as per plan due to various hindrances in land acquisition and conflict of title in the Government land. Hence, seeing the slow progress of the work, the loan amount was returned back to HUDCO to avoid further burden of interest payment.

The reply is not acceptable as keeping in view the slow progress of the work, the Company should have taken up the matter with HUDCO for non-drawal of instalment to avoid payment of interest on loan amount. However, the same was not done.

5.2 Irregular contribution to the Chief Minister's Relief Fund Trust

The Company made contribution of ₹ 10 crore to the Chief Minister's Relief Fund Trust in violation of the provisions of the Companies Act, 2013.

Section 181[4] of the Companies Act, 2013 (Act) provides that the Board of Directors of a company may contribute to *bona fide* charitable and other funds, provided that prior permission of the company in the general meeting shall be required for such contribution for any amount the aggregate of which, in any financial year, exceeds five *per cent* of its average net profits for the three immediately preceding financial years. Bihar State Road Development Corporation Limited is a Company with 100 *per cent* equity contributed by Government. It is involved in road construction activities managed by hiring contractors. The Company solely depends on centage[5] from Government projects for its profits.

Scrutiny of records revealed that the Company contributed a sum of ₹ 10 crore[6] during the year 2017-18 to the Chief Minister's Relief Fund

[4] Came into force from 12 September 2013.

[5] (A) For project cost upto ₹ 10 crore = seven *per cent*
(B) For project cost more than ₹ 10 crore and up to ₹ 100 crore = (A) + five *per cent* on amount exceeding ₹ 10 crore and
(C) For project cost more than ₹ 100 crore = (B) + one *per cent* on amount exceeding ₹ 100 crore.

[6] ₹ Five crore in September 2017 and March 2018 each.

Trust which was more than five *per cent*[7] of its average profit for the three immediately preceding financial years. Since the contribution exceeded the limits specified by the Act, prior consent of the shareholders in the general meeting was required to be obtained. However, the same was not done by the Company.

Subsequently, the Company obtained (June 2018) post-facto approval of the Board of Directors and shareholders in the Extra-ordinary General Meeting. However, regularisation of such contributions by ex-post facto approval was a violation of the provisions of the Act.

The Department stated (July 2019) that the Companies Act, 1956 does not prohibit post facto approval done by the members/shareholders in the AGM.

The reply is not acceptable as the Companies Act, 2013 states that prior permission of the company in the general meeting shall be required for such contribution and the Board did not have the authority to override the provisions of the Companies Act. Further, on a para[8] highlighting similar irregularity in three State PSUs[9] COPU had recommended that the same may not be repeated in future. Hence, the State Government should have ensured compliance of COPU recommendation by all State PSUs.

Bihar State Electronics Development Corporation Limited and Bihar State Road Development Corporation Limited

5.3 Avoidable payment of interest

Failure to correctly estimate current income for the financial year and timely remit advance tax resulted in payment of penal interest of ₹ 1.27 crore on Income Tax by BSEDCL and BSRDCL.

Section 208 of the Income Tax Act. 1961 (Act), *inter alia,* provides that every assessee having a tax liability of ₹ 10,000 or more shall pay advance tax in the manner and at the rate prescribed under the Act. Failure to deposit minimum 90 *per cent* of the tax in advance as well as shortfall in depositing tax as per the prescribed slab[10] attracts interest at the rate of one *per cent* per month or part of a month separately as prescribed under Section 234B and 234C of the Act. The Company is, thus, required to make proper estimation of taxable income to ensure timely deposit of advance tax as required under the Act to avoid the incidence of interest payment.

Scrutiny of records (October 2017 and September 2018) of Bihar State Electronics Development Corporation Limited (BSEDCL) and Bihar

7 Five per cent of ₹ 105.27 crore {(2014-15: ₹ 88.50 crore, 2015-16: ₹ 119.69 crore and 2016-17: ₹ 107.61 crore)/3} = ₹ 5.26 crore.

8 Para features in Audit Report on Public Sector Undertakings, Government of Bihar for the year ended 31 March 2015

9 Bihar Rajya Pul Nirman Nigam Limited, Bihar State Building Construction Corporation Limited and Bihar State Beverages Corporation Limited

10 On or before 15 June (not less than 15 *per cent* of such advance tax), 15 September (not less than 45 *per cent* of such advance tax as reduced by the amount paid in earlier instalment), 15 December (not less than 75 *per cent* of such advance tax as reduced by the amount paid in earlier instalments) and 15 March of the financial year (the whole amount of such advance tax as reduced by the amounts paid in the earlier instalments).

State Road Development Corporation Limited (BSRDCL) revealed that the company officials of BSEDCL[11] and BSRDCL[12] failed to timely remit the advance tax in full as required under the Income Tax Act due to their failure to correctly estimate current income for the financial years 2014-15 to 2016-17 in case of BSEDCL and for the years 2014-15 to 2017-18 in case of BSRDCL.

As a result, BSEDCL and BSRDCL paid penalty of ₹ 21.60 lakh and ₹ 34.87 lakh respectively under Section 234 B of the Act for their failure to remit 90 *per cent* of taxable amount as advance tax; and ₹ 27.14 lakh and ₹ 43.63 lakh respectively under Section 234 C of the Act for failure to adhere to the prescribed quarterly slab for deposit of advance tax, as detailed in the following table:

(Amount : ₹ in lakh)

Name of Company	Financial year	Tax liability	Advance Tax Paid	Penalty under Section 234B	Penalty under Section 234C	Total penalty paid
BSEDCL	2014-15	339.49	244.54	5.70	7.09	12.79
	2015-16	486.23	427.88	4.08	8.69	12.77
	2016-17	968.95	784.25	11.82	11.36	23.18
Total (A)				**21.60**	**27.14**	**48.74**
BSRDCL	2014-15	1,855.01	1,273.85	34.87	18.44	53.31
	2015-16	2,067.23	2,627.17	Nil	8.87	8.87
	2016-17	2,296.67	2,197.05	Nil	13.70	13.70
	2017-18	1,304.77	1,368.33	Nil	2.62	2.62
Total (B)				**34.87**	**43.63**	**78.50**
Grand Total (A+B)				**56.47**	**70.77**	**127.24**

Thus, failure of BSEDCL and BSRDCL to correctly estimate current income and timely remit the advance tax in full as required under the Income Tax Act resulted in payment of penal interest of ₹ 1.27 crore.

The Department of Information Technology stated (July 2019) that estimation of income was not possible due to delay in receipt of Material Receipt/ Inspection/ Acceptance Report at the consignee site which resulted in abnormal delay in booking of sale/purchase. The Road Construction Department stated (July 2019) that the exact profit estimation is a complicated process as it performs construction related works which have many constraints.

The reply of the Departments is not acceptable as both the companies failed to devise a suitable system for assessment of their income which is reaffirmed by their reply and resulted in avoidable payment of interest.

[11] Assistant Manager (Accounts), General Manager and Managing Director.

[12] Manager (Finance), Deputy General Manager (Finance and Accounts), General Manager, Chief General Manager and Managing Director.

Bihar State Food and Civil Supplies Corporation Limited

5.4 Loss due to excess payment of interest

Failure of the Company to get its loans migrated to Marginal Cost of Funds based Lending Rate from Base Rate resulted in excess payment of interest of ₹ 2.36 crore.

The Reserve Bank of India issued (March 2016) RBI (Interest Rate on Advances) Directions, 2016 in which it introduced a new Interest Rate framework in the form of Marginal Cost of Funds based Lending Rate (MCLR) (w.e.f. 1 April 2016) in place of the prevailing Base Rate/ Benchmark Prime Lending Rate (BPLR) system. The direction under para 6(b) stipulated that all rupee loans sanctioned and credit limits renewed w.e.f. 1 April 2016 shall be priced with reference to MCLR which will be the internal benchmark for such purposes. Para 11 of the said direction further stated that while banks shall continue to review and publish Base Rate, existing loans and credit limits linked to the Base Rate/ BPLR shall continue till repayment or renewal, as the case may be, provided that existing borrowers shall have the option to move to the MCLR linked loan at mutually acceptable terms. Thus, the borrower had the option of comparing and evaluating the rates under both systems and choosing the most economical one.

Scrutiny of records (October 2018) of Bihar State Food & Civil Supplies Corporation Limited (Company) pertaining to Cash Credit[13] loan availed from Banks revealed that:

- The Company opened (March 2014 to March 2016) three bank accounts at base rate for availing cash credit for working capital requirement. After notification of the above RBI directions in March 2016, as per Para 11 (b) of the directions, the Company was required to approach the bank for migration of accounts from base rate to MCLR which was more beneficial to the Company as evident from the MCLR published by the banks. However, the Company failed to do so. As a result, the Company had to pay extra interest of ₹ 21.58 lakh[14] during April 2016 and July 2017 to the banks on the amount of cash credit availed.
- The Company opened another cash credit loan account in Bank of Baroda (No. 0453) in May 2016 at the rate of 9.65 *per cent* (Base Rate). As per Para 6(b) (i) of the above directions, the above account was required to be opened on MCLR instead of base rate. However, the loan account was opened on base rate instead of MCLR. The Company also failed to notice the fact and continued to pay interest to the bank at base rate, which was higher than MCLR. As a result of failure to monitor the applicable rate of interest on its loan account, the Company had to pay excess interest of ₹ 2.14 crore during May 2016 to August 2017 to the bank on the amount of cash credit availed.

[13] One year tenor

[14] Bank of Baroda (Account no. 0391): ₹ 6.28 lakh, Madhya Bihar Gramin Bank (Account no. 0268): ₹ 10.22 lakh and Oriental Bank of Commerce (Account no. 1833): ₹ 5.08 lakh

Thus, the failure of the Company to evaluate and timely move to MCLR from base rate resulted in excess payment of interest of ₹ 2.36 crore.

The Department stated (May 2019) that the rates were based on previous loan agreements and it was the onus of banks to switch over to MCLR. They further replied that in case of Bank of Baroda (BoB), the Bank's circular dated 21 March 2017 clarified that on the date of shifting from base rate / BPLR to MCLR, there shall not be any change in effective applicable rate as the difference would be charged as spread over and above MCLR.

The reply is not acceptable as it was the Management's responsibility to make timely efforts by pursuing with banks to migrate their loans to the more economical MCLR, if not done by the bank, as the existing borrowers had the option to move to the MCLR linked loan at mutually acceptable terms. Further, the aforementioned RBI directions' para 8(d) stipulated that the spread charged to an existing borrower shall not be increased except on account of deterioration in the credit risk profile of the customer. Thus, the Company could have challenged/contested additional spread, if any proposed by BoB.

