Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings
(Social, General and Economic Sectors)

for the year ended 31 March 2014

Government of Punjab
Report No. 5 of the year 2014

TABLE OF CONTENTS

Annexures

PREFACE

This report deals with the results of audit of Government companies and Statutory corporations for the year ended 31 March 2014.

The accounts of Government companies (including companies deemed to be government companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act 1956. The accounts certified by the statutory Auditors (Chartered Accountants) appointed by the Comptroller and Auditor General under the Companies Act are subject to supplementary audit by officers of the CAG and 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 CAG for laying before State Legislature under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

In respect of two Statutory corporations, PEPSU Road Transport Corporation and Punjab Scheduled Castes Land Development & Finance Corporation, the CAG is the sole Auditor.

The instances mentioned in this Report are those which came to notice in the course of test audit during the year 2013-14 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports; matters relating to the period subsequent to 2013-14 have also been included, wherever necessary.

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

Overview

Overview

This Report contains 17 paragraphs and two performance audits i.e., 'Working of Punjab State Warehousing Corporation' and 'Micro Hydel Projects in Punjab' involving controllable losses/ avoidable expenditure to the extent of ₹ 1,906.28 crore due to non-compliance with rules, directives and procedures; non safeguarding their financial interests; defective/ deficient planning and inadequate/ deficient monitoring etc. Some of the major findings are mentioned below:

1. About the State Public Sector Undertakings

Investments in PSUs

As on 31 March 2014, the investment in 52 Public Sector Undertakings (PSUs) was ₹ 21,551.05 crore consisting of ₹ 7,867.47 crore as capital and ₹ 13,683.58 crore as long term loans. The capital investment has grown by 104.70 *per cent* from ₹ 3,843.37 crore in 2009-10 to ₹ 7,867.47 crore in 2013-14 whereas the loan investment has grown by 6.78 *per cent* from ₹ 12,814.83 crore in 2009-10 to ₹ 13,683.58 crore in 2013-14. The thrust of investment in the State was mainly in power sector. Power Sector accounted for 84.73 *per cent* of the total investment in 2013-14. The Government contributed ₹ 3,167.17 crore towards equity/loans and grants/subsidies during 2013-14.

(Paragraphs 1.7 to 1.10)

Performance of PSUs

Out of 29 working PSUs for which the accounts were received upto 30 September 2014, 12 PSUs earned profit of ₹ 498.42 crore and 12 PSUs incurred loss of ₹ 758.92 crore. Three working PSUs prepared their accounts on 'no profit no loss' basis and two working PSUs are yet to start commercial activities. The major contributors to profit were seven PSUs viz. Punjab State Power Corporation Limited (₹ 260.55 crore), Punjab State Transmission Corporation Limited (₹ 158.66 crore), Punjab Financial Corporation (₹ 16.69 crore), Punjab State Forest Development Corporation Limited (₹ 16.99 crore), Punjab State Container and Warehousing Corporation Limited (₹ 13.24 crore), Punjab Small Industries and Export Corporation Limited (₹ 15.08 crore) and Punjab Genco Limited (₹ 12.07 crore). Heavy losses were incurred by four PSUs viz. Punjab State Grains Procurement Corporation Limited (₹ 413.86 crore), Punjab State Warehousing Corporation (₹ 267.86 crore), Punjab State Industrial Development Corporation Limited (₹ 43.27 crore) and Pepsu Road Transport Corporation (₹ 10.97 crore).

(Paragraph 1.14)

Quality of accounts

The quality of accounts of PSUs needs improvement. Of the 22 accounts of working companies forwarded to Audit during 2013-14, the statutory auditors had given unqualified certificates for seven accounts, qualified certificates for fourteen accounts, adverse certificate for one account. Two accounts of Statutory corporations finalised during October 2013 to 30 September 2014 received qualified certificates. The reports of the statutory auditors on internal control of the companies indicated several weak areas.

(Paragraphs 1.25 to 1.28)

Arrears in accounts and winding up

Twenty six working PSUs had arrears of 42 accounts as on 30 September 2014.

(Paragraph 1.16)

2. Performance audit of Government Companies

Performance audit of 'Working of Punjab State Warehousing Corporation' and 'Micro Hydel Projects in Punjab' was conducted. Important Audit findings are as under:

Working of Punjab State Warehousing Corporation

Non/ delayed availing of cheaper loan from National Bank for Agriculture and Rural Development resulted in loss of ₹ 2.58 crore.

(Paragraph 2.1.10)

Delay in handing over godowns to Food Corporation of India resulted in loss of ₹ 7.68 crore.

(Paragraph 2.1.11.1)

Non adoption of FCI rice driage norms, non-execution of MOUs and delay in lodging of claims resulted in loss of ₹ 158.83 crore.

(Paragraphs 2.1.12.2 to 2.1.12.4)

Poor storage and lack of preservation measures damaged 15,453 MT of wheat valuing ₹ 32.23 crore.

(Paragraph 2.1.14.1)

Failure of the Corporation to get the paddy milled within the stipulated period resulted in loss of interest and custody & maintenance charges of ₹ 556.44 crore and inadequate control on milling operations of paddy resulted in short delivery/misappropriation of paddy/rice amounting to ₹ 62.86 crore by millers.

(Paragraph 2.1.15 and 2.1.15.1)

Transportation charges of ₹ 22.34 crore were not recovered from the millers.

(Paragraph 2.1.15.2)

Micro Hydel Projects in Punjab

149.92 MW power potential could not be harnessed due to non-resolution of inter-state water dispute, delay in implementation of project by PSPCL and lack of efforts by PEDA to harness potential on run-off-river and distributaries.

(Paragraph 2.2.6)

Only 17.65 MW potential was harnessed during 2006-07 to 2013-14 against the target of 200 MW potential as envisaged in NRSE Policy 2006.

(Paragraph 2.2.7)

Out of 22 projects (26.90 MW) commissioned by independent power producers during the years 2003-04 to 2013-14, 21 projects (26.25 MW) were commissioned with delay ranging between 3 and 86 months.

(Paragraph 2.2.8)

Handing over the operation and maintenance of four MHPs of Punjab State Power Corporation Limited to a contractor was not successful due to not ensuring preventive & routine maintenance. There was theft of major components, closure of the projects with consequential loss of generation of 10 MUs of power each year.

(Paragraph 2.2.11)

Punjab Irrigation Department delayed recovery of charges of ₹ 2.15 crore from various developers of micro hydel projects on account of various facilities provided by the government on concessional rates.

(Paragraph 2.2.14)

3. Transaction audit observations

Gist of important audit observations is given below:

Punjab State Power Corporation Limited

- Process for selecting JV partner through tenders were full of ambiguity yet the Company did not consider the desirability of inviting the bids afresh despite expert opinion. Rates for supply of coal were based on CIL rates instead of being based on production cost plus profit. Non determination of coal price on cost to produce basis resulted in extra payment of ₹ 29.59 crore to PANEM/ EMTA in respect of grade D coal supplied to PSPCL during 2013-14 alone. The structure of share capital was not followed as per agreement. Partnership firm was allowed to convert into a company and PANEM was allowed to book expenditure incurred by EMTA without verification. The mining operations were sub contracted to EMTA. There was delay in commencement of mining activities; washery and railway siding were not installed by JV partner, EMTA. Supply of entire mined coal as per its quality was not assured. PANEM was not impressed upon to discharge liability for mine closure plan.

(Paragraph 3.1)

- Failure to make timely payments of material to small scale industrial units resulted in extra burden of interest of ₹ 47.81 crore.

  (Paragraph 3.3)

- Contribution of ₹ 25 crore to Punjab State Cancer and Drug Addiction Treatment Infrastructure Fund by the Company was against the provisions of Government of Punjab, Department of Health & Family Welfare notification and the provisions of Companies Act.

  (Paragraph 3.7)

Punjab Financial Corporation

- Extension of One Time Settlement (OTS) Policy without the approval of State Government, less/ non charging of interest, non-adherence to OTS Policy, irregular implementation, favour to a loanee unit and unjustified OTS to a defaulter resulted in loss of ₹ 163.47 crore.

  (Paragraph 3.8)

Punjab State Grains Procurement Corporation Limited

- Failure to take up with the State Government the matter of making a provision of compensation in lieu of waiver/ non incorporation of penal interest clause for extended/ delayed period of milling of paddy and delivery of rice for KMS 2010-11 and 2011-12 resulted in financial loss of ₹ 415.50 crore.

  (Paragraph 3.13)

- Failure to recover cost element of transportation of paddy up to 8 Kms included in milling charges from the millers resulted in financial loss of ₹ 103.01 crore.

  (Paragraph 3.14)

Chapter-1
Overview of State Public Sector Undertakings

Chapter-1

Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. In Punjab, the State PSUs occupy an important place in the State economy. The investment in the PSUs as on 31 March 2014 stood at ₹ 21,551.05 crore. Major activities of the Punjab State PSUs are concentrated in power, transport, agriculture and finance sectors.

1.2 As on 31 March 2014, there were 52 PSUs. Of these, only one Company, Punjab Communications Limited, was listed (January 1995) on the stock exchange.

1.3 During the year 2013-14, no new PSU was established or closed down.

Audit mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it was a Government company (deemed Government company) as per Section 619-B of the Companies Act, 1956.

1.5 The accounts of the State Government companies are audited by the statutory auditors, appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956, in addition to supplementary audit conducted by CAG as *per* the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of Statutory corporations is governed by their respective legislations. CAG is the sole auditor for the Punjab Scheduled Castes Land Development & Finance Corporation (PSCLD & FC) and PEPSU Road Transport Corporation (PRTC). In respect of the Punjab State Warehousing Corporation (PSWC) and Punjab Financial Corporation (PFC), the statutory audit is conducted by the Chartered Accountants and supplementary audit by CAG.

Investment in the State PSUs

1.7 As on 31 March 2014, investment in the 52 PSUs was ₹ 21,551.05 crore as detailed below:

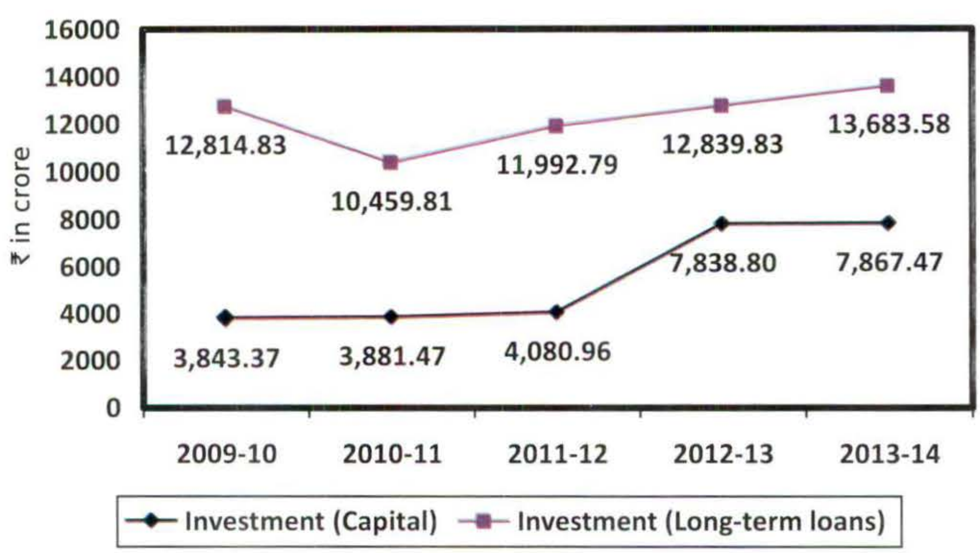
Table 1.1

(Amount:₹ in crore)

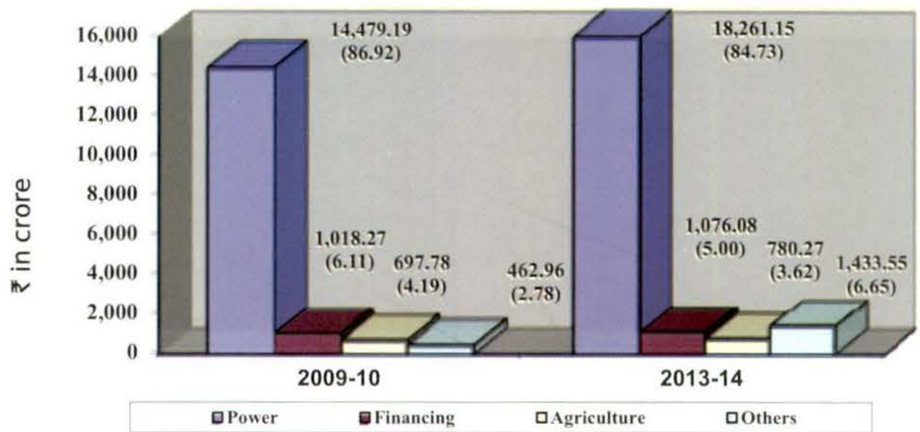
PSUs		Nos.	Capital	Long term loans	Total
Working PSUs	Government companies	25	7,401.78	13,294.60	20,696.38
	Statutory corporations	4	440.74	353.83	794.57
Total		**29**	**7,842.52**	**13,648.43**	**21,490.95**
Non-working PSUs	Government companies	23	24.95	35.15	60.10
	Statutory corporations	-	-	-	-
Total		**23**	**24.95**	**35.15**	**60.10**
Grand Total		**52**	**7,867.47**	**13,683.58**	**21,551.05**

Details of Government investment in each of the State PSUs are given in ***Annexure 1.***

1.8 As on 31 March 2014, 99.72 *per cent* of the total investment in the State PSUs was in working PSUs and the remaining 0.28 *per cent* in non-working PSUs. The investment consisted of 36.51 *per cent* as capital and 63.49 *per cent* as long-term loans. The capital investment has grown by 104.70 *per cent* from ₹ 3,843.37 crore in 2009-10 to ₹ 7,867.47 crore in 2013-14 whereas the loan investment has grown by 6.78 *percent* from ₹ 12,814.83 crore in 2009-10 to ₹ 13,683.58 crore in 2013-14 as shown in the graph below:



1.9 The investment in important sectors and percentage thereof at the end of 31 March 2010 and 31 March 2014 are indicated below in the bar chart. The thrust of PSUs investment in the State was mainly in power sector. Its percentage share in overall investments remained almost constant. It was 86.92 *per cent* in 2009-10 and 84.73 *per cent* in 2013-14.



Budgetary outgo, grants/subsidies, guarantees and loans

1.10 The details regarding budgetary outgo from the State Government towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of the State PSUs are given in ***Annexure 3***. The summarised position is given below for three years ended 2013-14:

Table 1.2

(Amount: ₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital	1	1.67	2	15.91	2	22.35
2.	Loans given to the PSUs	-	-	2	38.75	1[1]	15.00
3.	Grants/Subsidy to the PSUs	3	3,309.55	5	3,689.21	6	3,129.82
4.	Total Outgo (1+2+3)	4[2]	3,311.22	7[2]	3,743.87	8[2]	3,167.17
5.	Guarantees issued	8	26,123.95	9	35,379.50	7	28,895.45
6.	Cumulative Guarantee Commitment	10	35,565.07	11	44,899.21	11	44,012.74

1.11 The amount of guarantee commitment as on 31 March 2013 was ₹ 44,899.21 crore (11 PSUs) which decreased to ₹ 44,012.74 crore (11 PSUs) as on 31 March 2014.

The State Government charged guarantee fee at the rate of $^{1}/_{8}$ *per cent* in case of PSUs engaged as procuring agencies and 0.5 to 2 *per cent* from the other PSUs. During the year, the PSUs paid guarantee fee of ₹ 236 crore (including ₹ 199.70 crore pertaining to previous years) out of ₹ 303.39 crore payable,

[1] PEPSU Road Transport Corporation @ 12 *per cent* per annum

[2] Actual number of PSUs which received budgetary support

leaving a balance of ₹ 67.39 crore. The defaulters were Punjab State Power Corporation Limited (PSPCL) (₹ 40.76 crore) and Punjab State Industrial Development Corporation Limited (PSIDC) (₹ 26.63 crore).