Bihar State Warehousing Corporation

5.5 Non-realisation of rent

Failure on the part of the Corporation to safeguard its financial interests resulted in non-realisation of revenue of ₹ 1.79 crore.

Godown rent is the principal source of revenue for Bihar State Warehousing Corporation (Corporation). In line with its existing policy and practice the Corporation charges monthly rent in conformity with rates prescribed by Central Warehousing Corporation (CWC) on the basis of reservation/ agreement made with the users for capacity of godowns let out.

Scrutiny of the records of the Corporation revealed (September 2018) that it had handed over (January 2017) a 5,000 Metric Tonne godown (31,564 square ft.) at Biharsharif to Bihar State Milk Co-Operative Federation Limited (COMFED) for the purpose of erection of Neera[15] plant on the instruction of Department of Industries, Govt. of Bihar (GoB) and local district administration as per decision taken in a meeting (January 2017) chaired by Development Commissioner, GoB. In line with the Corporation's existing policy and practice of fixing monthly rent in conformity with CWC rates, the rent of the said godown was chargeable at ₹ 4.52 lakh per month up to March 2017 and thereafter at rates revised in conformity with those of CWC from time to time.

Audit further noticed that the Corporation approached (February 2017, June 2017, August 2017, January 2018 and January 2019) Department of Industries, GoB and COMFED with a request to enter into an agreement for the usage of the Biharsharif godown as well as for payment of rent of the said godown. However, till date neither has the agreement been entered into nor any rent been received (December 2019).

[15] Neera, also called palm nectar is a sap extracted from various species of toddy plants and is used as a health drink to quench thirst.

Audit observed that the Corporation did not enter into an agreement with COMFED before handing over the godown, Consequently, in absence of any agreement, the Corporation failed to recover the godown rent of ₹ 1.79 crore[16] for 35 months (i.e. from February 2017 to December 2019).

The Department replied (March 2019) that the rent in respect of the said godown will be received, though there has been a delay in payment of rent and the same is neither a loss nor a misappropriation. The Corporation replied (July 2019) that in a meeting chaired by the Development Commissioner (July 2019), the officers of the Department of Industries and COMFED were directed to enter into an agreement with the Corporation for usage of its Biharsharif godown and payment of rent in respect thereof.

The replies of the Department and Corporation are not acceptable because the Corporation should have entered into an agreement prior to handing over of the godown to safeguard its financial interest. However, the Corporation failed to do so. Further, no agreement has been entered into till date (December 2019).

Thus, failure on the part of the Corporation to safeguard its financial interests by not taking measures for entering into an agreement with COMFED before handing over its Biharsharif godown for usage has resulted in non-recovery of revenue of ₹ 1.79 crore towards rent recoverable for the period from February 2017 to December 2019.

Bihar State Beverages Corporation Limited

5.6 Undue extension and benefit to supplier

Violation of financial rules led to undue favour to supplier and infructuous expenditure of ₹ 4.33 crore.

Rule 131-O and 131-P of the Bihar Financial Rules, 2005 provides that Bid Security/ Earnest Money ranging between two *per cent* to five *per cent* and Performance Security equivalent to five *per cent* to 10 *per cent* of the value of the work shall be obtained from bidders and the successful bidder respectively. The Performance Security shall remain valid for a period of 60 days beyond the date of completion of all contractual obligations of the supplier including warranty obligations.

Government of Bihar (GoB) notified (December 2015) its New Excise Policy (NEP), 2015 containing provisions to enforce complete liquor prohibition, albeit in a phased manner. In the first phase, production, sale and consumption of country spirits/spicy country spirits was to be prohibited with effect from 1 April 2016 and thereafter only foreign liquor/ Indian Made Foreign Liquor (IMFL) would be available for sale only in town (Nagar Nigam/ Nagar Parishad) areas, that too only through outlets controlled and operated exclusively by Bihar State Beverages Corporation Limited (Company).

16 (₹ 4,51,917*2 months: February-March 2017)+(₹ 4,82,407*3 months: April-June 2017)+(₹ 4,94,992*9 months: July 2017-March 2018)+(₹ 5,15,850*12 months: April 2018-March 2019)+(₹ 5,47,509*9 months: April-December 2019)

Scrutiny of records revealed that in line with the above, the Company invited (December 2015) bids for 650 tables, 1,300 computer tables, iron grill gates and shelves/racks that were to be supplied at 650 retail foreign liquor shops to be established by the Company in town areas. The work order[17] was awarded to a contractor (02 February 2016) with instruction to complete the work by 07 February 2016. Due to non-supply of the items, the Company sought an explanation (04 April 2016) from the supplier as to why the work order should not be cancelled. Further, GoB vide Notification[18] (05 April 2016) prohibited the manufacture, trade and consumption of all kinds of liquor across the State with immediate effect. Owing to the blanket ban imposed on the sale/consumption of IMFL across the State by GoB with effect from 05 April 2016, the Company terminated (05 April 2016) the work order of the contractor.

In this connection Audit observed that:

- The Company, in violation of Rule 131-O and Rule 131-P of the Bihar Financial Rules, 2005 failed to incorporate the provisions of Earnest Money Deposit (EMD) and Performance Security Deposit (PSD) in its Notice Inviting Tender (NIT). This resulted in favour of ₹ 44.10 lakh (i.e. ₹ 12.60 lakh towards EMD and ₹ 31.50 lakh towards PSD) to the supplier on the basis of amount billed according to the conditions fixed in BFR 2005.
- The progress of work was neither reviewed in February 2016 nor till 04 April 2016.
- The quality of furniture and fixtures supplied was not pre-qualified. The Company, in disregard to the basic tenets of BFR and contract management, did not enter into an agreement with the contractor for supply of furniture, iron gates and shelves/racks in its retail IMFL shops. This resulted in complete reliance on the vendor for the quality of furniture and fabrication of gates/grills.
- The contractor had claimed payment of ₹ 6.30 crore[19] against the supplies made by it at the Company's depots prior to termination of the contract on 05 April 2016. Against the claims made by the contractor, the Company made payments aggregating to ₹ 4.33 crore[20] to the contractor up to January 2017. However, as per the work order, the items were to be supplied and installed at the retail shops and not at the depots and that too prior to 07 February 2016. The records confirming inward receipt of the items at depots were not made available to audit.

The Department stated (August 2019) that in view of the urgent implementation of the New Excise Policy, 2015, the provisions of the BFR

[17] At the L-1 rate of ₹ 2,500 per table, ₹ 2,500 per computer table and ₹ 333.69/- per square feet for iron grill gate/shelves

[18] Notification no.: 11/New Excise Policy-01-03/2016-1485 dated 05 April 2016

[19] ₹ 0.50 crore vide invoice dated 21 March 2016 and ₹ 5.80 crore vide invoice dated 31 March 2016

[20] Advance of ₹ 0.30 crore on 30 March 2016, advance of ₹ 1.00 crore on 03 May 2016, payment of ₹ 2.42 crore on 30 June 2016, payment of ₹ 0.25 crore on 25 July 2016 and payment of ₹ 0.36 crore on 31 January 2017

2005 could not be adhered to. Further, the payments to the contractor were made in respect of the supplies made by him prior to termination of the work on 05 April 2016.

The reply is not acceptable as on 04 April 2016, the Company warned the vendor of termination of the work order due to non-supply. However, the next day when total prohibition was ordered by the State Government, the Company started counting the supplies made prior to 05 April 2016. Besides, the records confirming the inward receipt of the items at depots prior to 05 April 2016 and the written intimation to the Company's Headquarters from the respective Depot Manager of having received the goods in the depot of the Company prior to 05 April 2016, was not placed on record. Further, the work order was not reviewed till 04 April 2016. Non-obtaining of the EMD and Performance Security in violation of BFR also resulted in undue favour to the supplier.

Thus, gross impropriety in procurement of furniture and fixtures not only resulted in undue extension of benefit to the contractor but also led to infructuous expenditure of ₹ 4.33 crore.

Patna **(NILOTPAL GOSWAMI)**
The **Principal Accountant General (Audit), Bihar**

Countersigned

New Delhi **(RAJIV MEHRISHI)**
The **Comptroller and Auditor General of India**

ANNEXURES

Annexure – 1.1

(Referred to in Paragraph 1.8 and Paragraph 1.9)

Summarised financial results of Power Sector Undertakings for the latest year for which accounts were finalised

(₹ in crore)

Sl. No.	Activity & Name of the Power Sector Undertaking	Period of accounts	Net profit/ loss before interest & tax	Net profit/ loss after interest & tax	Turnover	Paid up capital including share application money	Capital Employed[1]	Net Worth[2]	Accumulated Profit/ loss
1	2	3	4	5	6	7	8	9	10
A.	**Generation**								
1	Bihar State Power Generation Company Limited (*Subsidiary of Sl. No.6)*	2017-18	-5,031.73	-5,031.73	13.88	4,808.95	3,778.43	-275.07	-5,084.02
	Sub-total (A)		**-5,031.73**	**-5,031.73**	**13.88**	**4,808.95**	**3,778.43**	**-275.07**	**-5,084.02**
B.	**Transmission**								
2	Bihar State Power Transmission Company Limited (*Subsidiary of Sl. No.6)*	2017-18	283.53	262.02	634.91	6,616.74	6,993.49	6,427.21	-189.53
3	Bihar Grid Company Limited (*Joint Venture of Sl. No.6)*	2017-18	175.22	25.92	204.36	312.48	1,392.56	336.32	23.84
	Sub-total (B)		**458.75**	**287.94**	**839.27**	**6,929.22**	**8,386.05**	**6,763.53**	**-165.69**
C.	**Distribution**								
4	North Bihar Power Distribution Company Limited (*Subsidiary of Sl. No.6)*	2017-18	-648.79	-740.49	4,931.55	8,247.15	5,656.05	5,093.45	-3,153.70
5	South Bihar Power Distribution Company Limited (*Subsidiary of Sl. No.6)*	2017-18	-2,153.15	-2,330.58	5,822.55	8,996.43	3,167.01	2,476.46	-6,519.97
	Sub-total (C)		**-2,801.94**	**-3,071.07**	**10,754.10**	**17,243.58**	**8,823.06**	**7,569.91**	**-9,673.67**
D.	**Other**								
6	Bihar State Power (Holding) Company Limited	2017-18	0.04	-3.54	0.00	30,098.54	30,115.48	30,065.22	-33.32
	Sub-total (D)		**0.04**	**-3.54**	**0.00**	**30,098.54**	**30,115.48**	**30,065.22**	**-33.32**
	Grand total (A+B+C+D)		**-7,374.88**	**-7,818.40**	**11,607.25**	**59,080.29[3]**	**22,277.51**	**15,298.08**	**-14,956.70**

1 Capital employed=Paid up share Capital+ free reserve and surplus +Long term loan – accumulated loss –Deferred Revenue Expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised

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

3 Paid up Capital of ₹ 59,080.29 crore includes an amount of ₹ 28,825.51 crore in Bihar State Power Holding Company Limited which was reinvested by it in its subsidiaries (S. No. 1, 2, 4 and 5) and Joint venture Company (S. No. 3). Hence, the same has been excluded for the purpose of calculating investment, net worth and capital employed.

Annexure-1.2
(Referred to in Paragraph 1.8)
Statement showing position of equity and outstanding loans relating to Power Sector State PSUs as on 31 March 2018

(₹ in crore)

Sl. No.	Name of the PSU	Name of the Department	Month and year of incorporation	Equity [4] at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoB[5]	GoI[6]	Others	Total	GoB	GoI	Others	Total
1	**2**	**3**	**4**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**6 (a)**	**6 (b)**	**6 (c)**	**6 (d)**
	Functional Government Companies										
1	Bihar State Power (Holding) Company Limited	Energy department	16.04.2012	30,098.54	0.00	0.00	30,098.54	50.26	0.00	0.00	50.26
2	Bihar State Power Generation Company Limited	Energy department	29.06.2012	0.00	0.00	4,808.95	4,808.95	0.00	0.00	4,053.50	4,053.50
3	Bihar State Power Transmission Company Limited	Energy department	29.06.2012	0.00	0.00	6,616.74	6,616.74	566.28	0.00	0.00	566.28
4	North Bihar Power Distribution Company Limited	Energy department	06.07.2012	0.00	0.00	8,247.15	8,247.15	229.65	0.00	332.95	562.60
5	South Bihar Power Distribution Company Limited	Energy department	29.06.2012	0.00	0.00	8,996.43	8,996.43	32.52	0.00	658.03	690.55
6	Bihar Grid Company Limited	Energy department	04.01.2013	0.00	0.00	312.48	312.48	0.00	0.00	1,056.24	1,056.24
	Total			**30,098.54**	**0.00**	**28,981.75**	**59,080.29**	**878.71**	**0.00**	**6,100.72**	**6,979.43**

[4] It includes Share application money
[5] Government of Bihar
[6] Government of India

Annexure-2.1
(Referred to in Paragraphs 2.1 (a) and 2.13.1)
Statement showing the Physical and Financial status of RGGVY scheme as on 31 March 2019

A. Physical status

Five Year Plan	DISCOMs	No. of Projects / Districts	Scope as per DPR			Date of LOA	Scheduled date of completion	Progress in number (figure in bracket is in percentage)		
			Villages	Habitations	BPL connections to be issued			Villages	Habitations	BPL connection released
11 FYP phase II (2007-12)	SBPDCL	7	10,273	18,468	17,63,761	July 13 and Oct 13	July 15 and Oct 15	10,273 (100)	18,468 (100)	6,93,240 (39.30)
	NBPDCL	4	3,855	13,766	11,34,567	Oct 13 and Dec 13	Oct 15 and Dec 15	3,894 (100)	15,466 (100)	6,05,899 (53.40)
Total		**11**	**14,128**	**32,234**	**28,98,328**			**14,167 (100)**	**33,934 (100)**	**12,99,139 (44.82)**
12 FYP (2012-17)	SBPDCL	10	7,992	21,788	13,19,303	Aug 14 to Nov 14	Aug 16 to Nov 16	7,992 (100)	21,788 (100)	3,53,835 (32.48)
	NBPDCL	17	16,768	55,142	42,29,745	Aug 14 to Dec 14	Aug 16 to Dec 16	16,363 (97.58)	50,189 (91.02)	18,26,878 (43.19)
Total		**27**	**24,760**	**76,930**	**55,49,048**			**24,355 (98.36)**	**71,977 (93.56)**	**21,80,713 (39.29)**
Grand Total		**38**	**38,888**	**1,09,164**	**84,47,376**			**38,522 (99.05)**	**1,05,911 (97.02)**	**34,79,852 (41.19)**

B. Financial status

Five Year Plan	DISCOMs	No. of Projects/ Districts	Sanctioned cost (₹ in crore)	Fund received from REC (₹ in crore)	Fund received from GoB (₹ in crore)	Expenditure incurred (₹ in crore)	Percentage of Expenditure incurred against Sanctioned cost (in *per cent*)
11 FYP phase II (2007-12)	SBPDCL	7	2,094.70	1,399.65	0.00	1,519.37	72.53
	NBPDCL	4	1,035.34	740.75	0.00	956.26	92.36
Total		**11**	**3,130.04**	**2,140.40**	**0.00**	**2,475.63**	**79.09**
12 FYP (2012-17)	SBPDCL	10	1,414.03	802.54	249.62	1,243.18	87.92
	NBPDCL	17	3,806.62	2,479.76	827.26	3,795.76	99.71
Total		**27**	**5,220.65**	**3,282.30**	**1,076.88**	**5,038.94**	**96.52**
Grand Total		**38**	**8,350.69**	**5,422.70**	**1,076.88**	**7,514.57**	**89.99**

Annexure-2.2
(Referred to in Paragraphs 2.1 (b) and 2.13.2)
Statement showing the Physical and Financial status of DDUGJY scheme as on 31 March 2019

A. Physical status

DISCOMs	No. of Projects / Districts	Scope as per DPR				Sanctioned cost (₹ in crore)	Date of LOA	Scheduled date of completion	Achievement in number (figure in bracket is in percentage)			
		No. of Total PSS	No. of Agriculture feeder	No. of Non Agriculture feeder	No. of DTRs				No. of Total PSS	No. of Agriculture feeder	No. of Non Agriculture feeder	No. of DTRs
SBPDCL	17	123	565	464	28,300	2,433.14	Jan 17 and Mar 17	Jan 19 and Mar 19	58 (47.15)	191 (33.80)	85 (18.32)	8,708 (30.77)
NBPDCL	21	173	747	346	42,351	3,394.08	Jan-17	Jan-19	59 (34.10)	507 (67.87)	97 (28.03)	7,850 (18.54)
Total	**38**	**296**	**1,312**	**810**	**70,651**	**5,827.22**			**117 (39.53)**	**698 (53.20)**	**182 (22.47)**	**16,558 (23.44)**

B. Financial status

DISCOMS	No. of Projects/ Districts	Sanctioned cost (₹ in crore)	Fund received from REC (₹ in crore)	State/ DISCOM Contribution (₹ in crore)	Total	Expenditure incurred (₹ in crore)	Percentage of Expenditure against Sanctioned cost (in *per cent*)
SBPDCL	17	2,433.14	1,352.45	358.50	1,710.95	1,532.94	63.00
NBPDCL	21	3,394.08	1,406.08	539.41	1,945.49	1,448.97	42.69
Total	**38**	**5,827.22**	**2,758.53**	**897.91**	**3,656.44**	**2,981.91**	**51.17**

Annexure-2.3
(Referred to in Paragraph 2.1 (c))
Statement showing Physical and Financial status of DDG projects as on 31 March 2019

Name of DISCOMs	Physical progress								Financial progress (₹ *in crore)*	
	Standalone				Mini Grid Plant					
	Scope	Revised Scope	Installed	Balance	Scope	Revised scope	Commissioned	Balance	Awarded cost	Expenditure
SBPDCL	3,435	6,341	7,101	0	240	221	216	5	140.33	158.17[7]
NBPDCL	2,581	4,624	5,102	0	282	153	149	4	131.70	87.71
Total	**6,016**	**10,965**	**12,203**	**0**	**522**	**374**	**365**	**9**	**272.03**	**245.88**

[7] ***Revised Contract price: ₹ 163.81 crore***

Annexure-2.4

(Referred to in Paragraph 2.1 (d))

Statement showing physical and financial status of full scale electrification of 11 districts/projects under BRGF scheme as on 31 March 2019

A. Physical status

Name of District / Project	33 KV Lines (in CKM)		New PSS (in Nos.)		11 KV Lines (in CKM)		DTR (in Nos.)		LT Lines (in CKM)	
	LOA	Achievement	LOA	Achievement	LOA	Achievement	LOA	Achievement	LOA	Achievement
Patna	0.00	0.00	5	5	1,400.00	333.00	2,060	1,187	1,990.00	1,668.53
Gaya	0.00	0.00	1	1	0.00	342.91	2,206	909	986.09	1,176.00
Banka	0.00	0.00	0	0	30.30	120.00	2,012	376	473.58	343.00
Rohtas	0.00	0.00	0	0	0.00	0.00	20	420	592.50	430.63
Nalanda	0.00	0.00	-	-	0.00	0.00	1,347	1,320	501.26	900.70
Nawada	0.00	0.00	0	0	82.93	90.28	748	232	217.37	419.21
Bhojpur	0.00	0.00	0	0	0.00	52.72	862	146	395.00	1,192.78
Total	**0.00**	**0.00**	**6**	**6**	**1,513.23**	**938.91**	**9,255**	**4,590**	**5,155.80**	**6,130.85**
Purnea	47.00	84.44	5	5	213.04	376.92	2,031	497	130.70	379.16
Kishanganj	0.00	0.00	0	0	161.25	315.59	1,359	932	561.89	803.86
Araria	39.00	24.33	3	3	622.45	598.79	2,568	1,298	442.08	1,241.10
Siwan	0.00	0.00	0	0	248.43	126.27	2,732	781	298.53	376.64
Total	**86.00**	**108.77**	**8**	**8**	**1,245.17**	**1,417.57**	**8,690**	**3,508**	**1,433.20**	**2,800.76**

B. Financial status

Sl. No.	Name of DISCOMs	Sanctioned cost (₹ in crore)	Awarded cost (₹ in crore)	Fund received from GoB (₹ in crore)	Expenditure incurred (₹ in crore)	Percentage of Expenditure incurred against Sanctioned cost (in *per cent*)
1	SBPDCL	499.90	499.90	499.90	364.50	72.91
2	NBPDCL	337.72	332.94	334.97	321.70	95.26
TOTAL		**837.62**	**832.84**	**834.87**	**686.2**	**81.92**