Reconciliation with Finance Accounts

1.12 The figures in respect of equity, loans and guarantees outstanding as per the records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. 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 2014 is given below:

Table 1.3

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts (Provisional)	Amount as per records of PSUs	Difference
Equity	3,486.56	7,729.47	4,242.91
Loans	1,650.82	371.14	1,279.68
Guarantees	44,012.74	44,012.74	-

1.13 Some of the differences were pending reconciliation since 1985-86. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of the PSUs

1.14 The summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised are given in ***Annexure 2***. Out of 29 working PSUs[3] for which the accounts were received upto 30 September 2014, 12 PSUs earned profit of ₹ 498.42 crore and 12 PSUs incurred loss of ₹ 758.92 crore. Three[4] working PSUs prepared their accounts on 'no profit no loss' basis and two[5] working PSUs are yet to start commercial activities. The major contributors to profit were seven PSUs viz. Punjab State Power Corporation Limited (PSPCL) (₹ 260.55 crore), Punjab State Transmission Corporation Limited (PSTCL) (₹ 158.66 crore), Punjab Financial corporation (PFC) (₹ 16.69 crore), Punjab State Forest Development Corporation Limited (₹ 16.99 crore), Punjab State Container and Warehousing Corporation Limited (₹ 13.24 crore), Punjab Small Industries and Export Corporation Limited (₹ 15.08 crore) and Punjab Genco Limited (₹ 12.07 crore). Heavy losses were incurred by four PSUs viz. Punjab State Grains Procurement Corporation Limited (PUNGRAIN) (₹ 413.86 crore), Punjab State Warehousing Corporation (PSWC) (₹267.86 crore), Punjab State Industrial Development Corporation Limited (₹43.27 crore) and Pepsu Road Transport Corporation (₹ 10.97 crore).

---

[3] For the year 2009-10 (three PSUs); 2010-11 (one PSU); 2011-12 (five PSUs); 2012-13 (seventeen PSUs) and 2013-14 (three PSUs)

[4] Punjab Police Housing Corporation Limited, Punjab Police Security Corporation Limited and Punjab Municipal Infrastructure Development Company

[5] Punjab Agro Power Corporation Limited and Gidderbaha Power Corporation Limited

A review of the three years Audit Reports of the Comptroller and Auditor General shows that the state PSUs incurred controllable losses/ avoidable expenditure of ₹ 5,929.30 crore and infructuous investments of ₹ 6.27 crore which were controllable with better management.

Table 1.4

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	Total
Controllable losses/ avoidable expenditure as per CAG's Audit Report	737.93	3,285.09	1,906.28	5,929.30
Infructuous Investment	6.27	Nil	Nil	6.27

1.15 The State Government had formulated (April 1999) a policy under which all PSUs are required to pay a minimum return of four *per cent* on the funds invested by the State Government. Further it has directed (July 2011) to all the PSUs to pay a minimum return of five *per cent* on the funds invested by the State Government. As per their latest finalised accounts, 12 PSUs earned an aggregate profit of ₹ 498.42 crore of which four PSUs declared a dividend of ₹ 3.59 crore at the rate ranging from four *per cent* to hundred *per cent*. The remaining 8 PSUs did not declare dividend despite earning profits of ₹ 453.49 crore.

Arrears in finalisation of accounts

1.16 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in the case of Statutory corporations, their accounts are to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by the working PSUs in finalisation of accounts by 30 September 2014:

Table 1.5

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Number of Working PSUs	31	31	31	31	29
2.	Number of accounts finalised during the year	33	28	29	31	26[6]
3.	Number of accounts in arrears	49[7]	39[8]	41	41	42[9]
4.	Average arrears per PSU (3/1)	1.58	1.26	1.32	1.32	1.45
5.	Number of Working PSUs with arrears in accounts	23	24	24	24	26
6.	Extent of arrears (years)	1 to 6	1 to 4	1 to 5	1 to 4	1 to 4

[6] It represents 22 accounts of working companies and 4 accounts of statutory corporations.
[7] Excluding six accounts of two companies which became non-working during the year.
[8] Excluding 13 accounts of three companies which became non-working during the year.
[9] Excluding 4 accounts of two Companies which became non-working during the year.

1.17 The average number of accounts in arrears *per* working PSU decreased from 1.58 in 2009-10 to 1.45 in 2013-14. The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and make the accounts up-to-date.

1.18 In addition to the above, there were arrears in finalisation of the accounts of the non-working PSUs. Out of 23 non-working PSUs, seven[10] had gone into liquidation process. One non-working Company viz PCL Telecom Limited has been dissolved (January 2012) by the orders of Punjab and Haryana High Court. The remaining 15 non-working PSUs had arrears of accounts ranging from one to 23 years.

1.19 The State Government had invested ₹ 3,451.22 crore (Equity ₹ 38.26 crore, loans ₹ 15 crore and grants/subsidy: ₹ 3,397.96 crore) in nine PSUs during the years for which accounts were not finalised as detailed in ***Annexure 4.*** In the absence of finalisation of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus, Government's investment in such PSUs remained outside the scrutiny of the State Legislature. Further, delay in finalisation of the accounts may result in risk of fraud and leakage of public money, apart from violation of the provisions of the Companies Act, 1956.

1.20 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 prescribed period. Though the concerned administrative departments and officials of the Government were informed bi-annually by the Pr. Accountant General (Audit) Punjab, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit.

1.21 In view of the above mentioned state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set targets for individual companies.**

- **The Government / PSUs may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Winding up of non-working PSUs

1.22 Of the 23 non working PSUs (all Companies) as on 31 March 2014, seven are under liquidation / winding up process. The number of non-working companies during the last past five years were 19 (2009-10), 22 (2010-11), 22

[10] Companies at Sl. No. C-2, 8, 10, 11, 13, 14 and 23 of ***Annexure 2***

(2011-12), 21 (2012-13) and 23 (2013-14). The non-working PSUs are required to be closed down as their existence is not going to serve any purpose.

1.23 The stages of closure in respect of the non-working PSUs are as follows:

Table 1.6

Sl. No.	Particulars	Number
1.	Total numbers of non-working PSUs	23
2.	Of (1) above, the number under	
(a)	Voluntary winding up (liquidator appointed)	7
(b)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	7[11]

1.24 One non-working Company namely PCL Telecom Limited was dissolved (January 2012) by the orders of Punjab and Haryana High Court. The companies which have taken the route of voluntary winding up under the Companies Act are under liquidation for a period ranging from 5 to 31 years.

The Government companies which are inoperative or defunct later on and desirous of getting their names struck off from the Register of Companies maintained by the Registrar of Companies could opt for Fast Track Exit mode under Section 560 of the Companies Act, 1956. The Government may take a decision regarding winding up of the remaining eight non-working PSUs which have become defunct. The Government (Directorate of Disinvestment)[12] may expedite the process of closing down of the non-working companies.

Accounts comments

1.25 Eighteen working companies forwarded their 22 accounts to Audit during the year 2013-14. Of these, 16 accounts of 13 Companies were selected for supplementary audit. Similarly, four working Statutory corporations forwarded their four accounts to Audit during the year 2013-14[13]. Of these, two accounts of statutory corporations (PSCLD&FC and PRTC) pertained to sole audit by CAG. The audit reports of statutory auditors appointed by CAG and the supplementary/ sole audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of the statutory auditors and CAG are given below:

---

[11] Companies at Sl. No. C- 1, 6, 12, 15, 16, 17 & 18 of ***Annexure 2***.

[12] A cell established for disinvestment of State Government equity in State PSUs/ Subsidiaries and for restructuring/privatisation, etc. of these PSUs.

[13] October 2013 to 30 June 2014

Table 1.7

(Amount: ₹ in crore)

Sl. No.	Effect of audit comment	Companies				Corporations			
		2012-13		2013-14		2012-13		2013-14	
		No. of instances	Amount	No. of instances	Amount	No. of instances	Amount	No. of instances	Amount
1.	Decrease in Profit	3	1,498.83	3	450.45	1	0.47	-	-
2.	Increase in Loss	5	1,204.08	5	17,082.61	4	173.81	2	185.92
3.	Decrease in Loss	-	-	-	-	-	-	-	-
4.	Non disclosure of material facts	6	16,950.10	9	14,816.61	5	16.72	6	17.05
5.	Errors of classification	7	1,693.07	8	211.49	3	235.11	1	1.55
	Total		**21,346.08**		**32,561.16**		**426.11**		**204.52**

1.26 During the year, the statutory auditors had given unqualified certificates for seven accounts, qualified certificates for 14 accounts, adverse certificates (which mean that accounts do not reflect a true and fair position) for one account. Qualifications by Statutory auditors had the effect of increasing the loss of PWRMDCL[14] and PAFCL[15] by ₹ 16.10 crore and ₹ 706.21 crore respectively. During the year, two accounts of Statutory corporations (PFC and PSWC) received qualified certificates.

1.27 Some of the important comments in respect of the accounts of companies and Statutory corporations finalised during the year 2013-14 are tabulated below:

Table 1.8

Name of the Company	Year of account	Gist of the comment
Punjab Genco Limited	2012-13	Non provision of confirmed income tax liability of ₹3.16 crore resulted in understatement of extraordinary items, overstatement of profit before tax and Reserves and Surplus.
PWRMDCL	2011-12	Capital work in progress included expenditure of ₹ 58.92 crore which resulted in overstatement of Capital Work in Progress and understatement of Tangible Assets by ₹ 55.98 crore each and loss for the year by ₹ 2.94 crore (on account of depreciation).
PAFCL	2011-12	Claims receivables incorrectly included ₹ 25.81 crore shown recoverable from Food Corporation of India (FCI) which resulted in overstatement of claims recoverable and Reserves and Surplus by ₹ 25.81 crore.
PUNGRAIN	2011-12	• Closing stock of article included gunny bales valuing ₹ 21.71 crore wrongly taken excess by the Company which resulted in overstatement of Inventories by ₹ 21.71 crore and understatement of loss for the year to the same extent. • The closing stock of grains included element of carry over charges of ₹ 15.15 crore in the closing stock of wheat not in dispatchable condition. This resulted in overstatement of

14 Punjab Water Resources Management and Development Corporation Limited

15 Punjab Agro Foodgrains Corporation Limited

		Inventories and understatement of Reserves and Surplus by like amount. • The closing stock of grains did not include cost of transportation charges amounting to ₹ 17.94 crore resulting in understatement of Inventories and overstatement of Reserves and Surplus by like amount.
Name of Statutory corporation	**Year of account**	**Gist of the comment**
PSWC	2012-13	• overstatement of Current Assets and understatement of loss by ₹ 20.56 crore due to inclusion of difference of guarantee fee paid to the State Government and that being reimbursed by Government of India for which claim was not raised. • Overstatement of Current Assets and understatement of loss by ₹ 15 crore due to treating the adhoc payment of ID cess as 'Advance to Punjab Infrastructure Development Board' pertaining to the period September 2008 to March 2012 on account of increase in rate of ID cess from 2 to 3 *per cent*.
PSCLD & FC	2011-12	Non provision of 2nd and 3rd instalment of pay arrears of 5th Pay Commission report for the period 1-1-2006 to 31-7-2009 resulted in understatement of Current Liabilities and loss for the year by ₹1.51 crore.

1.28 The statutory auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. The major comments made by the statutory auditors on possible improvement in the internal audit/ internal control system in respect of sixteen[16] companies the accounts of which were received during the year 2013-14 are given in the following table.

Table 1.9

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies in respect of which recommendations were made	Reference to serial number of the companies as *per Annexure 2*
1.	Non-fixation of minimum/ maximum limits of store and spares.	5	A-2, A-7, A-8, A-15 and A-17
2.	Absence of internal audit system commensurate with the nature and size of business of the company.	6	A-6, A-7, A-8, A-16, A-19 and A-25
3.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations.	9	A-1, A-6, A-7, A-8, A-12, A-16, A17, A20 and A-24
4.	Non existence of system of proper documentation of software programme / no approved IT plan.	12	A-1, A-2, A-6, A-7, A-8, A-11, A-12, A-15, A-16, A-17, A-20 and A-25.

[16] Companies at Sl. No. A-1, 2, 3, 6, 7, 8, 11, 12, 13, 15, 16, 17,19, 20, 24 and 25 in ***Annexure 2***

5.	Non computerisation of operations	9	A-6, A-7, A-8, A-11, A-15, A-17, A-20, A-24 and A-25
6.	Non existence of Audit committee.	8	A-2, A-6, A-7, A-8, A-11, A-12, A-20 and A-25
7.	No clear cut credit policy	9	A-6, A-7, A-8, A-12, A13, A-15, A-16, A-17 and A-25

Recoveries at the instance of Audit

1.29 During the course of audit in 2013-14, recoveries of ₹ 13.44 crore were pointed out to the Management of 7 PSUs out of which recoveries of ₹ 13.38 crore were admitted by PSUs. Against this, an amount of ₹ 2.08 crore was recovered during the year 2013-14.

Status of placement of Separate Audit Reports

1.30 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Table 1.10

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
1.	Punjab Financial Corporation	2011-12	2012-13	03 February 2014
2.	Punjab Scheduled Castes Land Development & Finance Corporation	2009-10	2010-11	07 June 2013
			2011-12	23 May 2014
3.	PEPSU Road Transport Corporation	2011-12	-	-
4	Punjab State Warehousing Corporation	2011-12	2012-13	03 February 2014

No reasons were advanced by the Government for delay in placement of SARs in the Legislative Assembly. Delay in placement of SARs weakens the legislative control over the Statutory corporations and dilutes the latter's financial accountability. The Government needs to ensure prompt placement of SARs in the legislature.

Disinvestment, privatisation and restructuring of PSUs

1.31 The State Government established (July 2002) the Directorate of Disinvestment under the Department of Finance, with the function relating to disinvestment of State Government equity held in Public Sector Undertakings and their subsidiaries/promoted companies and restructuring/ privatisation etc.

of the PSUs. During the year 2013-14, the disinvestment in the three PSUs viz. PSIDC's shareholding in Punjab Alkalies and Chemicals Limited, Punjab Agro Juices Limited and Punjab Information & Communication Technology Corporation Limited's shareholding in Punjab Communications Limited was under the consideration of the Government but no final decision was taken.

General

1.32 Follow-up Action on Audit Reports

1.32.1 The Audit Reports of the Comptroller and Auditor General of India represent the culmination of the process of scrutiny, starting with initial inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The State Finance Department issued instructions (August 1992) to all the administrative departments to submit detailed notes, duly vetted by Audit indicating the corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports, within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

The Audit Reports for the years 2002-03 to 2012-13 featuring 234 paragraphs/reviews relating to PSUs under the administrative control of 11 departments were placed in the State Legislature on the dates indicated in the following table. Replies in respect of 61 paras/reviews were awaited from seven departments of the State Government as of 30 September 2014.

Table 1.11

Year of the Audit Report (PSUs)	Date of Presentation	Total no. of paragraphs/ reviews in the Audit Report	Number of paragraphs/ reviews for which detailed notes were not received.
2002-03	June 2004	23	1
2003-04	March 2005	22	3
2004-05	March 2006	23	3
2005-06	March 2007	28	2
2006-07	March 2008	25	5
2007-08	March 2009	24	9
2008-09	March 2010	22	8
2009-10	March 2011	18	4
2010-11	March 2012	15	11
2011-12	March 2013	19	15
2012-13	July 2014	15	Not yet due
Total		**234**	**61**

The departments largely responsible for non-submission of detailed notes were Power, Finance, Agriculture, Food and Supplies, Industries and Transport.

Action Taken Notes on Reports of Committee on Public Undertaking (COPU)

1.32.2 As per Rule 25 of the Internal Working Rules of COPU, Punjab Legislative Assembly, replies to the recommendations in the form of Action

Taken Notes (ATNs) are to be submitted by the administrative department of the PSU within six months from the date of placement of Report of COPU in the State Legislature. The following table indicates the delay in furnishing replies to paragraphs which have appeared in the report of COPU in the form of ATNs as on 30 September 2014.

Table 1.12

Report no. of COPU	Date of presentation to the Legislature	No. of paragraphs for which ATN is awaited
84th	24 March 2008	2
89th	6 March 2009	4
95th	18 March 2011	5
98th	25 March 2011	3
99th	21 March 2013	6
102nd	21 March 2013	8
104th	6 March 2014	8
105th	7 March 2014	10

Response to Inspection Reports, Draft Paras and Reviews

1.32.3 Audit observations noticed during audit are communicated to the heads of PSUs and concerned departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of four weeks. Inspection Reports issued up to March 2014 showed that 2,932 paragraphs relating to 956 Inspection Reports pertaining to 41 PSUs were outstanding at the end of 30 September 2014.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/ Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. 20 draft paragraphs and two performance audit reports were forwarded to the various State Government departments during April 2014 to September 2014. Of these 19 draft paragraphs and one performance audit report had not been replied so far (September 2014).