Annexure-2.5
(Referred to in Paragraph 2.1 (f))
Statement showing Physical and Financial status of MVSNY as on 31 March 2019

A. Physical status

DISCOMs	No. of Projects / Circles	Scope as approved by Government (No. of Households)	Revised scope of Households	Sanctioned cost (₹ in crore)	Date of LOA	Scheduled date of completion	Number of Households electrified /meter installed (figure in bracket is in percentage)
SBPDCL	7	20,00,000	5,25,334	1,897.50	May 16 to Feb. 17	Jan. 19 and April 19	5,11,055 (97.28)
NBPDCL	7	30,00,000	10,00,244		Jan 17	Jan. 19 and Mar. 19	13,70,086 (136.97)
Total	**14**	**50,00,000**	**15,25,578**	**1,897.50**			**18,81,141** **(123.31)**

B. Financial status

DISCOMS	No. of Projects/Circle	Sanctioned cost (₹ in crore)	Awarded cost (₹ in crore)	Fund received from GoB (₹ in crore)	Expenditure incurred (₹ in crore)	Percentage of Expenditure incurred against Awarded cost (in *per cent*)
SBPDCL	7	1,897.50	629.67	377.14	177.66	28.21
NBPDCL	7		954.16	615.21	617.63	64.73
Total	**14**	**1,897.50**	**1,583.83**	**992.35**	**795.29**	**50.21**

Annexure-2.6
(Referred to in Paragraph 2.12.2)
Statement showing difference in quantities assessed in LOAs and Frozen/Actual quantity

Name of the District	Name of the item	Scope as per LOA	Frozen quantity/Actual quantity	Excess/deficit quantity	Variation in %
Sitamarhi	PSC Pole 8 meter	36,500.00	51,360.00	14,860.00	40.71
	Rabbit Conductor	390.89	155.00	-235.89	-60.35
	Weasel Conductor	1,666.44	1,082.00	-584.44	-35.07
	63 KVA DTR	972.00	1,050.00	78.00	8.02
	3 PH AB cable	666.58	1,050.00	383.42	57.52
Muzaffarpur	PSC Pole 8 meter	13,234.00	58,599.00	45,365.00	342.79
	Rabbit Conductor	899.19	266.16	-633.03	-70.40
	Weasel Conductor	608.70	1,039.70	431.00	70.81
	63 KVA DTR	440.00	609.00	169.00	38.41
	3 PH AB cable	37.48	334.10	296.62	791.37
Munger	PSC Pole 8 meter	34,588.00	46,754.00	12,166.00	35.17
	Rabbit Conductor	159.00	83.10	-75.90	-47.74
	Weasel Conductor	500.80	183.20	-317.60	-63.42
	63 KVA DTR	1,252.00	1,262.00	10.00	0.80
	3 PH AB cable	619.00	692.23	73.23	11.83
Sheikhpura	PSC Pole 8 meter	3,571.00	5,055.00	1,484.00	41.55
	Rabbit Conductor	324.45	325.00	0.55	0.17
	Weasel Conductor	76.76	124.00	47.24	61.54
	63 KVA DTR	62.00	150.00	88.00	141.94
	3 PH AB cable	30.69	30.90	0.21	0.68
Jehanabad	PSC Pole 8 meter	21,321.00	52,294.00	30,973.00	145.27
	Rabbit Conductor	361.53	351.00	-10.53	-2.91
	Weasel Conductor	1,432.18	1,713.54	281.36	19.65
	63 KVA DTR	1,159.00	1,450.00	291.00	25.11
	3 PH AB cable	572.87	589.26	16.39	2.86
Gaya	PSC Pole 8 meter	2,04,556.00	2,67,679.00	63,123.00	30.86
	Rabbit Conductor	2,648.00	1,370.00	-1,278.00	-48.26
	Weasel Conductor	16,057.00	6,615.00	-9,442.00	-58.80
	63 KVA DTR	5,741.00	6,540.00	799.00	13.92
	3 PH AB cable	1,280.67	2,649.00	1,368.33	106.84

Annexure-2.7
(Referred to in Paragraph 2.12.4)
Statement showing details of Operation and Maintenance expenses and Depreciation

Year	DISCOM	Fixed Assets created under RE schemes[8]	Depreciation @ 5.28 %	O& M Expenses[9] SB-@1.5%, NB-@1.06%
2015-16	SBPDCL	1,257.22	-	18.86
	NBPDCL	10.47	-	0.11
	TOTAL	**1,267.69**	**-**	**18.97**
2016-17	SBPDCL	3,671.73	66.38	55.08
	NBPDCL	317.16	0.55	3.36
	TOTAL	**3,988.89**	**66.93**	**58.44**
2017-18	SBPDCL	2,030.23	193.87	30.45
	NBPDCL	2,392.53	16.75	25.36
	TOTAL	**4,422.76**	**210.61**	**55.81**
GRAND TOTAL		**9,679.34**	**277.54**	**133.22**

[8] BRGF, RGGVY, DDUGJY, MVSNY, State Plan (Burnt DTR)
[9] Repair and Maintenance expenses (K factor) as per Tariff Order

Annexure-2.8
(Referred to in Paragraph 2.13.1)
Statement showing survey/ frozen quantity and its achievement as on 30 September 2018 of 33 KV Lines, 33/11 KV PSS, 11 KV Lines, DTR 63 KVA and LT Lines

Name of District / Project	33 KV Lines (in CKM)			33/11 KV PSS (in Nos.)			11 KV Lines (12th Plan - in KM, 11th Plan Phase II - in CKM)			DTR 63 KVA (in Nos.)			LT Lines (in KM)		
	Survey/ Frozen Qty.	Achievement	Achieve ment in *per cent*	Survey/ Frozen Qty.	Achievement	Achieve ment in *per cent*	Survey/ Frozen Qty.	Achieve-ment	Achieve ment in *per cent*	Survey/ Frozen Qty.	Achievement	Achieve -ment in *per cent*	Survey/ Frozen Qty.	Achievement	Achievement in *per cent*
Munger	10.97	10.97	100.00	1	1	100.00	259.86	259.87	100.00	1,262	1,262	100.00	1,296.34	1,296.34	100.00
Sheikhpura	15.18	0.00	0.00	1	0	0.00	244.18	27.00	11.06	150	33	22.00	16.88	50.00	296.14
Jehanabad	0.00	0.00	0.00	0	0	0.00	542.78	226.56	41.74	1,159	560	48.32	926.98	535.00	57.71
Gaya	177.00	97.24	54.94	2	2	100.00	2,662.00	874.36	32.85	4,334	2,807	64.77	4,699.00	3,068.78	65.31
Muzaffarpur	51.79	18.50	35.72	3	1	33.33	422.60	477.69	113.04	613	506	82.54	1,777.58	1,460.56	82.17
Sitamarhi	50.15	0.00	0.00	1	0	0.00	400.00	507.89	126.97	1,050	1,044	99.43	1,610.00	1,088.40	67.60
Kishanganj	45.00	41.44	92.09	2	2	100.00	834.54	790.71	94.75	1,612	1,491	92.49	1,217.67	1,160.43	95.30
Purnea	75.85	68.80	90.70	4	4	100.00	1,894.58	1,143.05	60.33	2,114	1,960	92.72	3,769.52	3,365.83	89.29

Annexure-2.9
(Referred to in Paragraph 2.14.1)
Financial performance and working results of SBPDCL
for the year 2013-14 to 2017-18

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue					
a. Revenue from operation	2,407.33	2,674.44	3,294.59	4,031.83	4,933.21
b. Other income	152.54	261.28	203.40	402.30	366.58
c. Revenue subsidies & grants	1,630.94	1,674.65	2,811.16	2,320.34	889.34
Total income excluding subsidy	2,559.87	2,935.72	3,497.99	4,434.13	5,299.79
Total income (a+b+c)	4,190.81	4,610.37	6,309.15	6,754.47	6,189.13
Expenses					
Power purchase cost	3,536.29	4,707.48	5,611.89	5,798.54	6,839.70
Employee benefit expenses	233.79	258.10	277.27	477.52	403.86
Finance costs	231.49	163.21	323.19	268.32	177.43
Depreciation & amortization expenses	104.20	42.67	142.42	180.84	235.94
Other expenses	109.07	99.53	298.50	991.26	862.80
Prior period items (Net)	244.66	86.92	390.05	-	-
Total expenses	4,459.50	5,357.91	7,043.32	7,716.48	8,519.73
Profit/ (-) Loss	-268.69	-747.54	-734.17	-962.01	-2,330.60
Income earned on per rupees spent	0.94	0.86	0.90	0.88	0.73
Return on Capital Employed	-0.02	-0.25	-0.12	-0.75	-0.68

Annexure-2.10
(Referred to in Paragraph 2.14.1)
Financial performance and working results of NBPDCL for the year 2013-14 to 2017-18

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue					
a. Revenue from operation	1,556.61	2,164.67	2,717.93	2,967.67	3,639.96
b. Other income	142.43	177.85	177.98	159.79	141.67
c. Revenue subsidies & grants	1,024.65	1,217.22	1,579.20	1,513.66	1,291.59
Total income excluding subsidy	1,699.04	2,342.52	2,895.91	3,127.46	3,781.63
Total income (a+b+c)	2,723.69	3,559.74	4,475.11	4,641.12	5,073.22
Expenses					
Power purchase cost	2,271.97	3,195.81	3,908.64	4,203.92	5,163.61
Employee benefit expenses	138.21	171.86	188.00	265.60	258.52
Finance costs	151.93	228.50	184.00	158.31	91.70
Depreciation & amortization expenses	73.12	80.77	86.78	89.76	106.69
Other expenses	62.42	123.66	197.57	218.49	193.18
Prior period items (Net)	100.30	55.90	249.55	-	-
Total expenses	2,797.95	3,856.50	4,814.54	4,936.08	5813.70
Profit/ (-) Loss	-74.26	-296.76	-339.43	-294.96	-740.48
Income earned on per rupees spent (in ₹)	0.97	0.92	0.93	0.94	0.87
Return on Capital Employed	0.05	-0.04	-0.04	-0.03	-0.11

Annexure 2.11
(Referred to in Paragraph 2.16)
Statement showing Target and Achievement of Parameters

Sl. No.	Parameters	Target	Achievement	Percentage of achievement
1	Coverage of Rural households	₹ 1.73 crore (As per DPR of RGGVY)	₹ 1.39 crore (Saubhagya Dashboard as on March 2019)	80.35
2	Coverage of BPL households	₹ 84.47 lakh (DPR of RGGVY 11 FYP Phase II and 12 FYP)	₹ 34.80 lakh (March 2019)	41.19
3	Connected load (Rural) as on March 2018	14,443 MW (Projections approved by BERC in Tariff order 2016-17 for March 2018)	6,019.82 MW (Tariff order 2018-19)	41.68
4	Replacement of burnt transformer	14,822 (June 2015)	10,388 (March 2019)	70.00
5	Quality of power	Log books relating quality parameters like voltage fluctuation, power factor are not maintained at PSS and DTR.		
6	DT metering	In eight test checked districts, 9,663 DT meters were installed in new DTRs for ₹ 4.09 crore. But no data is being collected from the same.		