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

1.33 Coverage of this Report

This Report contains 17 paragraphs and two performance audits i.e. "Working of Punjab State Warehousing Corporation" and "Micro Hydel Projects in Punjab" involving financial effect of ₹ 1,906.28 crore.

Chapter-2

Performance audit of Statutory Corporations and Government Companies

Punjab State Warehousing Corporation

2.1 Working of Punjab State Warehousing Corporation

Executive Summary

The Punjab State Warehousing Corporation is engaged mainly in three activities i.e. Warehousing, Containerisation and Procurement of foodgrains. Performance audit covers the activities of warehousing, procurement of foodgrains and custom milling of paddy by the Corporation.

Non/ delayed availing of cheaper loan from National Bank for Agriculture and Rural Development resulted in loss of ₹ 2.58 crore.

(Paragraph 2.1.10)

Delay in handing over godowns to Food Corporation of India resulted in loss of ₹ 7.68 crore.

(***Paragraph 2.1.11.1)***

Non adoption of FCI rice driage norms, non-execution of MOUs and delay in lodging of claims resulted in loss of ₹ 158.83 crore.

(Paragraphs 2.1.12.2 to 2.1.12.4)

Poor storage and lack of preservation measures damaged 15,453 MT of wheat valuing ₹ 32.23 crore.

(Paragraph 2.1.14.1)

Failure of the Corporation to get the paddy milled within the stipulated period resulted in loss of interest and custody & maintenance charges of ₹ 556.44 crore and inadequate control on milling operations of paddy resulted in short delivery/misappropriation of paddy/rice amounting to ₹ 62.86 crore by millers.

(Paragraph 2.1.15 and 2.1.15.1)

Transportation charges of ₹ 22.34 crore were not recovered from the millers.

(Paragraph 2.1.15.2)

Introduction

2.1.1. Punjab State Warehousing Corporation (Corporation) was established (November 1967), under Section 18 (1) of the Warehousing Corporations Act, 1962 (read with Punjab Reorganisation Act, 1966) with the main objective of construction and maintenance of warehouses in the State for the storage of agricultural produce, agricultural inputs and other notified commodities. The State Government entrusted (1993) the activity of procurement of foodgrains under the minimum support price (MSP) announced by the Government of India (GoI). The Corporation is engaged mainly in three activities i.e. Warehousing, Containerisation and Procurement. The Corporation stores wheat in its owned/hired godowns/plinths and delivers the same to Food Corporation of India (FCI) for Central pool as per movement plan drawn by FCI. Paddy procured is stored in the premises of allotted rice millers under joint custody and the resultant rice is directly delivered by the millers to FCI. After delivery thereof, FCI may store this rice in the warehouses hired from PSWC. The activities of the Corporation are carried out through its 16 district offices.

Organisational set-up

2.1.2. The Management of the Corporation is vested in a Board of Directors (BOD). As on 31 March 2014, the BOD comprised of nine directors of whom five were nominated by Central Warehousing Corporation (CWC) and remaining four (including the Chairman and Managing Director) by the State Government. The Managing Director is the Chief Executive.

Audit Objectives

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

- Storage capacity was created and warehousing operations were managed economically and efficiently;
- Procurement, storage of wheat and paddy, milling of paddy and delivery of wheat and rice was made and reimbursement there against were claimed timely and in full;
- The Corporation had devised and made operational a reliable system of monitoring at the highest level to ensure that the objectives were achieved in an efficient and economical manner; and
- Internal Control System was effective and commensurate with the size and activities of the Corporation.

Scope and audit methodology

2.1.4. The present performance audit conducted between January 2014 and July 2014 covers the activities of warehousing[1] and procurement of wheat and

[1] Except activity relating to containerisation

paddy including milling during the years 2009-10 to 2013-14. The audit examination involved scrutiny of records at head office and five[2] out of 16 district offices selected on the basis of probability proportional to size sampling method which covered 62 *per cent* of storage revenue and 50 *per cent* of procurement of foodgrains during 2009-14.

We explained the audit objectives and criteria to the Management of the Corporation and representative of the Administrative department during an entry conference (February 2014). Audit findings were reported to the Corporation and the State Government (August 2014) and discussed in the exit conference (September 2014). The exit conference was attended by the representatives of the Government and Corporation. The views expressed by the Government/Management along with replies received from Management have been considered while finalising this performance audit report.

Audit Criteria

2.1.5. Sources of audit criteria are as follow:

- Instructions/guidelines issued by GoI/ State Government/ FCI with regard to warehousing and procurement of foodgrains, milling of paddy, raising of bills, reimbursement of cost, incidentals and other related expenses;
- Norms/instructions issued by the head office of the Corporation for optimum utilisation of warehouse capacity along with recovery of storage charges from depositing agencies;
- Terms and conditions of handling and transportation contracts;
- Internal control mechanism in the Corporation.

Audit Findings

2.1.6. The audit findings are discussed in subsequent paragraphs.

Financial position and working results

2.1.7.1 The Corporation had finalised its accounts up to 2012-13. The financial position of the Corporation for the years 2009-14 is given in the ***Annexure 5***. Activity wise working results of the Corporation are summarised as below:

[2] Amritsar, Ferozepur, Ludhiana, Patiala and Sangrur.

Table 2.1.1

(₹ in crore)

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14 (unaudited)
1.	Operating profit from warehouse activity	106.27	169.54	129.46	175.71	168.40
2.	Operation loss from procurement activity	232.42	281.75	351.55	443.57	476.55
3.	Net losses as per Profit and loss account	126.15	112.21	222.09	267.86	308.15
4.	Impact of Statutory Auditors and CAG audit observations	14.74	67.11	100.62	183.89	Not Available
5.	Net loss considering impact of audit observations	140.89	179.32	322.71	451.75	Not Available

The Corporation had been incurring losses continuously in procurement activity. As can be seen had the qualifications of the statutory auditor and CAG been considered, losses would have been much higher. The Corporation was not preparing its accounts on realistic basis and showing the amount of Infrastructure Development (ID) cess paid in excess of the amount being reimbursed, deductions made on account of driage, guarantee fee, etc as recoverable from FCI without any confirmation from GoI/FCI.

The Corporation was availing of cash credit (CC) facility from State Bank of India for procurement of foodgrains and related incidental expenses against hypothecation of stocks on guarantee given by the State Government. Agreement between SBI and the State Government on behalf of the procuring agencies provided that the value of hypothecated stocks should fully match with the CC outstanding. However, from ***Annexure 5***, it would be seen that the outstanding against the cash credit limit had increased from ₹ 2,372.27 crore in 2009-10 to ₹ 5,137.24 crore in 2013-14.

2.1.7.2 Guarantee fee is paid by the Corporation to the State Government at the rate of 1/8 *per cent* of CC limit actually availed of whereas GoI allowed guarantee fee subject to maximum of 1/8 *per cent* of MSP of quantity of wheat/rice delivered to FCI for the Central Pool.

Audit noticed that as against the guarantee fee of ₹ 24.06 crore paid by the Corporation to the State Government for the crop years 2009-14, the portion of guarantee fee reimbursed/ reimbursable by FCI worked out to ₹ 19.18 crore only, leaving an unbridged gap of ₹ 4.88 crore.

Management while admitting the observation stated (September 2014) that matter has been taken up with the State Government for reimbursement of excess amount.

Warehousing activity

2.1.8. The main activity of the Corporation is to build, hire and operate warehouses for storage. As on 31 March 2014, the Corporation had 117 warehouse centres having 1,273 owned (Capacity: ₹ 26.79 lakh MT) and

1,242 hired (Capacity: 37.11 lakh MT) godowns in the State with total storage capacity of 63.90 lakh MT. Average storage capacity of owned and hired godowns and their utilisation is given in ***Annexure 6***. From the ***Annexure***, it would be seen that percentage of capacity utilisation of warehouses increased from 85 *per cent* in 2009-10 to 93 *per cent* in 2013-14 which indicated that the Corporation had been successful in utilisation of its warehousing capacity. Of the storage capacities available, capacity ranging between 93.11 *per cent* to 99.97 *per cent* were utilised by the FCI and state procurement agencies.

Creation of new capacities

2.1.9. FCI had approved creation of capacity of 2.89 lakh MT under the Private Entrepreneurs Guarantee (PEG) Scheme[3] during 2009-14. However, the Corporation had created 1.69 lakh MT capacity at a cost of ₹ 56.25 crore, one project of 0.50 lakh MT capacity was under progress and remaining 0.70 lakh MT capacity could not be created due to non- availability of land as per the requirement of the Scheme. The Corporation also constructed 4 godowns with storage capacity of 0.15 lakh MT at a cost of ₹ 5.10 crore for its own procurement activity. The deficiencies noticed in the creation of new capacities are discussed in the succeeding paragraphs.

Finance for construction of new capacities under PEG

2.1.10 Non/ delayed availment of loan from NABARD

i) National Bank for Agriculture and Rural Development (NABARD) provides loan for construction of godowns in rural areas at rate of interest of 6.5 *per cent* per annum. Audit noticed that six godowns with storage capacities of 85,550 MT under PEG scheme were constructed by obtaining (March 2010) term loan of ₹ 18 crore from Bank of Maharashtra at floating rates of interest ranging between 8.25 and 11.25 *per cent* during March 2010 to March 2014. There were no recorded reasons for not approaching NABARD to arrange loan for this purpose at cheaper rates. The Corporation paid ₹ 4.56 crore interest up to March 2014 on the term loan. Not obtaining loan from NABARD resulted in excess outgo of interest of ₹ 1.73 crore on loan availed from commercial bank up to March 2014 as compared to NABARD loan.

ii) Under Grameen Bhandaran Yojna, Ministry of Agriculture, GoI releases capital subsidy of 25 *per cent* of the project cost to NABARD for onward disbursement to participating banks in advance for keeping the same in the Subsidy Reserve Fund Account of the concerned borrower and interest on the loan amount to the extent of subsidy was not to be charged by the bank. The subsidy was to be released in two installments - 50 *per cent* in advance, on submission of project profile-cum-claim form and remaining 50 *per cent* after joint inspection.

Audit noticed that:

[3] Under this scheme, FCI gives a guarantee of six years for assured hiring on storage charges as applicable to CWC from time to time.

During 2010-11, the Corporation got construction of six godowns at an estimated cost of ₹ 21.70 crore, financed from Bank of Maharashtra. The Bank started charging interest on the loan from March 2010 yet the Corporation claimed 50 *per cent* advance subsidy of ₹ 1.07 crore in August 2010 (after a delay of 4 months) which was released in February 2011. Though the godowns were constructed between July and November 2010, the Corporation claimed (November 2012) balance 50 *per cent* subsidy of ₹ 1.07 crore after a delay of 23 months. Subsidy of ₹ 1.03 crore was released by NABARD in February 2013. This caused financial loss of ₹ 19.17 lakh on the repayment of interest on capital subsidy to the bank.

iii) Detailed project report (DPR) for construction of 12 godowns of 1.36 lakh MT capacity at a cost of ₹ 66.18 crore was sent to NABARD through State Government for sanction of loan (March 2012), though the project was approved by FCI in June 2011. NABARD intimated (15 May 2012) that allocation of funds of ₹ 2,000 crore under Rural Infrastructure Development Fund (RIDF)-XVII had already been fully utilised. Government of Punjab (GoP) sent (November 2012) revised proposal for construction of 11 godowns of 1.29 lakh MT at a cost of ₹ 55.74 crore to NABARD. In the meantime the Corporation got sanctioned (August 2012) loan of ₹ 29.95 crore at interest rate of 10.25 *per cent* per annum from Corporation Bank for construction of 10 godowns having storage capacity of 95,250 MT (excluding one godown of 33,450 MT capacity which was subsequently taken up in 2014-15) . Audit observed that 10 godowns were constructed in September/ October 2013 and handed over to FCI in January/ February 2014. NABARD sanctioned (March 2013) loan of ₹ 41.80 crore (75 *per cent* of the project cost) for construction of storage capacity of 1.29 lakh MT. The Corporation availed (April 2014) loan of ₹ 27.95 crore and repaid (April 2014) the bank loan. The Corporation paid interest of ₹ 2.48 crore on the term loan of Corporation Bank till the loan was repaid which was ₹ 0.66 crore more than that had the loan been obtained from NABARD.

Construction of new godowns

2.1.11.1 Loss of potential revenue due to delay in handing over of godowns to FCI

Construction of godowns under PEG scheme have a guaranteed hiring period of six years provided that godowns are constructed within one year. Guaranteed hiring period would be reduced by the period of delays in construction of godowns.

Audit noticed that in the construction of thirteen godowns with aggregate storage capacity of 1,69,350 MT (allotted between February to November 2010 and December 2012 to February 2013) the contractors were required to construct the godowns within 90 days but were delayed from 52 to 200 days. The Corporation also took time to remove the deficiencies and hand them over to FCI. The godowns were handed over in March/ April 2011 and January/ February 2014. These delays in construction and consequent handing over resulted in loss of potential revenue of ₹ 7.68 crore. The Corporation also did not impose penalty of ₹.2.23 crore on the contractors for delays in construction.

Management stated (September 2014) that delay in construction was due to ban on the excavation of sand in the State. The reply is not acceptable as the contractor had not maintained the desired pace of the work, was aware of the ban on excavation while accepting the work and arrangement of construction material was also his responsibility.

2.1.11.2 Inability to earn higher revenue due to non/ delayed installation of weighbridges

FCI enhanced (April 2009) the rate of storage charges of PSWC with the condition that the stocks were to be weighed on the computerised weighbridges at various locations of warehouses/ godowns. As on 31 March 2009, the Corporation was having weighbridges at seven out of 98 owned warehouses. During August 2010 to September 2013, 13 more godowns were constructed under PEG scheme (guarantee period of 6 years) without installing the weighbridges. In January 2011, FCI hired seven godowns, of the 13 constructed, under General Hiring Basis (GHB) for one year due to non provision of weighbridges. During April 2011 to February 2013, weighbridges were installed in 9 out of 13 godowns constructed under PEG scheme. The Corporation did not initiate any action up to March 2014 to install weighbridges at remaining warehouses. The Corporation framed (April 2014) an estimate for installation of weighbridges at 44 locations at a cost of ₹ 7.92 crore. Audit noticed that from April 2009 to March 2014, FCI deducted ₹ 5.77 crore weighment charges for weighment of foodgrains at private weighbridges. Thus, had the Corporation installed the weighbridges it could have not only saved expenditure incurred on private weighment but also have earned higher hiring charges under PEG scheme.

Management while admitting the facts stated (September 2014) that installation of weighbridges is still under BODs consideration.

Warehousing Operations

2.1.12 As already pointed out at Para 2.1.8, the capacity utilisation of warehouses ranged between 85 *per cent* to 93 *per cent* of available capacity and 93.11 *per cent* to 97.97 *per cent* was utilised by FCI and state procurement agencies. In respect of warehousing operations Audit noticed:

2.1.12.1 Non release of revised storage charges.

The Corporation is entitled for storage charges at par with those charged by CWC provided the godowns are at par with the specifications of CWC.

Audit noticed that the Corporation did not take any initiative to upgrade its warehouses at par with those of CWC. On revision[4] (September 2012 to

[4] ₹ 2.73 per bag per month for the year 2009-10, ₹ 2.92 per bag per month for the year 2010-11 and ₹ 3.07 per bag per month for the year 2011-12

March 2014) of storage charges for years 2009-10 to 2011-12, the FCI restricted (August 2013) the payment of storage charges to the rates applicable for the year 2008-09, due to persistent deficiencies in the warehouses of non-installation of weigh bridges, roadside verandah, isolated platforms, internal roads, etc. Audit observed that in the selected district offices, storage charges amounting to ₹ 118.64 crore up to August 2014 were restricted at pre revised rates of ₹ 2.45 per bag per month since April 2009 which had a cumulative effect of ₹ 32.78 crore.

Management stated (September 2014) that while they are in the process of removing the deficiencies, some of the major discrepancies pointed out by the FCI in old constructed godowns is being taken up with them. The reply is not acceptable as the Corporation should have identified the deficiency in November 2009 when FCI issued instructions regarding payment of revised storage charges at par with CWC where the SWCs godowns are at par in specifications with that of CWC.

2.1.12.2 Loss due to excess driage in rice

FCI had revised (January 2006) norms for driage in rice. For driage till moisture level 14 *per cent*, full value allowance was provided and for moisture level below 14 *per cent*, allowance at the rate of 0.7 *per cent* for every *one per cent* driage was allowed. PSWC Rules, 1958 provided for excess driage norms in comparison with FCI norms. FCI refused to accede to the PSWC driage norms and insisted upon following of their standards. FCI made deductions of ₹ 91.57 crore for the period 2009-13 and ₹ 50.69 crore for 2013-14 on account of excess driage. The Corporation recommended (January 2013) adoption of FCI norms with retrospective effect (January 2006) which are yet to be notified.

Management stated (September 2014) that matter has been taken up with the State Government for amendment in the PSWC Rules.

2.1.12.3 Short recovery of storage charges due to non execution of MOUs

In November 2008, the Corporation revised the storage charges to ₹ 20 per MT per month for covered storage within municipal limit and to ₹ 15 per MT per month for covered storage outside the municipal limit against the existing rate of ₹ 5 per MT per month and issued (January 2009) instructions to district offices to get MOUs executed as per the revised rates or get the capacities vacated on expiry of the existing agreement. During scrutiny of the records of the district office, Sangrur, Audit observed that agreement for hiring 38,250 MT of storage space by PUNGRAIN expired in March 2009. On the expiry of MOUs, the district office did not execute new MOUs at revised rates of ₹ 15 (22,500 MT) and ₹ 20 (15,750MT) per MT or get the capacities vacated. PUNGRAIN stopped (April 2009) making payments of storage charges. Audit further observed that though the Corporation was storing its foodgrains on open plinths, it did not take action to get the warehouses vacated. The Corporation failed to take legal action for recovery of warehousing charges of ₹ 1.50 crore for the period from April 2009 to January 2014 from PUNGRAIN as it did not sign MOU at revised rates.

Management stated (September 2014) that matter has been taken up with the State Government for release of revised storage charges by procurement agencies.

2.1.12.4 Delays in claiming of storage charges

Audit noticed that the Corporation did not evolve a system at its head office to ensure and monitor that the district offices were raising storage charges bills timely. During test check of records of the five[5] selected district offices during 2009-14, Audit noticed:-

(a) As per FCI instructions (July 1988) and reiterated (October 2001) in respect of payment of storage charges, bills were required to be preferred in advance before the 7th of each month along with prescribed certificate relating to capacity/guarantee and FCI was required to release the payments of storage charges in advance through crossed cheques with an endorsement indicating not payable before 1st of the following month. Audit noticed that there were delays up to 89 days (after giving a margin of 7 days) in raising regular monthly bills of storage charges of ₹ 642.16 crore from FCI. This resulted in loss of interest of ₹ 3.64 crore.

(b) The GoI revised (between August 2009 and October 2011) the storage charges payable to PSWC ranging between ₹ 1.90 (applicable with effect from 1 April 2007) and ₹ 2.45 (applicable with effect from 1 April 2008) per bag of 50 Kg per month. Audit noticed that supplementary bills for revised storage charges amounting to ₹ 98.29 crore for 2009-14 were raised after delays ranging between 7 and 846 days (after giving a margin of 15 days) which led to loss of interest of ₹ 11.26 crore (calculated at the lowest CCL rate of 11.70 *per cent* per annum) to the Corporation

(c) Further, for the capacity utilised over and above the reserved capacity, the Corporation was entitled to storage charges calculated on daily basis. Audit noticed that the district office Amritsar and Ludhiana was raising bills and supplementary bills correctly whereas the district offices Ferozepur and Sangrur did not claim the storage charges during the period 2009-14 for capacity overutilised. District offices Patiala did not claim the supplementary bill of revised storage charges of ₹ 17.22 lakh for the period from February 2011 to September 2013 at the revised rate of ₹ 2.45 per bag per month.

The Corporation had neither analysed the reasons for delay in raising of claims, nor fixed responsibility of any official in this regard.

Management while admitting the facts stated (September 2014) that action will be taken to fix the responsibility for the delays and to curb the delay in future.

---

[5] Amritsar, Ferozpur, Ludhiana, Patiala and Sangrur

Procurement activity

2.1.13.1 Targets and achievements

The foodgrains production for *Rabi & Kharif* crops is estimated by the Agriculture department and the agency-wise procurement targets are fixed by the State Government. The details of the targets for the procurement of wheat and paddy and actual procurement there against during 2009-14 are given below:

Table 2.1.2

(Quantity in lakh MTs)

Crop year	Targets of procurement		Actual procurement by the Corporation		Excess (+)/ Short(-) procurement	
	Wheat	Paddy	Wheat	Paddy	Wheat	Paddy
2009-10	12.65	16.80	13.61	16.91	(+)0.96	(+)0.11
2010-11	12.65	15.40	11.25	14.89	(-)1.40	(-) 0.51
2011-12	12.10	15.40	12.59	13.00	(+)0.49	(-) 2.40
2012-13	12.65	16.50	14.51	12.71	(+)1.86	(-) 3.79
2013-14	15.40	16.50	12.66	11.78	(-) 2.75	(-) 4.72
Total	**65.45**	**80.60**	**64.62**	**69.29**		

It can be seen from above that the performance of the Corporation in achieving its procurement targets had mixed results. The procurement targets of wheat had been exceeded in all the years except in 2010-11 and 2013-14 while the targets for procurement of paddy had been achieved only in 2009-10. Management stated (September 2014) that actual procurement depends upon the arrival of stocks in the allocated mandis.

2.1.13.2 Non-compliance of instructions regarding procurement

To ensure that fair average quality (FAQ) paddy is procured, the technical staff deputed in each mandi should exercise checks at mandi level relating to moisture content and admixture of lower class grains etc. The instructions for procurement of paddy from mandis are issued at the commencement of each Kharif Marketing Season (KMS). The technical officers have to check stock by drawing samples from paddy offered for purchase and prescribed number of sealed samples sent for analysis. Scrutiny of the Head office and selected districts records disclosed that:

- Against the sanctioned strength of 195 technical assistants, only 82 to 158 were available with the Corporation who procured paddy from 269 to 293 mandies and were operating 112 to 117 storage centres also all over the state;

- Against requirement of 142 to 210 moisture meters, only 69 to 136 were available in the district offices and the procurement staff was also not recording the moisture and other specifications in the purchase/bidding registers.

Chapter-2
Performance Audit

- The district offices were not operating the laboratories in the offices and no independent squads were formed for supervision of procurement of paddy in mandis to ensure that procurement is made as per specifications issued by the GoI.

Storage and delivery of wheat

2.1.14.1 Loss due to damage of wheat

The Corporation is required to make arrangement for storage of wheat in covered godowns/on scientific plinths to avoid loss due to damage of wheat. Audit observed that out of wheat procured during 2009-14, 15,453 MT of wheat valuing ₹ 32.23 crore was damaged due to poor storage and lack of preservation measures. Out of this, 2,115.52 MT wheat of crop years 2009-11 valuing ₹ 5.10 crore was disposed of at ₹ 0.87 crore (550.37 MT wheat valuing ₹ 1.47 crore was found short). Balance 13,337.5 MT damaged wheat valuing ₹ 27.13 crore was awaiting (May 2014) disposal though a period up to 37 months had lapsed since damage to wheat came to notice. Due to delay in disposal of damaged stock, the condition of the stocks will further deteriorate.

Management stated (September 2014) that wheat was damaged due to storage of stock in open as there was shortage of covered godowns and disposal of damaged wheat is in process. The Management however did not fix the responsibility for damage to wheat due to improper storage and non-initiation of remedial measure by the field staff.

2.1.14.2 Short accountal of storage gain in wheat

According to GoI's instructions (November 1999 and October 2003), storage gain was required to be passed on to FCI at the rate of one *per cent* and 0.7 *per cent* of the wheat stored in covered godowns and open plinths respectively at the time of delivery of wheat to FCI after 30 June each year.

In view of continuous deduction being made by FCI for not passing the required gain, BOD approved (December 2008) the norms of the GOI and sent (May 2010) the norms so approved to the State Government for notification and amendment in Punjab Warehouses Rules, 1958. However, these Rules were not amended so far. (Oct 2014).

During checking of records of the selected district offices, Audit noticed that the district offices short delivered storage gain equivalent to 8,081.83 MT wheat valuing ₹ 10.68 crore.

Management stated (September 2014) that matter has been taken up (May 2010) with the State Government for amendment in the PSWC Rules; the response of the Government was awaited.

Storage and milling of paddy

2.1.15 The paddy procured from mandis is stored in the premises of millers under joint custody. Custom Milling Policy of the State Government for each crop year and standard terms of agreement between the rice millers and the Corporation, *inter alia*, provided that rice millers would deliver the custom milled rice to FCI within the stipulated/extended period. Table below indicates details of the paddy procured, rice due and rice delivered during the crop years 2009-14:

Table 2.1.3

(Quantity in lakh MT)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Paddy procured	16.91	14.89	13.00	12.71	11.78	**69.29**
Rice due	11.33	9.98	8.71	8.51	7.89	**46.42**
Rice delivered up to stipulated date* (percentage)	5.67 (50.0)	4.32 (43.3)	6.44 (73.9)	7.92 (93.1)	7.74 (98.1)	**32.09**
Rice delivered during extended period^	5.27	5.40	2.14	0.37	N.A.	**13.18**
Rice not delivered	0.39	0.26	0.13	0.22	0.15	**1.15**
Rate of rice per MT (₹)	18,798.20	19,089.50	20,675.30	23,284.20	24,554.70	
Value of rice not delivered (₹ in crore)	73.31	49.63	26.88	51.23	36.83	**237.88**
* Stipulated date	31 March 2010	31 March 2011	30 June 2012	30 June 2013	30 June 2014	
^Date of extended period (No. of months)	15 July 2011 (15.5 months)	30 June 2012 (15 months)	31 December 2012 (6 months)	17 January 2014 (6.5 months)	N.A.	

From the above it would be observed that rice delivered up to stipulated date of delivery increased from 43.3 *per cent* during 2010-11 to 98.1 *per cent* during 2013-14 which indicated that Corporation had improved upon timely deliveries of rice. Further, against 46.42 lakh MT of rice due, the millers delivered 32.09 lakh MT and 13.18 lakh MT rice up to stipulated period and during extended delivery period respectively. Balance 1.15 lakh MT rice remained undelivered during 2009-14. Reasons for non-delivery of rice by millers within the stipulated and extended delivery period were not available on records. Audit noticed that weighted average delivery period during 2009-14 decreased from 15 months during 2009-10 to 4 months (on the basis of operations up to 30 June 2014) during 2013-14. The weighted average delivery period was, however, still higher vis-à-vis the weighted average period of two months allowed by GoI/FCI. Thus, failure of the Corporation to get the paddy milled within the stipulated period resulted in loss of ₹ 556.44 crore (on account of non-recovery of interest: ₹ 468.33 crore and custody and maintenance charges: ₹ 88.11 crore) during 2009-14, reflecting inefficiency in operations and affecting its financial position.

Management stated that from KMS 2003-04 to 2013-14 GOI has sanctioned provisional rate and final rates are yet to be sanctioned/finalised. There would be no loss on this account once the rates are finalised. Reply is not acceptable as in the year where the State Government has dispensed with the interest clause on the extended period of delivery of rice, the Corporation has not taken up with the State Government the issue of compensation and in the years where penal interest clause has been inserted in the agreement with the millers for delay in delivery of rice, it has not been implemented while settling the bills of the millers.

2.1.15.1 Misappropriation of paddy/ rice by millers

Audit of five selected districts disclosed that 1.62 lakh MT of paddy of crop years 2009-13 was stored with 22 millers for milling. The millers short delivered 0.59 lakh MT of rice valued at ₹ 67.40 crore during above crop years. The total amount recoverable from the millers on account of short delivered/misappropriated[6] rice and cost of gunnies (after adjustment of amount deposited by millers and milling charges payable to them) worked out to ₹ 62.86 crore. FIRs were lodged in eight cases only. In remaining 14 cases involving misappropriation of 0.23 lakh MT rice valuing ₹ 35.40 crore, the Corporation did not even report the matter to the police authorities for registering FIRs against the millers.

Management stated (September 2014) that matter is being taken up with the police authorities for registration of FIRs.

2.1.15.2 Non recovery of transportation charges from millers

While fixing the rates of custom milled rice (CMR) for the crop years 2009-14 by GoI, separate rates for transportation charges within eight kms were not fixed as these were included in the milling charges. Audit noticed that for transportation of 23.83 lakh MT paddy from purchase centres to millers premises within eight kms, expenditure of ₹ 22.52 crore was incurred by the five selected district offices of the Corporation for crop years 2009-14 which was to be borne by millers. Audit noticed that district office, Amritsar recovered partial amount of ₹ 0.18 crore while settling the accounts of 18 millers during 2009-12 and the balance amount of ₹ 22.34 crore was not recovered which led to loss of ₹ 22.34 crore to the Corporation.

Management accepted (September 2014) the audit contention.

Non reimbursement of procurement cost

2.1.16.1 Non reimbursement of cost of gunny bags

GoI had not fixed any norms for replacement of gunny bags (requiring replacement due to torn condition/spillage at the time of delivery of wheat) after crop year 2004 and as such FCI was not reimbursing the cost of gunny bags used for replacement/spillage. The rates of gunny bags fixed by GoI for crop years 2009-14 were ranging between ₹ 32.25 and ₹ 40.89 per bag. Scrutiny of record of the selected district offices disclosed that the Corporation used 6.89 lakh gunny bags (as replacement/ make up) valued at ₹ 2.42 crore at

---

[6] One case of misappropriation of 5,192 MT rice valued at ₹ 14.14 crore relating to Ganeshay Overseas Industries Limited Sahnewal (Ludhiana) for KMS 2009-10 was reported in Audit Report(Commercial) for the year ended 31 March 2011.

the time of delivery of 55.97 lakh MT of wheat to FCI during 2009-14 (up to December 2013). The Corporation failed to resolve the issue even after lapse of more than ten years.

2.1.16.2 Non reimbursement of custody and maintenance charges on wheat

Provisional rate of incidentals for the years 2009-14 included rate of custody and maintenance charges of ₹ 0.92, ₹ 1.04, ₹ 1.04 per quintal for 15 days and ₹ 3.12 and ₹ 3.60 per quintal for one and half months respectively for CAP/ open storage but did not provide rate of custody and maintenance charges for wheat delivered from covered godowns. Audit observed that the Corporation delivered 23.27 lakh MT of wheat to FCI from covered godowns during 2009-14 (up to December 2013) but could not claim custody and maintenance charges of ₹ 3.11 crore as the Corporation did not take up the matter with State Government.

Management stated (September 2014) that corrective measure to recover the dues would be taken.

2.1.16.3 Excess payment of ID Cess

Government of Punjab enhanced (September 2008) the ID Cess from two *per cent* to three *per cent* against two *per cent* being sanctioned and paid by GoI for crop years 2008-09 onward. GoI did not agree to reimburse the hike of ID Cess from two *per cent* to three *per cent* on the plea that the levy of taxes/duties/cess are much higher than the taxes levied in other States and the same needs to be rationalised. The State Government did not rationalise its tax structure and the Corporation had to deposit ₹ 67.84 crore excess for procurement of foodgrains during 2012-14 in addition to ₹ 15 crore (out of ₹ 100.62 crore) for the period 2008-12 with the Punjab Infrastructure Development Board.

Management stated (September 2014) that Department of Food and Civil Supplies & Consumer affairs, Punjab had filled Civil Writ Petition in the Punjab & Haryana High Court on behalf of all the State procurement agencies for recovery of ID cess from GOI.

2.1.16.4 Non-recovery of service tax on transportation charges

Service Tax on payment of transportation charges was imposed with effect from January 2005 in pursuance of GoI notification (December 2004). As per Service Tax notification, the person making the payment towards freight would be liable to pay the service tax, in case the consignee or consignor of goods transported was company/corporation established by or under Companies Act or any law. As such service tax paid on transportation was required to be recovered from the transporters.

Scrutiny of records of five selected districts showed that the service tax amounting to ₹ 20.14 lakh paid on the transportation of paddy during the crop year 2009-10[7] remained unrecovered from the transporters.