Annexure-2.12
(Referred to in Paragraph 2.16.1)
Statement showing details of Rural Households (RHHs) and its electrification status

Sl. No.	Name of DISCOM	Name of District	As per census 2011*	As per DPR (RGGVY)	As per Actual (Saubhagya Dashboard)	Percentage	
						Actual vs. Census	Actual vs. DPR
1	SBPDCL	Patna	5,46,154	2,38,255	3,70,203	67.78	**155.38**
2		Gaya	5,98,783	5,97,158	4,58,007	76.49	76.70
3		Banka	3,67,997	2,91,118	2,54,295	69.10	87.35
4		Nawada	3,04,903	2,71,736	3,13,027	**102.66**	115.20
5		Nalanda	4,01,779	3,68,929	3,78,186	94.13	102.51
6		Rohtas	3,90,394	3,54,513	2,97,857	76.30	84.02
7		Bhojpur	3,56,659	3,29,175	28,1,020	78.79	85.37
8		Munger	1,92,161	2,39,519	1,48,407	77.23	61.96
9		Sheikhpura	82,905	1,16,483	70,672	85.24	60.67
10		Jamui	2,82,205	4,34,338	2,25,337	79.85	51.88
11		Lakhisarai	1,39,248	1,66,281	86,631	62.21	52.10
12		Arwal	1,09,769	1,36,341	73,105	66.60	53.62
13		Jehanabad	1,59,920	2,21,645	79,581	**49.76**	**35.90**
14		Aurangabad	3,55,036	5,03,187	3,15,826	88.96	62.77
15		Buxar	2,35,177	3,53,203	1,93,846	82.43	54.88
16		Bhagalpur	4,58,408	5,82,344	3,27,104	71.36	56.17
17		Kaimur	2,40,695	3,93,762	1,47,675	61.35	37.50
		Total	**52,22,193**	**55,97,987**	**40,20,779**	**76.99**	**71.83**
18	NBPDCL	Araria	5,35,361	5,15,217	3,76,561	70.34	73.09
19		Siwan	5,07,055	3,91,945	3,61,944	71.38	92.35
20		Kishanganj	3,06,497	2,10,009	2,65,203	86.53	**126.28**
21		Purnea	5,81,363	3,10,406	3,85,842	66.37	124.30
22		Muzaffarpur	8,57,133	7,69,760	5,48,838	64.03	71.30
23		Saharsa	3,40,117	3,62,978	2,15,766	63.44	59.44
24		West Champaran	6,37,354	6,58,614	4,87,431	76.48	74.01
25		East Champaran	9,09,672	9,31,238	5,22,297	57.42	56.09
26		Sitamarhi	6,99,274	7,14,035	3,45,918	**49.47**	48.45
27		Vaishali	5,87,807	7,26,541	3,81,775	64.95	52.55
28		Darbhanga	7,29,100	7,71,473	5,16,893	70.89	67.00
29		Madhepura	3,83,856	4,71,471	2,64,872	69.00	56.18
30		Madhubani	8,68,524	8,90,013	5,70,222	65.65	64.07
31		Samastipur	8,07,402	8,02,332	5,92,119	73.34	73.80
32		Supaul	4,22,580	4,72,161	3,18,904	75.47	67.54
33		Begusarai	4,82,492	5,99,752	3,68,459	76.37	61.44
34		Khagaria	3,12,717	3,27,939	2,02,311	64.69	61.69
35		Sheohar	1,44,286	1,48,606	78,051	54.09	52.52
36		Gopalganj	3,87,421	4,18,079	3,54,555	**91.52**	84.81
37		Saran	5,75,224	6,20,850	4,31,498	75.01	69.50
38		Katihar	5,65,512	6,25,186	2,97,301	52.57	**47.55**
		Total	**1,16,40,747**	**1,17,38,605**	**78,86,760**	**67.75**	**67.19**
Grand Total			**1,68,62,940**	**1,73,36,592**	**1,19,07,539**	**70.61**	**68.68**

***Source:** *District Census Handbook*

Annexure-4.1
(Referred to in paragraph 4.1)
Summarised financial results of State PSUs (other than Power Sector) covered in this Report for the latest year for which accounts were finalised

(₹ in crore)

Sl. No.	Sector & Name of the PSU	Period of accounts	Year in which finalised	Net profit/ loss before dividend, interest & tax	Net profit/ loss after dividend, interest & tax	Turn over	Paid up capital	Capital employed	Net Worth	Accumulated Profit/ loss
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
I.	**PSUs working in Monopolistic environment**									
A	**Government Companies**									
1	Bihar State Beverages Corporation Limited	2015-16	2018-19	19.19	13.83	3,795.39	5.00	125.52	125.52	120.52
2	Bihar Forestry Development Corporation Limited	2016-17	2018-19	0.33	0.22	12.98	0.34	0.25	0.25	-0.09
	Sub Total			**19.52**	**14.05**	**3,808.37**	**5.34**	**125.77**	**125.77**	**120.43**
B	**Other Government controlled companies -NIL**									
	Sub Total			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
C.	**Statutory Corporations – NIL**									
	Sub Total			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Total I (A+B+C)			**19.52**	**14.05**	**3,808.37**	**5.34**	**125.77**	**125.77**	**120.43**
II.	**PSUs with assured income from centage, commission, revenue grants/subsidies, etc.**									
A	**Government Companies**									
1	Bihar State Road Development Corporation Limited	2015-16	2018-19	120.78	93.86	1,560.45	20.00	439.79	396.79	376.79
2	Bihar Urban Infrastructure Development Corporation Limited	2015-16	2017-18	6.16	4.91	150.34	5.00	31.90	31.90	26.90
3	Bihar Rajya Pul Nirman Nigam Limited	2015-16	2018-19	105.71	70.26	122.62	3.50	531.75	531.75	528.25

Sl. No.	Sector & Name of the PSU	Period of accounts	Year in which finalised	Net profit/ loss before dividend, interest & tax	Net profit/ loss after dividend, interest & tax	Turn over	Paid up capital	Capital employed	Net Worth	Accumulated Profit/ loss
1	2	3	4	5	6	7	8	9	10	11
4	Bihar State Building Construction Corporation Limited	2016-17	2017-18	28.58	18.11	39.21	5.00	62.39	62.39	57.39
5	Bihar State Educational Infrastructure Development Corporation Limited	2016-17	2017-18	22.96	22.96	52.50	20.00	224.55	224.55	204.55
	Sub Total			**284.19**	**210.10**	**1,925.12**	**53.50**	**1,290.38**	**1,247.38**	**1,193.88**
B	**Other Government controlled companies - NIL**									
	Sub Total			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
C	**Statutory Corporations – NIL**									
	Sub Total			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Total II (A+B+C)			**284.19**	**210.10**	**1,925.12**	**53.50**	**1,290.38**	**1,247.38**	**1,193.88**
III.	**PSUs working in competitive environment**									
A.	**Government Companies**									
1	Bihar State Film Development and Finance Corporation Limited	2015-16	2016-17	-0.16	-0.18	0.00	1.00	-0.40	-0.90	-1.90
2	Bihar State Agro Industries Development Corporation Limited (Non-Functional)	2016-17	2017-18	-0.55	-0.55	0.00	7.64	-134.15	-169.76	-177.40
	Sub Total			**-0.71**	**-0.73**	**0.00**	**8.64**	**-134.55**	**-170.66**	**-179.30**

Sl. No.	Sector & Name of the PSU	Period of accounts	Year in which finalised	Net profit/ loss before dividend, interest & tax	Net profit/ loss after dividend, interest & tax	Turn over	Paid up capital	Capital employed	Net Worth	Accumulated Profit/ loss
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
B	**Other Government controlled companies - NIL**									
	Sub Total			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
C	**Statutory Corporations**									
1	Bihar State Financial Corporation	2017-18	2018-19	-27.75	-45.99	2.09	77.84	-182.26	-410.73	-488.57
	Sub Total			**-27.75**	**-45.99**	**2.09**	**77.84**	**-182.26**	**-410.73**	**-488.57**
	Total II (A+B+C)			**-28.46**	**-46.72**	**2.09**	**86.48**	**-316.81**	**-581.39**	**-667.87**
	Grand Total(I+II+III)			**275.25**	**177.43**	**5,735.58**	**145.32**	**1,099.34**	**791.76**	**646.44**

Annexure-4.2
(Referred to in paragraphs 4.1)
Details of State PSUs (other than Power Sector) not covered in this Report

(₹ in crore)

Sl. No.	Sector & Name of the PSU	Period of latest finalised accounts	Year in which finalised	Net profit/ loss after tax	Turnover	Paid up capital
1	2	3	4	5	6	7
A.	**Functional PSUs with arrears of accounts for three or more years/first accounts not received/ not due**					
I.	**Government Companies**					
1	Bihar Rajya Beej Nigam Limited	1999-2000	2013-14	-4.99	1.89	3.71
2	Bihar State Credit & Investment Corporation Limited	2012-13	2017-18	-0.91	3.77	15.00
3	Bihar State Backward Classes Finance & Development Corporation	1997-98	2006-07	-0.29	0.64	3.62
4	Bihar State Minorities Finance Corporation Limited	2013-14	2018-19	2.16	8.31	33.89
5	Bihar Police Building Construction Corporation Limited	2012-13	2018-19	3.56	21.04	0.01
6	Bihar State Electronics Development Corporation Limited	2014-15	2015-16	7.96	39.23	5.66
7	Bihar State Tourism Development Corporation Limited	2014-15	2016-17	3.54	11.63	5.00
8	Bihar State Food & Civil Supplies Corporation Limited	1998-99	2018-19	-6.42	345.95	5.39
9	Bihar Medical Services & Infrastructure Corporation Limited	2014-15	2018-19	2.27	17.27	6.74
10	Bihar State Text Book Publishing Corporation Limited	2006-07	2016-17	-7.74	57.20	0.48
11	Bihar State Mining Corporation Limited**	-	-	-	-	-
12	Bihar State Education Finance Corporation Limited**	-	-	-	-	-
13	Bhagalpur Smart City Limited*	-	-	-	-	-
14	Patna Smart City Limited**	-	-	-	-	-
15	Muzaffarpur Smart City Limited**	-	-	-	-	-
Sub Total				**-0.86**	**506.93**	**79.50**
II	**Statutory Corporations**					
16	Bihar State Road Transport Corporation	2006-07	2018-19	-71.35	52.33	101.28
17	Bihar State Warehousing Corporation	2011-12	2018-19	0.02	69.54	6.42
Sub Total				**-71.33**	**121.87**	**107.70**
Total A (I+II)				**-72.19**	**628.80**	**187.20**