Raising of claims

2.1.17.1 Non/ delayed/ less claiming of incidentals

(i) The GoI fixed the provisional rates of wheat including incidentals for the crop years 2009-14. Audit observed that during crop year 2009-10 the district office, Sangrur had not claimed incidental charges amounting to ₹ 1.55 crore against 9,670.77 MT of wheat delivered during April 2009 to August 2009. It was further observed that the district offices, Patiala, Sangrur and Ferozepur claimed incidental charges of ₹ 7.71 crore for crop years 2009-14 after delays ranging between 133 and 257 days. The payment of ₹ 3.36 crore pertaining to district office, Patiala in this regard was still to be made by FCI (March 2014).

Thus, non/ delayed claiming of incidental charges resulted in non-recovery of ₹ 4.91 crore and consequential loss of interest of ₹ 1.49 crore to the Corporation.

(ii) Scrutiny of records disclosed that the district office, Patiala delivered 75,431.8 MT wheat of RMS 2012-13 and 36,582.3 MT wheat of RMS 2013-14 during April 2012 to December 2013 against which incidentals were raised at ₹ 234.37 per quintal instead of ₹ 236.67 per quintal for RMS 2012-13 and at the rate of ₹ 255.93 per quintal instead of ₹ 258.49 per quintal for RMS 2013-14. Similarly, district office, Ludhiana, delivered 1,22,623.3 MT wheat during April 2012 to March 2013 against which bills were raised at ₹ 236.40 per quintal instead of ₹ 236.67 per quintal resulting in short reimbursement of ₹ 30.02 lakh.

Management stated (September 2014) that the responsibility for short claiming of incidentals would be fixed.

2.1.17.2 Short claiming of carry over charges

(i) As per instructions circulated by GoI, the Corporation was to recover carry over charges (interest plus storage charges) for delivery of wheat from July onwards. Test check of the sale bills of wheat delivered in July and onwards of the selected district offices for the crop years 2009-14 disclosed that district offices, Ferozpur and Ludhiana were recovering carry over charges by including the storage charges whereas district offices, Amritsar, Patiala, and Sangrur did not include storage charges into account for recovery which resulted in short recovery of ₹ 3.76 crore. On being pointed out (May 2014) by Audit, the district office Amritsar raised (May 2014) a claim of ₹ 0.74 crore, payment against which was pending (June 2014).

(ii) As per the rates approved by GoI for wheat for crop years 2009-14, carry over charges were payable on MSP and incidentals which included VAT. The

[7] Service tax on transportation charges was abolished after 2009-10.

Corporation did not recover carry over charges of ₹ 1.29 crore (VAT element) on 45.04 MT of wheat delivered during July onwards.

Management stated (September 2014) that the corrective measures to recover the dues would be taken.

2.1.17.3 Delay in raising of sale bills

Custom Milling Policy issued by Food and Supply Department for each KMS provides that miller would supply 'Acceptance Note', weight check memo and all other relevant documents to the concerned agency within seven days of delivery of rice for claiming payments from FCI. As per instructions of the Corporation, the sale bills along with relevant documents in respect of rice and wheat were to be sent to FCI within eight days (rice) and six days (wheat) respectively failing which concerned District Manager would be held personally responsible for the loss of interest caused to the Corporation. Checking of records of the selected district offices disclosed that there were delays up to 102 days and 54 days in raising of bills (after allowing a margin of six days in respect of wheat and 10 days in respect of rice) during 2009-14. This resulted in loss of interest amounting to ₹ 4.39 crores (wheat: ₹ 3.58 crore and rice: ₹ 0.81 crore).

Management stated (September 2014) that corrective measures to recover the dues would be taken.

2.1.17.4 Non claiming of interest for delayed payments by FCI

In terms of GoI's standing instruction (December 1970) reiterated by FCI in December 2001, FCI was to release payments against delivery of rice and wheat within 24 hours of submission of sale bills. In case of delay beyond the prescribed period, FCI was liable to pay interest at the bank rate. Audit observed that FCI during 2009-14, in case of wheat in four selected district[8] offices and in case of rice in all the five district offices, made payment after delays of up to 210 days and 164 days (beyond the margin of 3 days) respectively during 2009-14. The district offices failed to raise claim of interest of ₹ 5.35 crore (wheat: ₹ 2.82 crore and rice: ₹ 2.53 crore) from FCI against the delayed receipt of payment. The Corporation did not evolve a system to ensure recovery of interest from FCI in all such cases.

Management stated (September 2014) that corrective measure to recover the dues would be taken.

2.1.17.5 Delay in claiming of bonus

The provisional rates of CMR issued by GoI in November 2009 for KMS 2009-10[9] included incentive bonus of ₹ 74.63 and interest of ₹ 1.40 thereon per quintal. The GoI also provided (April 2011) in the provisional rates bonus of ₹ 50 per quintal for procurement of wheat during RMS 2011-12.

[8] Sangrur, Patiala, Ferozepur, Amritsar and Ludhiana

[9] Bonus was not declared by GOI for KMs 2010-11 to 2012-13

Reimbursement of bonus and interest were to be made by FCI on delivery of rice and wheat and on production of documentary evidence of payment of bonus to the farmers. District office Amritsar did not claim bonus and interest amounting to ₹ 2.45 crore on 0.32 lakh MT rice delivered between December 2009 and January 2011. The bills were raised (April 2010 to December 2011) with delays ranging between 46 and 238 days. Similarly, it also did not claim bonus of ₹ 2.85 crore while claiming the MSP and other incidentals from FCI for 0.57 lakh MT of wheat delivered during May 2011-November 2012. For claiming bonus, supplementary bills were raised after delays ranging between 10 and 539 days. Delay in raising the bills resulted in loss of interest of ₹ 0.47 crore (Rice: ₹ 0.14 crore and wheat: ₹ 0.33 crore).

Management while admitting the facts stated (September 2014) that the responsibility of the officials would be fixed.

2.1.17.6 Non/delayed raising of claims for transportation charges

State agencies were required to produce audited certified document/vouchers which could prove that the State agencies had actually paid the transportation charges. Scrutiny of records in five selected district offices revealed that the Corporation incurred an expenditure of ₹ 25.93 crore on transportation of 8.35 lakh MTs of paddy beyond eight kms during the crop years 2009-14. Transportation charges were paid to the transporters immediately after shifting of paddy from the mandis to the millers' premises. However, the claims of transportation charges were not raised by three[10] out of five selected district offices and remaining two district offices (Amritsar and Ferozepur) raised claims of transportation charges with FCI after delays ranging between 3 and 51 months without requisite certified documents. The district offices of FCI did not release any payment there against (March 2014).

Non claiming of transportation charges and claiming of transportation charges without requisite certificate for paddy transported beyond 8 Kms resulted in blocking of ₹ 25.93 crore as well as loss of interest of ₹ 6.87 crore up to March 2014.

Management stated that the matter was being taken up with the GOI/ FCI.

2.1.17.7 Non-claiming/reimbursement of depreciation on gunny bags

Provisional rates of custom milled rice for Kharif Marketing Season (KMS) provided for recovery of depreciation on gunny bags. Scrutiny of records of the five selected districts disclosed that district offices Amritsar, Ludhiana and Sangrur were following the good practice of claiming depreciation on gunny bags while raising bills for delivery of rice. Audit noticed that district office, Ferozepur delivered 0.58 lakh MT rice between December 2011 and March 2013 and claimed ₹ 1.97 crore as depreciation on gunny bags in August 2013 (after delays ranging between 5 and 20 months), the payment of which was awaited (June 2014). Audit further noticed that district office, Patiala delivered 1.51 lakh MT rice but depreciation of ₹ 4.71 crore on gunny bags

[10] Ludhiana, Patiala and Sangrur District

was not claimed even after a lapse of 28 months (May 2014). This led to loss of interest of ₹ 0.86 crore.

Management stated (September 2014) that the matter was being taken up with the GOI.

Other related issues

2.1.18 Misappropriation of gunny bags

State Warehouse (SW) Dhuri received 96,000 gunny bags from SW, Bhawanigarh (91,000 bags) and SW Amargarh (5,000 bags) during April 2012 and September 2012 respectively but accounted for only 52,000 gunny bags in the Gunnies Register. Further, as per records maintained at district office, Sangrur, there was a closing stock of 22,132 bags at SW, Dhuri as on 31 October 2012. Closing stock in the Gunnies Register maintained at SW, Dhuri was shown 'Nil'. The Corporation issued (August 2013) charge sheets for various omission to three Warehouse Managers posted in SW, Dhuri of which one official resigned (September 2011) and two officials retired in March 2011 and July 2012 from the services of the Corporation (before detection of the discrepancies). Thus, lack of monitoring led to misappropriation of 66,132 gunny bags valuing ₹ 23.55 lakh.

Management while admitting the facts stated (September 2014) that the enquiry was under process for recovery of amount in respect of loss caused to the Corporation.

Internal Control/Internal Audit

2.1.19 Internal control is a management tool used to provide reasonable assurance that the objectives of the organisation are being achieved in an efficient, effective and orderly manner. Review of the internal control system showed the following:

- The Corporation is yet to compile an Accounting Manual incorporating therein the detailed procedure for maintenance of financial records at its head office and field offices;
- The Corporation had not evolved a management information system (MIS) of periodical reports to senior management status regarding creation of capacities, utilisation of capacities, delivery of wheat/rice to FCI, claiming of Government subsidies, recovery of storage charges, timely raising of sale bills/ differential claims/ interest claims for delayed payments by FCI and recovery there against.

Management while admitting the facts assured (September 2014) to strengthen the internal audit by widening its scope.

Conclusion

The performance of the Corporation with regard to construction of godowns, procurement and delivery of foodgrains to FCI was sub-optimal. The Corporation did not avail loan available at cheaper rates of interest for construction of godowns from NABARD and took loans from commercial banks at higher rates. The subsidy under Grameen Bhandaran Yojna was claimed after delay. Godowns were constructed and handed over to FCI after delays which resulted in loss of opportunity of revenue to the Corporation. The Corporation did not levy and recover penalty for delay in construction of godowns from contractors. The corporation had not upgraded its godowns and thus failed to earn revised storage charges. Non adoption of FCI driage norms resulted in loss. The Corporation took weighted average period up to 15 months against permissible weighted average period of two months for milling and delivery of rice which resulted in loss of interest and non recovery of custody and maintenance charges. The Corporation has not taken up with the State Government the issue of compensation for those years where the Government had dispensed with the interest clause on extended period of delivery of rice. The Corporation did not evolve a system to ensure timely claiming of bills.

Recommendations

We recommend that the Corporation should:

- **Construct new capacities within the stipulated time at par with the CWC specification to earn higher hiring charges;**
- **Take up with State Government for notification of amendments to PSWC Rules for driage norms in respect of both rice and wheat; and**
- **Evolve a mechanism to ensure that paddy gets milled and rice delivered to FCI as per norms and specifications within the stipulated period.**

The matter was reported to the Government (July 2014), their reply was awaited (October 2014).

Punjab Energy Development Agency, Punjab Irrigation Department and Punjab State Power Corporation Limited

2.2 Micro Hydel Projects in Punjab

Executive Summary

With a view to develop and promote new & renewable sources of energy, the Government of Punjab notified (July 2001, November 2006 and December 2012) New and Renewable Sources of Energy (NRSE) Policy. One of the thrust areas of the Policy was to establish micro hydel projects in the State through private/public sector participation. Punjab Energy Development Agency (PEDA) was designated as the nodal agency for implementation of the policy.

149.92 MW power potential could not be harnessed due to non-resolution of inter-state water dispute, delay in implementation of project by PSPCL and lack of efforts by PEDA to harness potential on run-off-river and distributaries.

(Paragraph 2.2.6)

Only 17.65 MW potential was harnessed during 2006-07 to 2013-14 against the target of 200 MW potential as envisaged in NRSE Policy 2006.

(Paragraph 2.2.7)

Out of 22 projects (26.90 MW) commissioned by independent power producers during the years 2003-04 to 2013-14, 21 projects (26.25 MW) were commissioned with delay ranging between 3 and 86 months.

(Paragraph 2.2.8)

Handing over the operation and maintenance of four MHPs of Punjab State Power Corporation Limited to a contractor was not successful due to not ensuring preventive & routine maintenance. There was theft of major components, closure of the projects with consequential loss of generation of 10 MUs of power each year.

(Paragraph 2.2.11)

Punjab Irrigation Department delayed recovery of charges of ₹ 2.15 crore from various developers of micro hydel projects on account of various facilities provided by the government on concessional rates.

(Paragraph 2.2.14)

Introduction

2.2.1 Government of Punjab, Department of Science, Technology, Environment and Non-conventional Energy notified (July 2001) New and Renewable Sources of Energy (NRSE) Policy, which was further revised in November 2006 and December 2012. One of the thrust areas of the Policy was to establish micro hydel projects (MHPs) i.e. MHPs upto 25 MW, on irrigation canal network of the State through private/public sector participation. Punjab Energy Development Agency (PEDA) has been designated as the nodal agency for implementation of the policy.

For exploiting the potential available at various falls on the canal network, 41 MHPs[1] with generation capacity of 133.65 MW were established during 1971-72 to 2013-14 and 20 MHPs[2] with generation capacity of 46.94 MW were under progress (31 March 2014) at various stages as detailed in ***Annexure 7.***

Organisational Set-up

2.2.2 Three agencies namely PEDA, Punjab Irrigation Department (PID) and Punjab State Power Corporation Limited (PSPCL) are involved in establishment of MHPs. PEDA, the nodal agency, is responsible for identification of sites, calling competitive bidding, scrutinising project proposals submitted by independent power producers (IPPs), preparing & signing of MOUs, evaluation of project reports, their approval, signing of implementation agreements (IA) with IPPs and overall monitoring from the allotment of the project to sale of power. These activities are looked after by Director under the supervision of Chief Executive (PEDA). PEDA is working under the charge of Secretary, Department of Power and New and Renewable Sources of Energy.

PID is responsible for according approval of drawings/ technical specifications, supervision during construction and providing river/canal water to these projects. The department also provides land to IPPs on lease basis for construction of MHPs. These activities are looked after by Director, Central Design Office (CDO) and Chief Engineers, Canal and Lining. Principal Secretary to the Government, Irrigation Department is the overall in-charge of the Irrigation Department.

PSPCL is responsible for entering into power purchase agreements (PPAs) for purchase of electricity produced by MHPs as per tariff approved by Punjab State Electricity Regulatory Commission (PSERC). This activity is looked after by Chief Engineer (CE), Power Purchase and Regulations under supervision of Director (Distribution).

[1] 19 projects (Sl. No. 1 to 19 of ***Annexure 7***) under State sector (Punjab State Power Corporation Limited: 11 projects (96.95 MW) and Punjab Genco limited: 8 projects (9.80 MW)) and 22 projects (Sl. No. 20 to 41 of ***Annexure 7***) under private sector (Independent Power Producers (26.90 MW)).

[2] One project (Sl. No. 42 of ***Annexure 7***) (18.00 MW) under State sector and 19 projects (Sl. No. 43 to 61 of ***Annexure 7***) (28.94 MW) under private sector

Audit Objectives

2.2.3 The objectives of the Performance Audit were to assess whether:

- planning; identification of project sites; selection of IPPs; allotment; implementation; operation and monitoring of projects was efficient and effective;
- targets of setting of MHPs under the Policy were achieved;
- sale of power was as per terms and conditions of NRSE Policy/ PPA and
- charges from developers, if any, were recovered and deposited with Government.

Scope of Audit and Methodology

2.2.4 The performance audit covered the activities undertaken from bidding to sale of power of 41 established/ running MHPs and from bidding to establishing of 20 under progress MHPs.

We explained the audit objectives and criteria to the management of PEDA, PID and PSPCL during an entry conference (March 2014). Audit findings were reported to them and the State Government in (August 2014) and discussed in the exit conference (October 2014). The exit conference was attended by the representatives of PEDA, PID, PSPCL and the Government. The views expressed/replies received by/from the Management/Government have been considered while finalising this performance audit report.

Audit Criteria

2.2.5 The audit criteria adopted for assessing the achievement of audit objectives were derived from the following sources:

- National Electricity Policy;
- NRSE Policy of Government of Punjab;
- Norms and guidelines of the Central Electricity Authority and Punjab State Electricity Regulatory Commission (PSERC);
- Provisions of Electricity Act, 2003;
- Standard procedure for award of contract;
- Terms and conditions of Power Purchase Agreements (PPA);
- Central and State Electricity Grid Code; and
- Terms and conditions of Tripartite Agreements among PID, IPP and PEDA.