Sl. No.	Sector & Name of the PSU	Period of latest finalised accounts	Year in which finalised	Net profit/ loss after tax	Turnover	Paid up capital
B.	**Non-Functional Government Companies**					
1	Bihar Rajya Matasya Vikas Nigam Limited	1992-93	1996-97	-0.22	0.00	1.75
2	SCADA Agro Business Company Limited	2014-15	2016-17	0.02	0.00	0.05
3	Bihar State Water Development Corporation Limited	1978-79	1997-98	2.17	0.00	5.00
4	Bihar State Dairy Corporation Limited	1997-98	2014-15	0.00	0.00	6.72
5	Bihar Hill Area Lift Irrigation Corporation Limited	1982-83	1983-84	-0.26	0.01	5.60
6	Bihar State Fruit & Vegetables Development Corporation Limited	2002-03	2018-19	-1.38	0.00	2.11
7	Bihar Insecticide Limited (Subsidiary of Sl. No. B 26)	1986-87	1991-92	-1.03	0.00	0.57
8	SCADA Agro Business Limited, Khagaul* *(Subsidiary of Sl. No. B 2)*	-	-	-	-	-
9	SCADA Agro Business Limited, Dehri* *(Subsidiary of Sl. No. B 2)*	-	-	-	-	-
10	SCADA Agro Business Limited, Arrah* *(Subsidiary of Sl. No. B 2)*	-	-	-	-	-
11	SCADA Agro Business Limited, Aurangabad * *(Subsidiary of Sl. No. B 2)*	-	-	-	-	-
12	SCADA Agro Business Limited, Mohania* *(Subsidiary of Sl. No. B 2)*	-	-	-	-	-
13	SCADA Agro Forestry Company Limited, Khagaul* *(Subsidiary of Sl. No. B 2)*	-	-	-	-	-
14	Bihar Panchayati Raj Finance Corporation Limited	1984-85	1991-92	-0.01	0.00	1.44
15	Bihar State Handloom and Handicrafts Corporation Limited	1983-84	1996-97	-0.10	0.00	6.28
16	Bihar State Industrial Development Corporation Limited	2008-09	2017-18	-7.63	0.16	14.04
17	Bihar State Construction Corporation Limited	2002-03	2017-18	-3.52	23.34	7.00
18	Bihar State Mineral Development Corporation Limited	2000-01	2004-05	9.29	31.55	9.97
19	Bihar Solvent & Chemicals Limited *(Subsidiary of Sl. No. B 30)*	1986-87	1995-96	-0.32	0.00	0.66
20	Magadh Mineral Limited *(Subsidiary of Sl. No. B 26)*	-	-	-	-	-
21	Beltron Video System Limited *(Subsidiary of Sl. No. A6)*	1989-90	2016-17	-0.34	0.44	3.06
22	Beltron Mining System Limited *(Subsidiary of Sl. No. A6)*	1990-91	2017-18	0.14	0.41	1.32
23	Beltron Informatics Limited **(Subsidiary of Sl. No. A6)*	-	-	-	-	-
24	Bihar State Sugar Corporation Limited	1984-85	1996-97	-9.20	0.00	9.97
25	Bihar State Cement Corporation Limited * *(Subsidiary of Sl. No. B 16)*	-	-	-	-	-

Sl. No.	Sector & Name of the PSU	Period of latest finalised accounts	Year in which finalised	Net profit/ loss after tax	Turnover	Paid up capital
26	Bihar State Pharmaceuticals & Chemicals Development Corporation Limited	1985-86	1992-93	-0.17	0.00	3.62
27	Bihar Maize Product Limited *(Subsidiary of Sl. No. B 26)*	1983-84	1987-88	-0.03	0.00	0.67
28	Bihar Drugs and Chemicals Limited *(Subsidiary of Sl. No. B 26)*	1985-86	1991-92	-0.03	0.00	0.94
29	Bihar State Textiles Corporation Limited	1987-88	1995-96	-0.09	0.00	4.98
30	Bihar State Forest Development Corporation Limited	2000-01	2005-06	0.28	22.81	2.29
31	Bihar Paper Mills Limited *(Subsidiary of Sl. No. B16)*	1985-86	1997-98	-0.06	0.00	1.56
32	Bihar State Glazed Tiles & Ceramics Limited *(Subsidiary of Sl. No. B26)*	1985-86	1997-98	-0.08	0.00	0.16
33	Vishwamitra Paper Industries Limited *(Subsidiary of Sl. No. B26)*	1984-85	1988-89	-0.01	0.00	0.40
34	Jhanjharpur Paper Industries Limited *(Subsidiary of Sl. No.B26)*	1985-86	1991-92	-0.01	0.00	0.42
35	Bihar State Tannin Extract Limited *(Subsidiary of Sl. No. B30)*	1988-89	1993-94	-0.32	0.00	1.03
36	Synthetic Resins (Eastern) Limited *(Subsidiary of Sl. No. B26)*	1983-84	1987-88	-0.02	0.00	0.09
37	Bhavani Active Carbon Limited *(Subsidiary of Sl. No. B26)*	1985-86	1989-90	-0.01	0.00	0.02
38	Bihar Scooters Limited * *(Subsidiary of Sl. No. B16)*	-	-			
Sub Total C				**-12.94**	**78.72**	**91.72**
C. Government Companies under liquidation						
1	Kumardhubi Metal Casting & Engineering Limited *(Subsidiary of Sl. No.B16)*	1994-95	1995-96	-2.39	10.89	2.17
2	Bihar State Finished Leathers Corporation Limited *(Subsidiary of Sl. No.C3)*	1983-84	1986-87	-1.49	0.00	1.47
3	Bihar State Leather Industries Development Corporation Limited	1982-83	2004-05	-0.37	1.16	5.14
4	Bihar State Export Corporation Limited	1991-92	1999-00	0.10	4.94	2.00
5	Bihar State Small Industries Corporation Limited	1990-91	2005-06	-1.42	15.22	7.18
Sub Total				**-5.57**	**32.21**	**17.96**
Total of All Sectors				**-90.70**	**739.73**	**296.88**

**** PSUs which have not submitted/finalised their first accounts***
*****PSUs whose accounts are not due.***

Annexure-4.3
(Referred to in paragraphs 4.3 and 4.12)
Statement showing position of equity and outstanding loans relating to State PSUs (other than Power Sector) as on 31 March 2018

(₹ in crore)

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoB[10]	GoI[11]	Others	Total	GoB	GoI	Others	Total
1	**2**	**3**	**4**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**6 (a)**	**6 (b)**	**6 (c)**	**6 (d)**
I	**PSUs working in Monopolistic environment**										
	Government Companies										
1	Bihar State Beverages Corporation Limited	Registration, Excise & Liquor Prohibition	25.05.2006	5.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00
2	Bihar Forestry Development Corporation Limited	Forest & Environment	11.10.2013	0.34	0.00	0.00	0.34	0.00	0.00	0.00	0.00
	Sub Total of sector I			**5.34**	**0.00**	**0.00**	**5.34**	**0.00**	**0.00**	**0.00**	**0.00**
II	**PSUs with assured income from centage, commission, revenue grants/subsidies, etc.**										
	Government Companies										
1	Bihar State Road Development Corporation Limited	Road Construction	20.04.2009	20.00	0.00	0.00	20.00	0.00	0.00	43.00	43.00
2	Bihar Urban Infrastructure Development Corporation Limited	Urban Development & Housing	16.06.2009	5.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00
3	Bihar Rajya Pul Nirman Nigam Limited	Road Construction	11.06.1975	3.50	0.00	0.00	3.50	0.00	0.00	0.00	0.00
4	Bihar State Building Construction Corporation Limited	Building Construction	20.03.2008	5.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00
5	Bihar State Educational Infrastructure Development Corporation Limited	Education	16.07.2010	20.00	0.00	0.00	20.00	0.00	0.00	0.00	0.00
	Sub Total of sector II			**53.50**	**0.00**	**0.00**	**53.50**	**0.00**	**0.00**	**43.00**	**43.00**

10 Government of Bihar
11 Government of India

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoB[10]	GoI[11]	Others	Total	GoB	GoI	Others	Total
1	**2**	**3**	**4**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**6 (a)**	**6 (b)**	**6 (c)**	**6 (d)**
III	**PSUs working in Competitive environment**										
IIIA	**Government Companies**										
1	Bihar State Film Development and Finance Corporation Limited	Art Culture & Youth	06.03.1983	1.00	0.00	0.00	1.00	0.50	0.00	0.00	0.50
2	Bihar State Agro Industries Development Corporation Limited	Agriculture	28.04.1966	7.64	0.00	0.00	7.64	30.98	0.00	4.63	35.61
	Sub Total of sector IIIA			**8.64**	**0.00**	**0.00**	**8.64**	**31.48**	**0.00**	**4.63**	**36.11**
IIIB	**Statutory Corporations**										
1	Bihar State Financial Corporation	Industries	02.11.1954	39.95	0.00	37.89	77.84	228.47	0.00	0.00	228.47
	Sub Total of Sector III			**48.59**	**0.00**	**37.89**	**86.48**	**259.95**	**0.00**	**4.63**	**264.58**
	Grand Total (I+II+III)			**107.43**	**0.00**	**37.89**	**145.32**	**259.95**	**0.00**	**47.63**	**307.58**

Annexure-4.4
(Referred to in paragraph 4.7)
Statement showing difference between Finance Accounts of Government of Bihar and Accounts of the State PSUs (other than Power Sector) in respect of balances of Equity, Loans and Guarantee as on 31 March 2018

(₹ in crore)