Audit Findings

Audit findings are discussed in the succeeding paragraphs:

Planning

2.2.6 Wide gap between power potential identified and harnessed

PEDA, with a view to identify small hydel power potential available in the State, entrusted (April 2004) the work of "Preparation of Master Plan of Small Hydro Power Potential in the State of Punjab" to Alternate Hydro Energy Centre (AHEC), Indian Institute of Technology, Roorkee. AHEC identified (April 2006) 184 sites with power potential of 237.94 MW in the State, on Canal Network: 117 sites (102.74 MW), Run-off River: 36 sites (54.25 MW), Dam Outlet: 11sites (0.51 MW), Tail Race: 8 sites (80.00 MW), Distributaries: 12 sites (0.44 MW). Besides, PID/ PEDA also identified 17 sites (29.47 MW) on canal networks.

Audit observed that out of the above identified potential, the State harnessed only 40.60 MW through 34 MHPs (47 sites) up to March 2014. 15 projects having power potential of 13.14 MW (15 sites) were under progress as on March 2014. Audit further observed that 63.75 MW identified on Bhakra Main Line (BML) could not be harnessed due to non-resolution of inter-state water dispute. Remaining 149.92 MW power potential was yet to be harnessed, on canal network (14.72 MW at 45 sites), run-off-river (54.25 MW at 36 sites), irrigation dam outlet (0.51 MW at 11 sites), tail race (80.00 MW at 8 sites) and distributaries (0.44 MW at 12 sites).

Government of Punjab (GoP) accepted the facts and stated (October 2014) that for harnessing the potential on BML, efforts were made to resolve the issue with GoI but the matter remained unresolved till date. As regard 14.72 MW potential on canal network, efforts were made many times for allocation of sites but due to non-perennial canals, low head & low discharge of water, it could not go ahead. Potential of 54.25 MW at 36 sites was on *barsati khadd* where availability of water depended on rainy season and they would explore harnessing this potential. Out of 80.00 MW potential available at tail race, 42 MW at four sites was on tail of Mukerian Hydel Channel (MHC) and would be harnessed after development of 18 MW project (delay in implementation of project pointed out in paragraph 2.2.10 *infra*) by PSPCL on MHC-II. Power potential of 22 MW at three sites on tail of Anandpur Sahib Hydel Channel linked with Satluj Yamuna Link Canal (SYL) could not be harnessed due to inter-state water dispute. 16 MW potential on Upper Bari Doab Canal (UBDC), Gurdaspur was not tapped keeping in view the UBDC-III scheme for which action was yet to be taken by PSPCL (March 2014). Action for harnessing 0.44 MW potential at distributaries had not been taken. Thus, due to non-resolution of inter-state water dispute, delay in implementation of project by PSPCL and lack of efforts by PEDA to harness potential on run-off-river and distributaries, 149.92 MW power potential could not be harnessed by the State.

Achievement of Targets

2.2.7 Non achievement of target set for MHPs projects

NRSE Policy 2006 had a target to exploit untapped estimated potential of 200 MW by establishing MHPs by the year 2012. Of this, the capacity of Small/ MHPs harnessed as on 31 March 2014 was 133.65 MW out of which 116.00 MW was harnessed prior to 2006-07 and only 17.65 MW was harnessed during 2006-07 to 2013-14 which was far less than the target of 200 MW. The Policy envisaged achievement of the target through public/ private sector participation. Reasons for non-achievement of targets are discussed in succeeding paragraphs.

2.2.7.1 Slow pace of allotment of projects

One of the thrust areas of NRSE Policy was to establish MHPs on the Irrigation Canal Network of the State through Public/Private sector participation on Build, Operate and Own (BOO) basis. Audit noticed that during the period from 2009-14, PEDA allotted 10 projects (15.24 MW) in 2009-10, one project (3 MW) in 2010-11, four projects (2.90 MW) in 2011-12 and one project (2 MW) in 2013-14. It is apparent that after 2009-10, the pace of allotment of the projects was very slow.

GoP stated (October 2014) that the slow pace of allotment was due to poor response from developers as the availability of water and head in the rest of sites were less.

2.2.7.2 Dropping of project for want of structural drawing

M/s SKR Hydro Power Generators Private Limited was allotted (July 2005) a site for development of MHP at Parowal (0.400 MW) on Lahore Branch Canal. The developer submitted (July 2008) the general layout drawings of the project to the Director, CDO. After four years, PID informed (July 2012) PEDA that the drawings of the existing structure at site or other similar structure were not available with them. The project was eventually dropped (October 2012).

Audit observed that the developer had signed IAs (March 2006), land lease agreement (October 2007) and PPA (October 2011) before approval of the layout drawings from PID. This showed lack of co-ordination among PID, PEDA and PSPCL and monitoring on the part of PEDA.

PID stated (June 2014) that the structure was very old and hence, drawings were not available. The reply was not justifiable as this matter should have been sorted out before the allotment of the project. The non-availability of drawings consequently resulted in non-approval and the developer abandoning the project.

2.2.7.3 Re-allotment of cancelled sites

PEDA allotted (August 1999 to January 2010) 19 MHP sites (17.13 MW) on BOO basis to six private developers. As per allotment letters, MHPs on allotted sites were to be developed within 665 to 730 days of allotment. The developers did not take any steps to perform their obligations. PEDA did not take timely action against the defaulter developers. After an abnormal delay of 707 to 2,874 days, PEDA terminated (June 2009 to October 2013) all the agreements and encashed performance bank guarantees of ₹ 49.00 lakh.

Audit noticed that these 19 cancelled MHP sites were put to re-allotment but only seven MHP sites[3] with power potential of 9.40 MW were re-allotted during March 2010 to October 2013.

GoP replied (October 2014) that efforts were being made to exploit the potential.

2.2.7.4 Non-utilisation of Corpus Fund

As per provisions of NRSE Policy, 2001 and 2006, PEDA created a Renewable Energy Corpus Fund to be funded through sale of its energy share received from developers of NRSE projects. PEDA was to operate, maintain and utilise this fund for the specific purpose[4] of development of renewable energy sector. PEDA realised ₹ 13.90 crore[5] up to 31 March 2014 and incurred expenditure of ₹ 0.27 crore on techno-commercial feasibility study for development of small hydro projects by IIT, Roorkee. An amount of ₹ 7.16 crore was incurred on installation of one MW SPV, Solar Power Plant at Phulokheri, Bathinda. The balance amount of ₹ 6.47 crore was unutilised as of 31 March 2014, thus, defeating the purpose of creation of fund.

2.2.7.5 Blockade of funds in material procured for SYL project

PSPCL placed two purchase orders (POs) (September 1988 & November 1989) on Bharat Heavy Electrical Limited, New Delhi (BHEL) for design, manufacture and delivery of two 7.43 MW hydro generating units along with auxiliaries for SYL PH-II, Rajpura at ₹ 12.70 crore and two 18 MW hydro generating units along with auxiliaries for SYL PH-I, Ropar at ₹ 20.00 crore respectively. Against these POs, BHEL supplied machinery/material worth ₹ 27.10 crore. These projects could not be installed due to inter-state water dispute resulting in non-utilisation of machinery/material and consequent blockade of funds to the tune of ₹ 27.10 crore. Audit noticed that the machinery/material was tailor made and the possibility to utilise the same at other sites was very remote. No steps had, however, been taken to dispose of the machinery/material. PSPCL was getting the material insured since its purchase and had incurred an expenditure of ₹ 1.41 crore (Ropar: ₹ 0.84 crore

[3] Sl. No 44 to 49 and 61 of *Annexure 7*

[4] Research and development in new and emerging technology areas, development of pilot/demonstration projects and for assisting & undertaking activities towards commercialisation of projects and programmes

[5] Bio Mass Project: ₹ 12.44 crore, MHPs: ₹ 1.21 crore and Co-generation Projects: ₹ 0.25 crore

and Rajpura: ₹ 0.57 crore) up to March 2014 besides storage expenses. PSPCL replied (October 2014) that efforts were made to dispose of/ utilise the material at other projects but could not succeed.

Implementation of projects

2.2.8 Inordinate delay in implementation and commissioning of projects allotted to private developers.

NRSE Policy of the State provides that IPP was to enter into an implementation agreement (IA) with PEDA within one month from the date of allotment of the project and project was to be commissioned within 16 months from the date of IA. Audit noticed that out of 22 projects (26.90 MW) at 35 sites commissioned by IPPs during the years 2003-04 to 2013-14, only one project[6] was commissioned within the scheduled time. Twenty one projects (26.25 MW) at 34 sites were commissioned with delay ranging between 3 and 86 months.

Further, 19 projects[7] at 20 sites with power potential of 28.94 MW allotted by PEDA to private developers between April 1998 and October 2013 and one project on Mukerian Hydel Channel undertaken by PSPCL were in progress as of 31 March 2014. Audit noticed that:

- Four MHPs at Talewal, Ralla, Bibiwala and Samalsar for which IAs were signed in August 2001, July 2003, March 2006 and in June 2006 respectively were in progress and as of March 2014, the delay was 135, 112, 80 and 77 months respectively.
- Three projects[8] (two allotted in December 2009 and one allotted in October 2013) were at DPR stage and IAs were not signed between developers and PEDA even after lapse of 51 months from the date of allotment in respect of two projects.
- One project (18 MW) being developed by PSPCL was in progress delayed by 94 months (March 2014).

This indicated that projects implementation was not being monitored closely and properly. Audit noticed that there was no penalty clause/extension fee in IA for delays in implementation allowing developers' time for implementation.

GoP replied (October 2014) that though time period was mentioned in IA but different clearance and approvals after IA took time and delay was on the part of developers. The reply is not justifiable because delay in implementation of projects delayed harnessing of power potential and depriving the State of power.

---

[6] Terkiana Headworks

[7] Sl. No 43 to 61 of ***Annexure 7***

[8] Sl. No 59 to 61 of ***Annexure 7***

2.2.9 Less receipt of energy share

Punjab Drainage Department was entrusted with the work of desilting/ remodelling of Holy Bein rivulet for enabling it to have a capacity of 500 cusecs discharge so that a MHP could be installed on it to harness power potential. PSPCL having agreed (March 2009) to release 350 cusecs of water from Mukerian Hydel Channel-II, PEDA allotted (August 2009) site at Terkiana (Hoshiarpur) Headworks to M/s Atlantic Power Private Limited (Developer) for setting up a MHP of 500 KW capacity (revised to 650 KW) on BOO basis. The Project was commissioned in August 2010 and 200 to 250 cusecs of water was discharged in the Holy Bein from MHC-II. The project was shut down (January 2011) on account of breaches in the banks of Holy Bein which resulted in water logging and damaging of the crop in the area. The developer constructed an escape channel at his own cost and refused (July 2013) to release the energy share to PEDA. This resulted in less receipt of energy share to PEDA amounting to ₹1.05 crore including interest up to March 2014.

GoP accepted (October 2014) the fact and stated that efforts were being made by PEDA to realise due energy share through PSPCL. The reply from PID was awaited. The developer has sought arbitration proceedings to settle the dispute.

2.2.10 Extra cost to PSPCL due to conversion of turnkey contract into cost plus contract

Electrical &Mechanical (E&M) works on turnkey basis of 2x9 MW of the Mukerian Hydel Project stage-II were awarded (May 2004) to M/s BHEL for ₹ 70.00 crore. As per terms and conditions of the contract, material was to be supplied within 18 months and the project was to be commissioned within 24 months. The work could not be taken up/completed within stipulated time period because civil work was delayed due to formation of artesian well (May and September 2004) for which BHEL was granted extension from time to time. BHEL demanded extra cost for not providing civil front by PSPCL. PSPCL amended (September 2011) the contract and inserted (August 2011) price variation clause with base date as December 2005 without any cap of variation. Bought out packages (BOPs) were agreed to be supplied at cost plus 13.5 *per cent* and freight along with taxes & duties on all supplies.

Audit observed that for civil works, the erstwhile Punjab State Electricity Board relied upon soil investigation data of stage-I and not geological data for the civil work on the said site. This resulted in formation of artesian well at project site and therefore the site had to be shifted 45 meters downstream after incurring expenditure of ₹ 1.26 crore on civil works and dewatering between December 2003 & April 2006, which delayed the Project. The site was finally made available by April 2013. PSPCL worked out an additional financial liability of ₹ 42.00 crore payable to BHEL due to cost escalation. Due to delay in implementation of project, State lost generation of 140.85 MUs of power per annum and also 42 MW power potential identified by PEDA on four sites at the tail of this project.

PSPCL replied (October 2014) that extension was given under clause 13 of the contract (force majure) vide which contract could be considered for extension with additional liability. Further, after allotment (May 2004) of work to BHEL, variation in parameters of turbine i.e. setting of turbine at lower level were proposed by BHEL which were deliberated among the consultant, PSPCL and BHEL. Finally, a new setting was accepted for which soil investigation tests were later on carried out. However, the fact remains that the starting of civil work without finalising level of turbine with E&M contractor and non geographical investigation of soil resulted in damage to the work site and delay in handing over resulting in extra expenditure of at least ₹ 43.26 crore.

Operation of MHPs

2.2.11 Non-functional projects of PSPCL

PSPCL had eleven MHPs, having capacity from 0.80 MW to 15.45 MW, with cumulative generation capacity of 96.95 MW. These MHPs had an yearly projected generation of 7 MUs to 135.34 MUs of power. The operation and maintenance (O&M) of the projects was carried out by PSPCL itself up to 10 July 2005. Thereafter, four projects (Nidampur, Rohti, Thuhi and Daudhar) were handed over to a private party for O&M for ten years. Of the seven projects which PSPCL continued to maintain itself, the yearly actual average generation during the period 2009-14 was between 8.59 MUs and 67.31 MUs. The shortfall in generation in percentage terms ranged between 42.35 *per cent* to 67.58 *per cent* of the projected generation of the MHPs.

The generation of power from the MHPs handed over for O&M to private party during 2005-10 was 5.96, 7.96, 6.99, 4.32 and 2.97 MUs respectively, which was far less than the annual targets of 10 MUs and designed capacity of 24.29 MUs. PSPCL failed to ensure preventive/ routine maintenance of these projects by the contractor and did not maintain records of forced and planned outages. The MHPs generated 0.44 MUs only during the year 2010-11. The contractor became defaulter and stopped generation from all the four MHPs with effect from 31 May 2010 and the contract was terminated (13 April 2011). As per interim award (18 March 2012) of sole Arbitrator, the possession of these MHPs was handed over (23 March 2012) to PSPCL when PSPCL noticed that major components of the plants were missing. The arbitrator awarded (14 August 2012) a claim of ₹ 6.28 crore in favour of PSPCL, recovery of which was pending.

Thus, handing over of O&M of these projects to the contractor without proper supervision resulted in theft of major components of these projects for which PSPCL is yet to get the awarded compensation besides loss of generation of 10 MUs of power each year.

Sale of Energy

2.2.12 Delay in signing of PPA resulted in extra cost on purchase of power

PEDA allotted (25 November 1997) the work of setting up of 5 MHPs[9] (5.30 MW) on Abohar Branch Canal to M/s Triveni Engineering & Industries Limited (Developer) renamed as Abohar Power Generation Private Limited on BOO basis, MOU of which was signed on 20 July 1999. IAs relating to three MHPs were signed on 30 August 2001 and for two MHPs on 2 November 2001. Clause 4.4 of IAs *inter-alia* provided that the developer would enter into PPA with PSPCL within 90 days from date of signing the IAs for sale of energy at the rate prescribed in NRSE Policy 2001. PSPCL did not get the PPA signed from the developer. In the meanwhile, NRSE Policy 2006 came into force. PPAs for the five projects were finally signed (20 November 2008) between PSPCL and the developer to purchase energy at ₹ 3.70 per unit (base year 2008-09) with three *per cent* annual escalation up to 2011-12 as per NRSE policy 2006. Audit noticed that due to delay in signing of PPA, PSPCL had to purchase 103.911 MUs between September 2009 and March 2014 at higher rates ranging between ₹ 3.70 and ₹ 4.04 per unit (as per NRSE Policy 2006) as against ₹ 3.66 per unit (as per NRSE Policy 2001) and incurred extra expenditure of ₹ 3.59 crore up to March 2014.

PSPCL replied (October 2014) that IAs of these projects were signed after the formulation of NRSE Policy 2001 and hence the projects were covered under the new policy. PPAs were signed on 20 November 2008 as per order of PSERC. The reply was not acceptable as MOU was signed prior to formulation of policy and failure on the part of PSPCL in signing of PPA, it had, later on, entered into the same at higher rate thereby incurring extra cost of ₹ 3.59 crore (up to March 2014).