Sl. No.	Name of PSU	As per Finance Accounts of Government of Bihar			As per records of State PSUs			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
1	2	3	4	5	6	7	8	9	10	11
A	FUNCTIONAL GOVERNMENT COMPANIES									
1	Bihar Rajya Beej Nigam Limited	2.28	2.03	0.00	2.28	31.90	0.00	0.00	-29.87	0.00
2	Bihar State Mining Corporation Limited	20.00	0.00	0.00	20.00	0.00	0.00	0.00	0.00	0.00
3	Bihar State Credit & Investment Corporation Limited	12.14	26.80	0.00	15.12	20.47	0.00	-2.98	6.33	0.00
4	Bihar State Backward Classes Finance & Development Corporation Limited	21.48	0.00	16.31	23.36	0.00	15.39	-1.88	0.00	0.92
5	Bihar State Minorities Finance Corporation Limited	328.95	5.60	0.00	40.00	5.60	20.62	288.95	0.00	-20.62
6	Bihar State Film Development and Finance Corporation Limited	1.00	0.48	0.00	1.00	0.50	0.00	0.00	-0.02	0.00
7	Bihar State Education Finance Corporation Limited	0.00	0.00	0.00	9.50	0.00	0.00	-9.50	0.00	0.00
8	Bihar Police Building Construction Corporation Limited	0.25	0.00	0.00	0.10	0.00	0.00	0.15	0.00	0.00
9	Bihar Rajya Pul Nirman Nigam Limited	3.50	0.00	0.00	3.50	0.00	0.00	0.00	0.00	0.00
10	Bihar State Building Construction Corporation Limited	5.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00	0.00
11	Bihar State Road Development Corporation Limited	20.00	0.00	0.00	20.00	0.00	0.00	0.00	0.00	0.00
12	Bihar Urban Infrastructure Development Corporation Limited	5.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00	0.00

Sl. No.	Name of PSU	As per Finance Accounts of Government of Bihar			As per records of State PSUs			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
13	Bihar State Educational Infrastructure Development Corporation Limited	20.00	0.00	0.00	20.00	0.00	0.00	0.00	0.00	0.00
14	Bhagalpur Smart City Limited	0.00	0.00	0.00	0.05	0.00	0.00	-0.05	0.00	0.00
15	Patna Smart City Limited	0.00	0.00	0.00	0.05	0.00	0.00	-0.05	0.00	0.00
16	Muzaffarpur Smart City Limited	0.00	0.00	0.00	0.05	0.00	0.00	-0.05	0.00	0.00
17	Bihar State Electronics Development Corporation Limited	25.00	6.24	0.00	25.00	0.00	0.00	0.00	6.24	0.00
18	Bihar State Beverages Corporation Limited	5.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00	0.00
19	Bihar State Tourism Development Corporation Limited	4.16	0.00	0.00	5.00	0.00	0.00	-0.84	0.00	0.00
20	Bihar State Food & Civil Supplies Corporation Limited	0.02	1,440.71	818.19	5.27	2,180.48	818.19	-5.25	-739.77	0.00
21	Bihar Medical Services & Infrastructure Corporation Limited	20.00	0.00	0.00	6.74	0.00	0.00	13.26	0.00	0.00
22	Bihar Forestry Development Corporation Limited	0.34	0.00	0.00	0.34	0.00	0.00	0.00	0.00	0.00
23	Bihar State Text Book Publishing Corporation Limited	0.12	0.00	0.00	0.36	0.00	0.00	-0.24	0.00	0.00
	Total A	**494.24**	**1,481.86**	**834.50**	**212.72**	**2,238.95**	**854.20**	**281.52**	**-757.09**	**-19.70**
B. FUNCTIONAL STATUTORY CORPORATION										
1	Bihar State Financial Corporation	23.09	213.97	127.47	39.95	228.47	0.00	-16.86	-14.50	127.47
2	Bihar State Road Transport Corporation	81.74	880.62	0.00	74.76	873.37	0.00	6.98	7.25	0.00
3	Bihar State Warehousing Corporation	0.80	0.00	164.04	3.21	0.00	164.04	-2.41	0.00	0.00
	Total B	**105.63**	**1,094.59**	**291.51**	**117.92**	**1,101.84**	**164.04**	**-12.29**	**-7.25**	**127.47**
C. NON-FUNCTIONAL GOVERNMENT COMPANIES										
1	Bihar Rajya Matasya Vikas Nigam Limited	1.75	2.66	0.00	3.70	2.60	0.00	-1.95	0.06	0.00

Sl. No.	Name of PSU	As per Finance Accounts of Government of Bihar			As per records of State PSUs			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
2	SCADA Agro Business Company Limited	0.58	0.00	0.00	0.00	0.00	0.00	0.58	0.00	0.00
3	Bihar State Water Development Corporation Limited	12.19	42.09	0.00	10.00	49.68	0.00	2.19	-7.59	0.00
4	Bihar State Dairy Corporation Limited	0.00	1.95	0.00	6.72	0.00	0.00	-6.72	1.95	0.00
5	Bihar Hill Area Lift Irrigation Corporation Limited	9.94	3.50	0.00	10.82	8.55	0.00	-0.88	-5.05	0.00
6	Bihar State Agro Industries Development Corporation Limited	4.94	7.06	0.00	7.64	30.98	0.00	-2.70	-23.92	0.00
7	Bihar State Fruit & Vegetables Development Corporation Limited	1.64	23.12	0.00	1.61	0.42	0.00	0.03	22.70	0.00
8	Bihar Panchayati Raj Finance Corporation Limited	0.98	0.07	0.00	2.01	0.00	0.00	-1.03	0.07	0.00
9	Bihar State Handloom and Handicrafts Corporation Limited	11.42	1.31	0.00	10.00	1.16	0.00	1.42	0.15	0.00
10	Bihar State Small Industries Corporation Limited	0.63	4.41	0.00	7.18	10.40	0.00	-6.55	-5.99	0.00
11	Bihar State Industrial Development Corporation Limited	3.18	86.30	0.00	14.04	66.54	0.00	-10.86	19.76	0.00
12	Bihar State Construction Corporation Limited	4.90	3.30	0.00	7.00	3.38	0.00	-2.10	-0.08	0.00
13	Bihar State Mineral Development Corporation Limited	9.87	0.00	0.00	9.97	0.00	0.00	-0.10	0.00	0.00
14	Bihar Solvent & Chemicals Limited	0.20	0.01	0.00	0.20	0.00	0.00	0.00	0.01	0.00
15	Bihar State Sugar Corporation Limited	20.00	0.00	0.00	20.00	322.95	0.00	0.00	-322.95	0.00
16	Bihar State Cement Corporation Limited	0.00	0.00	0.00	0.00	0.03	0.00	0.00	-0.03	0.00
17	Bihar State Pharmaceuticals & Chemicals Development Corporation Limited	9.57	12.35	0.00	15.78	4.25	0.00	-6.21	8.10	0.00
18	Bihar Drugs and Chemicals Limited	0.00	0.00	1.25	0.00	1.28	0.00	0.00	-1.28	1.25
19	Bihar State Textiles Corporation Limited	15.81	2.45	0.00	5.37	1.62	0.00	10.44	0.83	0.00
20	Bihar State Export Corporation Limited	2.27	0.92	0.00	2.00	1.22	0.00	0.27	-0.30	0.00

Sl. No.	Name of PSU	As per Finance Accounts of Government of Bihar			As per records of State PSUs			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
21	Bihar State Forest Development Corporation Limited	2.19	3.02	0.00	1.75	0.00	0.00	0.44	3.02	0.00
22	Bihar State Tannin Extract Limited	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.00
23	Bihar State Finished Leathers Corporation Limited	0.00	0.00	0.00	0.00	9.18	0.00	0.00	-9.18	0.00
24	Bihar State Leather Industries Development Corporation Limited	10.43	13.26	0.00	17.40	12.43	0.00	-6.97	0.83	0.00
25	Bihar Scooters Limited	0.00	0.00	0.00	0.00	6.09	0.00	0.00	-6.09	0.00
	Total C	**122.49**	**207.79**	**1.25**	**153.19**	**532.76**	**0.00**	**-30.70**	**-324.97**	**1.25**
	Grand Total	**722.36**	**2,784.24**	**1,127.26**	**483.83**	**3,873.55**	**1,018.24**	**238.53**	**-1,089.31**	**109.02**

Annexure-4.5
(Referred to in paragraph 4.8.1)
Statement showing position of State Government Investment in State PSUs (other than Power Sector) accounts of which were in arrears, during the period of arrears

(₹ in crore)

Sl. No.	Name of the PSU	Period up to which accounts finalised	Period for which accounts are in arrears	Paid up capital as per latest accounts finalised	Investment made by the State Government during the year for which Accounts are in arrears				
					Equity	Loans	Capital Grant	Subsidy	Total
1	2	3	4	5	6	7	8	9	10
A	Functional PSUs								
I. Arrear upto 2 Years									
1	Bihar State Film Development and Finance Corporation Limited	2015-16	2016-17	1.00	0.00	0.00	0.25	0.00	**0.25**
Sub total (I)				**1.00**	**0.00**	**0.00**	**0.25**	**0.00**	**0.25**
II. Arrear 3 Years and More									
1	Bihar State Tourism Development Corporation Limited	2014-15	2015-16	5.00	0.00	0.00	5.23	0.00	**5.23**
2	Bihar State Minorities Finance Corporation Limited	2013-14	2014-15	33.89	6.11	7.00	165.00	0.00	**178.11**
3	Bihar State Text Book Publishing Corporation Limited	2006-07	2007-08	0.48	0.00	0.00	0.00	23.00	**23.00**
4	Bihar Rajya Beej Nigam Limited	1999-2000	2000-01	3.71	0.00	2.28	105.39	8.66	**116.33**
5	Bihar State Backward Classes Finance & Development Corporation Limited	1997-98	1998-99	3.62	20.74	7.49	0.00	0.00	**28.23**
6	Bihar State Food & Civil Supplies Corporation Limited	1998-99	1999-2000	5.39	0.00	1,118.31	0.00	1,460.29	**2,578.60**
7	Bihar State Warehousing Corporation (Statutory Corporation)	2011-12	2012-13	6.42	0.00	0.00	47.17	0.00	**47.17**
8	Bihar State Road Transport Corporation (Statutory Corporation)	2006-07	2007-08	101.28	0.00	785.01	0.00	0.00	**785.01**
Sub Total (II)				**159.79**	**26.85**	**1,920.09**	**322.79**	**1,491.95**	**3,761.68**
Total (A)				**160.79**	**26.85**	**1,920.09**	**323.04**	**1,491.95**	**3,761.93**
B. Non-Functional Companies									
1	Bihar Rajya Matasya Vikas Nigam Limited	1992-93	1993-94	1.75	1.25	5.63	0.26	0.00	**7.14**
2	Bihar State Construction Corporation Limited	2002-03	2003-04	7.00	0.00	2.28	0.00	0.00	**2.28**

Sl. No.	Name of the PSU	Period up to which accounts finalised	Period for which accounts are in arrears	Paid up capital as per latest accounts finalised	Investment made by the State Government during the year for which Accounts are in arrears				
					Equity	Loans	Capital Grant	Subsidy	Total
3	Bihar State Sugar Corporation Limited	1984-85	1985-86	9.97	11.21	365.32	0.00	69.27	**445.80**
4	Bihar State Fruits & Vegetables Development Corporation Limited	2002-03	2003-04	2.11	0.00	4.53	21.07	0.00	**25.60**
5	Bihar State Mineral Development Corporation Limited	2000-01	2001-02	9.97	0.00	0.00	11.00	0.00	**11.00**
6	Bihar State Textile Corporation Limited	1987-88	1988-89	4.98	5.80	2.74	0.00	0.00	**8.54**
7	Bihar Hill Area Lift Irrigation Corporation Limited	1982-83	1983-84	5.60	5.22	18.78	0.00	55.41	**79.41**
8	Bihar State Water Development Corporation Limited	1978-79	1979-80	5.00	5.00	154.33	0.00	0.00	**159.33**
9	Bihar State Handloom & Handicrafts Corporation Limited	1983-84	1984-85	6.28	3.72	0.25	0.00	0.48	**4.45**
10	Bihar State Pharmaceuticals & Chemical Development Corporation Limited	1985-86	1986-87	3.62	12.92	6.30	0.00	0.00	**19.22**
11	Bihar state Forest Development Corporation Limited	2000-01	2001-02	2.29	0.00	2.29	0.00	0.00	**2.29**
12	Bihar Scooter Limited	-	1977-78	1.63	0.00	6.09	0.00	0.00	**6.09**
Total B				**60.20**	**45.12**	**568.54**	**32.33**	**125.16**	**771.15**
Grand Total (A + B)				**220.99**	**71.97**	**2,488.63**	**355.37**	**1,617.11**	**4,533.08**

Annexure – 4.6
(Referred to in Paragraph 4.15)
Statement showing State Government funds infused in State PSUs (other than Power Sector) during the period from 2000-01 to 2017-18

(₹ in crore)

A. PSUs working in Monopolistic environment				
Year	Bihar State Beverages Corporation Limited			
	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants
2000-01(up to)	-	-	-	-
2001-02	-	-	-	-
2002-03	-	-	-	-
2003-04	-	-	-	-
2004-05	-	-	-	-
2005-06	-	-	-	-
2006-07	5.00	-	-	-
2007-08	-	-	-	-
2008-09	-	-	-	-
2009-10	-	-	-	-
2010-11	-	-	-	-
2011-12	-	-	-	-
2012-13	-	-	-	-
2013-14	-	-	-	-
2014-15	-	-	-	-
2015-16	-	-	-	-
2016-17	-	-	-	-
2017-18	-	-	-	-

A PSUs working in Monopolistic environment				
Year	**Bihar Forestry Development Corporation Limited**			
	Equity	**Interest free Loans**	**Loans on which interest payment has been defaulted**	**Capital Grants**
2000-01(up to)	-	-	-	-
2001-02	-	-	-	-
2002-03	-	-	-	-
2003-04	-	-	-	-
2004-05	-	-	-	-
2005-06	-	-	-	-
2006-07	-	-	-	-
2007-08	-	-	-	-
2008-09	-	-	-	-
2009-10	-	-	-	-
2010-11	-	-	-	-
2011-12	-	-	-	-
2012-13	-	-	-	-
2013-14	0.34	-	-	-
2014-15	-	-	-	-
2015-16	-	-	-	-
2016-17	-	-	-	-
2017-18	-	-	-	-

B. PSUs with assured income from centage, commission, revenue grants/subsidies, etc.				
Year	Bihar State Road Development Corporation Limited			
	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants
2000-01(up to)	-	-	-	-
2001-02	-	-	-	-
2002-03	-	-	-	-
2003-04	-	-	-	-
2004-05	-	-	-	-
2005-06	-	-	-	-
2006-07	-	-	-	-
2007-08	-	-	-	-
2008-09	-	-	-	-
2009-10	20.00	-	-	-
2010-11	-	-	-	-
2011-12	-	-	-	-
2012-13	-	-	-	-
2013-14	-	-	-	-
2014-15	-	-	-	-
2015-16	-	-	-	-
2016-17	-	-	-	-
2017-18	-	-	-	-

B. PSUs with assured income from centage, commission, revenue grants/subsidies, etc.				
Year	Bihar Urban Infrastructure Development Corporation Limited			
	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants
2000-01 (up to)	-	-	-	-
2001-02	-	-	-	-
2002-03	-	-	-	-
2003-04	-	-	-	-
2004-05	-	-	-	-
2005-06	-	-	-	-
2006-07	-	-	-	-
2007-08	-	-	-	-
2008-09	-	-	-	-
2009-10	5.00	-	-	-
2010-11	-	-	-	-
2011-12	-	-	-	-
2012-13	-	-	-	-
2013-14	-	-	-	-
2014-15	-	-	-	-
2015-16	-	-	-	-
2016-17	-	-	-	-
2017-18	-	-	-	-

B. PSUs with assured income from centage, commission, revenue grants/subsidies, etc.				
Year	Bihar Rajya Pul Nirman Nigam Limited			
	Equity	Interest free Loans	Loans on which interest payment has been defaulted	Capital Grants
2000-01 (up to)	3.50	-	-	-
2001-02	-	-	-	-
2002-03	-	-	-	-
2003-04	-	-	-	-
2004-05	-	-	-	-
2005-06	-	-	-	-
2006-07	-	-	-	-
2007-08	-	-	-	-
2008-09	-	-	-	-
2009-10	-	-	-	-
2010-11	-	-	-	-
2011-12	-	-	-	-
2012-13	-	-	-	-
2013-14	-	-	-	-
2014-15	-	-	-	-
2015-16	-	-	-	-
2016-17	-	-	-	-
2017-18	-	-	-	-

B. PSUs with assured income from centage, commission, revenue grants/subsidies, etc.				
Year	**Bihar State Building Construction Corporation Limited**			
	Equity	**Interest free Loans**	**Loans on which interest payment has been defaulted**	**Capital Grants**
2000-01(up to)	-	-	-	-
2001-02	-	-	-	-
2002-03	-	-	-	-
2003-04	-	-	-	-
2004-05	-	-	-	-
2005-06	-	-	-	-
2006-07	-	-	-	-
2007-08	-	-	-	-
2008-09	5.00	-	-	-
2009-10	-	-	-	-
2010-11	-	-	-	-
2011-12	-	-	-	-
2012-13	-	-	-	-
2013-14	-	-	-	-
2014-15	-	-	-	-
2015-16	-	-	-	-
2016-17	-	-	-	-
2017-18	-	-	-	-

B. PSUs with assured income from centage, commission, revenue grants/subsidies, etc.				
Year	**Bihar State Educational Infrastructure Development Corporation Limited**			
	Equity	**Interest free Loans**	**Loans on which interest payment has been defaulted**	**Capital Grants**
2000-01(up to)	-	-	-	-
2001-02	-	-	-	-
2002-03	-	-	-	-
2003-04	-	-	-	-
2004-05	-	-	-	-
2005-06	-	-	-	-
2006-07	-	-	-	-
2007-08	-	-	-	-
2008-09	-	-	-	-
2009-10	-	-	-	-
2010-11	20.00	-	-	-
2011-12	-	-	-	-
2012-13	-	-	-	-
2013-14	-	-	-	-
2014-15	-	-	-	-
2015-16	-	-	-	-
2016-17	-	-	-	-
2017-18	-	-	-	-

C. PSUs in Competitive Environment.				
Year	**Bihar State Film Development and Finance Corporation Limited**			
	Equity	**Interest free Loans**	**Loans on which interest payment has been defaulted**	**Capital Grants**
2000-01 (up to)	1.00	-	0.15	-
2001-02	-	-	-	-
2002-03	-	-	-	-
2003-04	-	-	-	-
2004-05	-	-	-	-
2005-06	-	-	-	-
2006-07	-	-	-	-
2007-08	-	-	-	-
2008-09	-	-	-	-
2009-10	-	-	-	-
2010-11	-	-	-	-
2011-12	-	-	-	-
2012-13	-	-	-	-
2013-14	-	-	-	-
2014-15	-	-	-	-
2015-16	-	-	0.35	0.02
2016-17	-	-	-	0.17
2017-18	-	-	-	-

C. PSUs in Competitive Environment.				
Year	**Bihar State Agro Industries Development Corporation Limited**			
	Equity	**Interest free Loans**	**Loans on which interest payment has been defaulted**	**Capital Grants**
2000-01 (up to)	7.64	0.00	12.60	-
2001-02	-	-	-	-
2002-03	-	-	-	-
2003-04	-	-	5.24	-
2004-05	-	-	4.99	-
2005-06	-	-	7.97	-
2006-07	-	-	-	-
2007-08	-	-	-	-
2008-09	-	-	-	-
2009-10	-	-	-	-
2010-11	-	-	0.18	-
2011-12	-	-	-	-
2012-13	-	-	-	-
2013-14	-	-	-	-
2014-15	-	-	-	-
2015-16	-	-	-	-
2016-17	-	-	-	-
2017-18	-	-	-	-

C. PSUs in Competitive Environment.				
Year	**Bihar State Financial Corporation**			
	Equity	**Interest free Loans**	**Loans on which interest payment has been defaulted**	**Capital Grants**
2000-01 (up to)	39.95	-		-
2001-02	-	-	-	-
2002-03	-	-	83.94	-
2003-04	-	-	6.94	-
2004-05	-	-	36.60	-
2005-06	-	-	-	-
2006-07	-	-	71.00	-
2007-08	-	-	-	-
2008-09	-	-	29.99	-
2009-10	-	-	-	-
2010-11	-	-	-	-
2011-12	-	-	-	-
2012-13	-	-	-	-
2013-14	-	-	-	-
2014-15	-	-	-	-
2015-16	-	-	-	-
2016-17	-	-	-	-
2017-18	-	-	-	-