2.2.13 Non revision and non adhering to the provisions of PPA by PSPCL resulted in non-recovery by PGL

(i) PGL entered (October 1998) into a PPA with PSPCL for eight MHPs [10]. Four projects on Abohar Branch Canal (ABC) were commissioned between May 1999 and November 1999. PGL could not commission the four projects on Bathinda Branch Canal (BBC) even within the extended time due to non-availability of funds from GOP. PSPCL was requested (September 2000) to extend the commissioning schedule of the four projects on BBC. PSPCL agreed (July 2001) to extend the commissioning schedule with the condition that energy to be generated from these projects would be billed as per revised PPA under NRSE Policy 2001. These four projects were commissioned between January 2001 and July 2003 but PPA was not revised by PGL & PSPCL so far (October 2014) and not submitted for approval of PSERC, though it was decided (June 2013) by GoP that PSPCL and PGL would sign the supplementary PPA and PSPCL will release all the due payments of PGL. Audit noticed that against the billed energy of ₹ 87.56 crore, raised in terms of

[9] Akhara, Gholian, Channuwal,Khanpur, Sudhar

[10] Chupki, Narngwal, Tugal and dalla on Abohar Branch Canal and Khatra, Kanganwal, Jagera and bowani on Bathinda Branch Canal.

the pre NRSE era PPA, PSPCL released ₹ 77.56 crore up to 31 March 2014 leaving balance payment of ₹ 11.00 crore.

(ii) Clause 6.3.0 of the PPA provided that PSPCL would provide at its own cost required transmission lines from its grid substation to the switchyard of the generation facility along with associated equipment at grid sub-station for accepting power from MHPs. After completion of projects (April 1999) at ABC, PGL lodged (August 2000) a claim of ₹ 1.47 crore for reimbursement of cost of construction of transmission lines and associated equipment which was not agreed to (February 2002) by PSPCL on the ground that the work was allotted to a private contractor by PEDA much before the circulation (November 1997) of policy. In a meeting chaired (February 2003) by Principal Secretary (Irrigation and Power), PSPCL agreed for reimbursement of cost of transmission lines and associated equipment at issue rate of materials prevalent at PSPCL's store after joint verification of lines and associated equipment. PGL accordingly raised (April 2005 and April 2004) revised bills of ₹ 1.36 crore (₹ 0.75 crore of ABC and ₹ 0.61 crore of BBC) on PSPCL. Audit observed that, after joint verification, transmission lines of ABC were taken over (March 2004) by PSPCL but transmission lines of BBC were yet to be taken over by PSPCL. PSPCL had not made payment of ₹ 1.36 crore so far (October 2014).

PSPCL replied (October 2014) that a supplementary PPA based on decision taken in meeting has been forwarded (02 September 2014) to PGL for their consent and signature. Only after signing of the supplementary PPA, would the final amount payable/ recoverable be decided. The cost of transmission lines and associated equipment would be released to PGL.

Non recovery of charges from developers

2.2.14 Irregularities noticed in six divisions[11] of PID relating to recovery of charges from developers in accordance with provisions of NRSE Policy/ agreements have been discussed in the following paragraphs;

a) Non-recovery of water mill charges

As per the tripartite agreement (TPA) entered amongst PEDA, private developer and PID, the developer of a MHP was to restore/compensate the loss of revenue to PID equal to the amount of the latest auction/bid of each site wherever the closure of the functional water mill (*Gharat*) was necessitated for setting up of an MHP. It was noticed that ₹ 1.60 crore on account of compensation for six water mills under Ropar, Faridkot and Sangrur divisions, closure of which were necessitated due to setting up of small/micro hydel projects by two developers, were outstanding as on 31 October 2014. Government replied (October 2014) that efforts are being made to pursue the developers to deposit the amount.

[11] (i) Sangrur IB Division, Sangrur; (ii) Bathinda Branch Canal Division, Bathinda; (iii) Sidhwan Canal Division, Ludhiana; and (iv) Ropar Headworks Division, Ropar; (v) Faridkot Canal Division, Faridkot, (vi) Gurdaspur Upper Bari Doab Canal (UBDC) Division, Gurdaspur

b) Non recovery of supervision charges

GoP, Department of Science, Technology, Environment and Non-Conventional Energy while exempting (May 2006) departmental charges, laid down that the developers would pay supervision charges to PID on actual basis in respect of the already completed or nearing completion MHPs. Further, as per NRSE Policy 2006, in case the private developer executed the canal protection works on his own, the same were to be done under supervision of PID and the developer was to pay supervision charges to PID on actual basis. Audit noticed that in case of two MHPs at Killa combined Bugra and Sahoke combined Harigarh on Kotla Branch Canal under Sangrur IB Division, supervision charges of ₹ 21.87 lakh for the period from January 2005 to November 2005 and from January 2006 to November 2006 respectively were calculated and demanded (December 2006) but the same were yet to be recovered (June 2014). In Ropar Headworks Division, supervision charges of ₹ 2.22 lakh in respect of MHP, Khanpur for the period from April 2009 to April 2010 were yet to be recovered (June 2014). In case of the remaining 17 MHPs though the developers executed canal protection works themselves but the supervision charges due from them were neither calculated nor claimed.

c) Short receipt of land lease charges

NRSE Policy 2001 provided for transfer of irrigation land on canal banks belonging to PID to PEDA on notional lease of ₹ 45,000 per annum per site. It was noticed that in case of three MHPs set up on six sites[12] of canal land falling under the jurisdiction of IB Division, Sangrur and UBDC Division, Gurdaspur, the lease was being charged (at the rate of ₹ 45,000 per annum) for one site only whereas each of these MHPs had been established by combining two sites on the canal banks. This was causing an annual recurring loss of ₹ 1.35 lakh to the State Government. The short recovery of lease charges up to March 2014 worked out to ₹ 15.75 lakh.

d) Non/ short recovery of cess on generation of electricity

As per NRSE Policy, for use of river/canal water, cess at the rate of one paisa per unit of electricity generated was to be recovered from all the developers. They were to deposit the amount of the cess on monthly basis with PID. Audit noticed that 15 MHPs generated 7,938.82 lakh units of electricity up to March 2014 since their commissioning. Against the cess of ₹ 79.39 lakh recoverable from the developers of these MHPs, ₹ 64.62 lakh only were recovered leaving ₹ 14.77 lakh unrecovered as on June 2014.

GoP replied (October 2014) that efforts are being made to recover the amount. Further developments are awaited.

[12] Two MHPs at four sites i.e.Killa combined Bugra and Sahoke combined Harigarh. In IB Division, Sangrur and one MHP at two sites i.e. Tibri combined Babehali in UBDC Division, Gurdaspur

Incentives by the Government

2.2.15 Non availing of Central financial assistance for renovation and modernisation of small hydro power projects

GoI, MNRE (SHP Division) introduced (11 December 2009), a scheme for Central financial assistance for providing grants/ assistance/ subsidy for renovation and modernisation of existing SHP projects in the Government sector. The amount of subsidy was ₹ 15,000 per KW up to 1000 KW projects and ₹ 1.50 crore for one MW plus ₹ 35 lakh for each additional MW for projects above one MW & up to 25 MW. A minimum of 50 *per cent* of the total project cost was required to be met by the State implementing agency or the owner of the project. PSPCL installed (1985-89) four micro hydel projects having total capacity of 3.9 MW[13] which were not in operation since 31 May 2010 as pointed out in paragraph 2.2.11 supra. The projects needed renovation and modernisation for further operation. Audit, however, noticed (April 2014) that PSPCL did not take steps for renovation of above projects despite provision of financial support by GoI for renovation and modernisation of existing SHP projects in the Government sector as mentioned above. PSPCL replied (October 2014) that the scheme was available upto 31 March 2012 and the same could not be availed upto that date. Now GoI, MNRE has extended (July 2014) the scheme upto 31 March 2017 but PSPCL has decided (June 2013) to transfer these MHPs to PEDA. The transfer is likely to take place shortly. The fact remained that PSPCL did not take timely action to avail of the financial assistance under the scheme.

Conclusion

The pace of allotment of projects was slow. PEDA was able to harness only 17.65 MW capacity against the target of 200 MW. Implementation of MHPs was weak due to lack of monitoring on the part of PEDA and lack of co-ordination among PEDA, PID and PSPCL resulting in delays in implementation of projects. Operation and maintenance work of four projects of PSPCL was inadequately supervised leading to theft of major components and claims in favour PSPCL were yet to be recovered. There was considerable shortfall in generation in MHPs under the control of PSPCL. Irregularities were noticed relating to recovery of charges for various facilities provided by the Government to developers at concessional rates.

Recommendations

We recommend that:

- **PEDA should improve pace of allotment of projects by giving wide publicity;**
- **PEDA should evolve an effective system to monitor the implementation of projects for their timely completion and**

[13] Nidampur (0.8MW), Rohti (0.8MW), Thuhi (0.8MW) and Daudhar (1.5MW)

establish effective co-ordination with PID and PSPCL for timely completion of the projects;

- Claims awarded in favour of PSPCL should be executed; and
- PID should take action for recovery of amount in respect of various facilities provided by the Government on concessional rates.

Chapter-3
Audit of Transactions

Chapter-3

Audit of Transactions

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

Government companies

Punjab State Power Corporation Limited

3.1 Contracting and supplies of coal from joint venture company – Panem Coal Mines Limited.

Though the tenders invited for selecting JV partner were full of ambiguity, yet PSPCL did not consider the desirability of inviting the bids afresh despite expert opinion. Rates for supply of coal were based on CIL rates instead of being based on production cost plus profit. Non determination of coal price on cost to produce basis resulted in extra payment of ₹ 29.59 crore to PANEM/ EMTA in respect of grade D coal supplied to PSPCL during 2013-14 alone. The structure of share capital was not followed as per agreement. Partnership firm was allowed to convert into a company and PANEM was allowed to book expenditure incurred by EMTA without verification. The mining operations were sub contracted to EMTA. There was delay in commencement of mining activities; washery and railway siding were not installed by JV partner, EMTA. Supply of entire mined coal as per its quality was not assured. PANEM was not impressed upon to discharge liability for mine closure plan.

Introduction

3.1.1. Upon amendment (June 1993) in the Coal Mines (Nationalisation) Act, 1973, power generating companies were allowed to have captive coal mines for their own use. To help identify, develop and operate a captive coal mine, the erstwhile Punjab State Electricity Board (Board),[1] now Punjab State Power Corporation Limited (PSPCL), entered (March 2001) into a joint venture agreement (JVA) with Eastern Minerals and Trading Agency, Kolkata (EMTA) and formed (April 2001) a joint venture company (JVC) called Panem Coal Mines Limited (PANEM). PSPCL was allocated (December 2001) a coal block for mining at Pachwara (Central) Block in district Pakur of Jharkhand by the Ministry of Coal (MOC), Government of India (GoI). A

[1] Punjab State Electricity Board was unbundled on 16 April 2010 and two companies viz. Punjab State Power Corporation Limited (PSPCL) and Punjab State Transmission Corporation Limited were formed. Consequently, business of generation of power was entrusted to PSPCL.

Coal Purchase Agreement (CPA) was entered (August 2006) into between PANEM and PSPCL for a period of 30 years. The entire quantity of coal produced by PANEM from the captive coal mine was to be sold, transported and delivered exclusively to the thermal power stations[2] of PSPCL to meet requirement of 7 million tonne out of annual requirement of 13.6 million tonnes of coal.

3.1.2. The present audit covered the examination of records relating to the formation of JVC (PANEM), implementation of agreements with JV Partner and PANEM, extraction/mining, pricing, supply and quality of coal supplied by PANEM to the power plants of PSPCL. The objectives of audit were to assess whether all the terms and conditions were well defined in the tender document and interests of the PSPCL were safeguarded in the JVA with EMTA; execution of JVA was as per terms of agreement and proper monitoring and control over the activities of JV Company was ensured.

The Audit findings were discussed in a meeting (September 2014) wherein the Principal Secretary (Power), Government of Punjab, Chairman cum Managing Director of PSPCL and Chief Engineer/Fuel, PSPCL were present. The replies /views of the Management have been considered while finalising this paragraph.

Background for captive mining and formation of JV

3.1.3. PSPCL floated (December 1997) a tender enquiry for consultancy services for selection of coal blocks for captive mining towards which nine bids were received and processed (February 1998). Three of the four lowest bidders asked (April 1998) for information/geological data regarding the coal blocks from PSPCL which was not available with it at that time. EMTA, one of the nine bidders, offered to complete the job free of cost provided a JVC was formed by PSPCL with them for captive mining. This offer of EMTA was not considered for evaluation as the JV partner was to be selected through competitive bidding. Subsequently, the Board considering change in coal supply scenario and anticipating that adequate coal cannot be mined economically from the offered blocks, decided (June 1998) not to go for allocation of a captive coal block.

Audit, however, observed that PSPCL was again approached by EMTA in November 1998 with a proposal that a suitable coal block would be identified and got allotted by them on a formal request to MOP/MOC, GOI from Punjab Government and entire expenses would be borne by them in first instance.

Formation of Joint Venture

Tendering process

3.1.4.1 To identify, develop and operate captive coal mines, PSPCL issued (February 1999) tenders for formation of a JVC. In response, three firms viz.

[2] Guru Gobind Singh Super Thermal Plant (1260 MW), Guru Hargobind Thermal Plant (920 MW) and Guru Nanak Dev Thermal Plant (450 MW).

EMTA, Rungta Projects Limited, Ranchi and Guru Mehar Constructions, New Delhi submitted their offers. The Senior Executive Engineer/ Coal Management proposed (April 1999) to call for revised offers on the basis of parameters of coal blocks, formation of JVC and fixation of price. This was after an evaluation that the bids had too many ambiguities & deficiencies to make a fair comparison.

PSPCL, instead of calling revised bids, appointed (July 1999) Central Mine Planning and Design Institute (CMPDI), Ranchi as consultant for evaluation of the three bids, who also pointed out (September 1999) various weaknesses relating to terms and conditions of the bids, regarding captive mining block, equity participation of the partners, ash content of the coal, cost of beneficiation, manpower required, heavy earth moving machinery and other plant and machinery, etc. They stated that these aspects were not spelt out clearly in the bid documents which were amenable to different interpretations and thus, did not allow for objective comparison. CMPDI recommended that the offer of EMTA being close to NIT conditions may be conditionally accepted subject to clarifications. A statement showing clarifications subject to which CMPDI recommended EMTA's bid and status of incorporation of these conditions in the JV agreement and Coal Purchase Agreement is depicted in ***Annexure-8.*** Thus, instead of seeking clarifications and additional details, PSPCL selected (November 1999) EMTA as JV partner and after negotiation on some points, entered (March 2001) into a JVA with EMTA to form a JVC (PANEM) for developing and operating the captive coal mine.

Audit noticed that:

- Although PSPCL was new in the field of coal mining, it did not take services of an expert for drafting the tender document.

- Instead of inviting bids in two parts (technical and financial separately), combined bid (technical as well as financial) was invited; resultantly competitive bids from the technically sound parties could not be ensured.

- Despite adverse remarks of Senior Executive Engineer/ Coal Management and CMPDI about various techno commercial terms, PSPCL did not consider the desirability of inviting the bids afresh.

- PSPCL held two rounds of negotiations (4 December 1999 and 17-18 December 1999) with EMTA, after its selection, in which clauses relating to weighment, quality determination, terms of payments for coal & railway freight etc. were finalised as these were not clearly spelt out in the tender documents. This vitiated the sanctity of entire tendering process.

- At the time of negotiation with EMTA on 17-18 December 1999, PSPCL agreed to sub contract entire mining operations to EMTA and accordingly, Article 5(3) to (8) of JV Agreement provided that EMTA, on behalf of PANEM would *inter alia*, take up mining, raising, stacking, sizing and transportation of coal. Audit observed that the entire mining operations were sub-contracted to EMTA through an agreement (January

2002) between PANEM and EMTA which indicated that PANEM was just a shell company. In the agreement with EMTA, the cost of extraction was not defined. The day-to-day affairs of management of PANEM and EMTA were looked after by the same person who was Managing Director of PANEM as well as Chairman and Managing Director of EMTA. The arrangement helped the JV partner to book mining and operation expenses in PANEM without verification. PSPCL had, thus no knowledge of the mining operations and costs being incurred thereon. Audit observed that by sub-contracting mining operations to EMTA, major deviation has been made to the bid document, thus re-tendering was required. Further, PSPCL did not watch their interest while allowing sub-contracting of the operations to EMTA.

Management stated (September 2014) that JV agreement was entered into after competitive bidding. At the time of tendering, practice of inviting combined bid was prevalent. It was also stated that EMTA was selected as per recommendation of CMPDI and after negotiation various terms were frozen in best interest of the erstwhile PSEB. The reply is not acceptable as the CMPDI had not recommended for acceptance of bid of EMTA and had only stated that their bid was close to NIT and recommended for negotiation on important aspects before acceptance of their bid. PSPCL being new in the field of coal mining did not take services of an expert at the time of preparation of tender document resulting in issuing of a weak bid document and the tenders received also being full of ambiguities and incomparable.

Determination of coal price

3.1.4.2 PSPCL did not have market discovered cost of extraction of coal which was also to form the basis for determination of price to be paid for its extraction of coal. PSPCL agreed to pay its JV partner the sale price charged by Bharat Coking Coalfields Limited (BCCL) (as notified by Coal India Limited (CIL) from time to time) to its customers after allowing percentage discounts (12 to 38 *per cent*) on the basis of grades of coal. Audit noticed that:

- PSPCL did not ask any details of cost of extraction from JV partner (EMTA) and it had no control over the costs claimed by them. As the CPA was for 30 years, the incorrect fixation of price would lead to huge financial burden on PSCPL.
- Since the coal of captive mine was exclusively to be supplied to thermal plants of PSPCL, the charging of price of coal on the basis of Grade/ Useful Heat Value (UHV) or Gross Calorific Value (GCV) of coal instead of on the basis of cost of mining plus incidental charges, statutory levies and a certain profit percentage, lacked justification. Blanket adoption of rates of CIL as the base, had ill effect when rates of coal were changed from UHV to GCV based system of coal pricing by BCCL/CIL from 1 January 2012.
- The tenders for formation of JV were invited (February 1999) much before allotment (December 2001) of coal block to PSPCL. While negotiating

(December 1999) with EMTA, a stripping ratio[3] of four to five was considered though any mine was yet to be allotted. The actual stripping ratio as stated (November 2011) by PANEM in the revised mining plan was 1.53 during 2005-12. The erstwhile Board did not make any enabling provisions in the agreement for reduction of coal rates in the event of reduction in expenditure due to lesser stripping ratio. Audit observed that cost of extraction of D grade coal of Rajmahal Coal mine[4] having stripping ratio of 1.65 (which was higher than stripping ratio of 1.53 of Panem coal mine) was ₹ 758.89 per ton during 2013-14 whereas PSPCL has made payment of D grade[5] coal to PANEM at the rate of ₹ 1,062.50 per tonne (net of discount) during 2013-14. This non determination of coal price on cost to produce basis has resulted in extra payment of ₹ 29.59[6] crore to PANEM/ EMTA in respect of total quantity of 9,74,757.31 tonne of D grade coal supplied to PSPCL during 2013-14 only. During exit conference, Management stated that stripping ratio differs from mine to mine and the age of mine also contributes to the cost of extraction of coal. The fact, however, remains that the Board did not make any enabling provisions in the agreement for reduction of coal extraction cost payable due to reduced stripping ratio.

- The Expert Committee of MOC/GoI on Road Map for Coal Sector Reforms, in its report (December 2005) also recommended that coal requirements of Class 'A' consumers (power utilities and captive power plants) should be supplied at prices determined strictly on a cost to produce basis subject to certain efficiency norms and allowing a rate of return, yet the PSPCL did not take cognizance of these recommendations while entering into CPA in August 2006.
- Though the captive mine was allotted to the Company, yet the Company did not provide checks for exercising control over mining operations and cost to be booked for mining by JV partner.

Management stated (September 2014) that the cost of extraction was not sought from the JV partner as basic objective of the tender was to get uninterrupted supply of good quality coal at lower rates. The reply is not acceptable as the Company did not fix rate of cost of extraction of coal plus incidental and economic return percentage and ended up paying more than the cost incurred.

Financial aspects

Share capital

3.1.5.1 Article 3 (1) of the JVA provided that the authorised and paid up share capital of PANEM was to be ₹ 5 crore. EMTA in their bid offered 26 *per cent* of the equity (without any investment in cash) of the JVC to PSPCL in lieu of

---

[3] Stripping ratio refers to the ratio of volume of overburden (or waste material) required to be handled in order to extract some volume of ore.

[4] An adjoining mine to the Pachwara (Central) coal block under Eastern Coalfields Limited.

[5] Price of corresponding G-8 band in new GCV regime as applicable from 1-1-2012

[6] 9,74,757.31 tonne x ₹ 303.61 (₹ 1,062.50 – ₹ 758.89)

rights of mining the block. Out of the remaining 74 *per cent*, 51 *per cent* equity was to be brought in by EMTA and balance 23 *per cent* equity was to be offered to mutual funds/ financial institutions/ general public. JV agreement also stipulated that of the 23 *per cent* of the paid up equity capital to be offered to public/financial institutions/ banks/mutual funds, any shortfall in subscription would be subscribed by EMTA (including its partners) and their nominees. PSCPL was allotted (May 2002) shares of ₹ 1.30 crore (26 *per cent*) (13,00,000 shares of ₹ 10 each). Audit observed that:

- The basis of determination of authorised share capital at ₹ 5 crore was not on record of PSPCL.

- Twenty three *per cent* shares (11,38,500 shares) were offered (May 2002) to individuals/ bodies corporate/ financial institutions/ banks through private placement and allotted (May 2002) to 228 shareholders. The individual shareholding was reduced (September 2013) to 88,500 shares (1.77 *per cent*) held by only seven shareholders. 72.23 *per cent* shares of PANEM were held by EMTA & Associates and family members of JV Partner.

- Offering of shares of PANEM through private placement was in contravention of Article 3 (Share Capital) of the JV agreement and the same deprived the general public/ financial institutions/ banks/ mutual funds to participate in the equity of PANEM. It also led to concentration of share capital in the hands of the JV partner, its associates and family members. Further, PSPCL/ PANEM did not assess the value of coal block after its allotment and thus failed to ascertain/ recover share premium on shares allotted through private placement.

Corporatisation of EMTA

3.1.5.2 EMTA intimated (April 2010) that EMTA (a partnership firm) has been converted (March 2010) into EMTA Coal Limited and registered as a company under the Companies Act, 1956. All the assets and liabilities of EMTA became assets and liabilities of the EMTA Coal Limited and PSPCL was requested (April 2010) for replacement of EMTA, a partnership firm to EMTA Coal Limited in the JVA of Panem Coal Mines Limited.

Audit observed that Board of Directors (BoD) of PANEM noted (June 2010) that it would become a subsidiary of EMTA Coal Limited consequent upon transfer of shares by partners of EMTA in favour of EMTA Coal Limited, thereby making the holding of EMTA Coal Limited more than 50 *per cent* of paid up share capital. Despite having knowledge of this fact, PSPCL approved (December 2011) substitution of partnership firm (EMTA and partners) with the company (M/s. EMTA Coal Limited) with retrospective effect (March 2010) without securing its financial interests. EMTA Coal Limited thereafter succeeded in holding 72.23[7] *per cent* shares through backdoor entry by purchasing the shares of allottees, to whom shares were allotted through

[7] EMTA Coal Limited : 50 *per cent*, Partners of EMTA: 9.12 *per cent* and Relative of Partners of EMTA: 13.11 *per cent*

private placement, in the names of its associates and family members with a view to control the working of PANEM. Audit observed that while approving corporatisation of EMTA, PSPCL Board had not secured its financial interest as in case of partnership firm, partners are jointly and severally liable for their obligations whereas in case of limited company, liability of the shareholders is limited to their subscriptions to share capital of the company only.

Creation of assets in the name of PANEM

3.1.5.3 Article 8 of the JV agreement provided EMTA (JV Partner) to arrange for acquisition of private land and allotment of land pertaining to the State Government (Government land, forest land and Rayati land) required for mining operation and PSPCL to render assistance. PSPCL allowed PANEM to acquire these assets (land and railway sidings) in the name of PANEM in which EMTA Coal Limited, J.V. Partner and family members now hold about 72 *per cent* shares.

Audit noticed that:

- PSPCL did not ask EMTA/PANEM to purchase private land and allotment of State Government land in the name of PSPCL in line with the allotment of mine in its name. Instead it allowed PANEM to acquire immovable assets in its (PANEM) name; thereby PSPCL put itself in a disadvantageous position. This would facilitate EMTA Coal Limited to capture this property by holding PANEM as its subsidiary.
- A committee of PSPCL officers after its visit to the mine site on 22 April 2014 reported that some part of the machinery of PANEM was being utilised for the adjoining mine of Bengal EMTA. This indicates that PSPCL did not have any control over the utilisation of the assets of PANEM by EMTA exclusively for PANEM.

Management stated (September 2014) that the assets were created in the name of the JV Company PANEM as per the spirit of GoI gazette notification dated 22 February 2002 which authorised PANEM to supply coal from Pachwara (Central) coal block on exclusive basis to power plants of PSPCL. The reply is not acceptable in view of the fact that no exit route was planned by PSPCL in case of termination of the agreement with JV Partner.

Working results of PANEM

3.1.5.4 Working results of PANEM for the four years up to 2012-13 are given in ***Annexure 9***. From the ***Annexure***, it would be observed that:

- Controls exercised by PSPCL in regard to booking of expenditure by EMTA in PANEM, procedure for reimbursement, internal audit & internal checks exercised to ensure genuineness of expenditure by PANEM were not on records made available to Audit and thus not verifiable.

- PANEM's profit was just one *per cent* of its turnover during the period from 2009-10 to 2012-13. Due to not having control over mining operations and booking of expenditure thereon, EMTA was booking mining operational expenses to contain profit percentage around one *per cent* of the turnover. This showed that about 99 *per cent* revenue was being drained out as payment/disbursement of expenditure on development and mining operations of EMTA.

3.1.5.5 The Annual accounts of the PANEM were not being put up to BoD of PSPCL for their appraisal regularly. The annual accounts of the PANEM for the years 2010-11, 2011-12 and 2012-13 were submitted together for the consideration of BoD of PSPCL belatedly in January 2014 which indicated lack of monitoring over the financial affairs of the PANEM.

3.1.5.6 As per Article 10(4) of the JVA, PSPCL and its nominee Directors on the Board of PANEM were to receive quarterly financial statements relating to the operational and financial activities of PANEM including un-audited balance sheets, profit and loss statements and cash flow statements. They were to review these financial statements before approval of the same in PANEM's Board meetings and to apprise Board of Directors of PSPCL for ensuring/safeguarding their financial interest but this exercise was not done. PSPCL did not furnish a reply on this aspect.

3.1.5.7 The agenda for the meetings of the Board of PANEM were not being received in PSPCL. Thus, Directors of PSPCL could not discuss the issues in their Board meetings. Resultantly, PSPCL did not play an effective role in decisions of PANEM.

Execution of JV Agreement

Creation of Infrastructural facilities

Non-establishment of Railway siding

3.1.6.1 As per JV agreement, EMTA was to arrange, besides other equipment, railway siding without any implication on the charges to be paid by PSPCL. The CPA also provided for payment of surface transportation charges at notified rates as charged by CIL for a maximum distance of 20 Kms. Audit noticed:

- The railway siding was established about 52 Kms away from the mine pit and the coal was transported to the railway sidings by trucks. EMTA was booking extra expenditure incurred, over that being paid by PSPCL, in the books of PANEM. The entire expenditure of ₹ 523.19 crore was booked in the books of PANEM during 2009-13. The freight received through bills raised on PSPCL was credited to the income of PANEM. Since the expenditure incurred on surface transport was more, it had bearing on profit of the PANEM and PSPCL to the extent of its share.

- A Committee of officers of PSPCL after visiting the site on 5 March 2014, reported that about one tonne of coal from each dumper is looted by local villagers and sold to coal mafia in West Bengal which smuggles it to Bangladesh. The committee concluded that the average daily pilferage of coal was about 500 to 600 MT (three to four *per cent* of coal supplied by PANEM) during road transportation. PSPCL requested (March 2014) PANEM to make all efforts for bringing the railway siding closer to the mine pit to eliminate pilferage and the matter was also taken up (March 2014) with Jharkhand Government through Chief Secretary, GoP. Further, developments were awaited (October 2014).

Management stated (September 2014) that efforts are being made for extending the railway line close to pit head.

Non-installation of washery

3.1.6.2 Guidelines (September 1997) of the Ministry of Environment and Forest (MOEF), GOI make it mandatory for the thermal plants situated at a distance of more than 1,000 kms from supply sources (i.e. Pit Heads) to use coal with ash contents less than *34 per cent*. As per Clause 5.6 of the tender document and Clause 5 (6) of the JVA, EMTA was to install washery as per guidelines *ibid* and provision of JVA.

Audit observed that EMTA had not installed the washery so far (October 2014) though about 86 million tonne of total geological reserves of coal was having ash content of more than 34 *per cent*. Audit observed that the maximum ash content of the coal received from PANEM ranged between 29.54 to 38.59 *per cent* during 2006-07 to 2013-14. PSPCL, however, took up this issue with EMTA in January 2014.

Management stated (September 2014) that the PSPCL did not have a plan to use the washery rejects generated during washing captively. Therefore, it sought (September 2012) approval of the MOC to allow EMTA to utilise washery rejects at the rejects based thermal plant to be set up by EMTA. MOC, however, advised (August 2014) PSPCL to explore the possibility of setting up their own pit head Fluidized Bed Combustion (FBC) based power plant. Further developments were awaited (September 2014).

Underloading/overloading of coal

3.1.6.3 EMTA was to install a weigh bridge at the loading point to eliminate problem of underloading/ overloading. Further, Article 8.8 of CPA provided that penalty on underloading/ overloading of coal was to be borne by the supplier/EMTA and freight was to be paid on the actual quantity of coal received at thermal plants of PSPCL. PANEM also booked ₹ 304.12 crore as railway freight (Net of reimbursement) which had bearing on profit of PANEM and share of profit of PSPCL.

Management stated (September 2014) that in-motion weighbridge had been installed by EMTA and efforts were being made for getting approval of the Railways for its commissioning.

Supply of coal

Delay in commencement of supply of coal

3.1.7.1 EMTA in its bid quoted the least gestation period of 18 months against the gestation period of 24 months and 36 months quoted by the other two bidders. Article 5(4) of the JVA provided that supply of required quantity of coal would commence within a period of 18 months. Though the captive coal mine was allotted to PSPCL in December 2001, EMTA could commence supply of coal in March 2006 (after a delay of 34 months). EMTA attributed (January 2006) delays to finalisation of boundary of the coal block and inordinate time taken by the Government departments in according sanctions/approvals which was beyond their control.

Audit observed that the JV agreement was faulty as no penalty clause was provided in case of default by EMTA in commencing supply of coal within stipulated period though PSPCL had to purchase coal at higher rate during the period of delay.

Delivery of coal

3.1.7.2 As per GoI instructions and Article 8(11) of the JV agreement, EMTA was to ensure that the coal produced from captive coal mine was supplied/ transported and delivered wholly and exclusively to PSPCL. The CPA, however, provided for weighment of the coal at delivery point and PSPCL was to pay for the quantity and quality of coal that actually reached at its power plants. PSPCL did not make any enabling provisions for ensuring the quality and quantity of coal being mined and supplied to it from its captive mine at loading points also. Thus, PSPCL failed to ensure that the entire quantity and quality of coal actually extracted/mined from the captive mine was supplied to its power plants.

Management stated (September 2014) that every month returns are submitted by PANEM to MOC and various State Government authorities indicating production and despatches of coal from Pachwara (Central) coal block and thus production and despatches of coal are regularly monitored by these Government agencies. It was also stated that PSPCL has now appointed Central Institute of Mining & Fuel Research, Jharkhand for periodic reconciliation between quantity of coal extracted and the quantity of coal that reaches power plants of PSPCL.

Quality determination of coal

3.1.7.3 CPA provided that the results of the analysis at the delivery points would be the basis for determining the quality of coal supplied for the purpose of payment of coal. The sample was to be divided into two parts, out of which first part was to be tested and second part was to be kept as referee sample. In case of dispute, the referee sample was to be analysed by an independent agency.

Taking cognizance of newspapers reports (August 2012) of manipulations in coal testings of thermal plants, PSPCL constituted (August and October 2012) two committees to find out reasons for divergence in results of testing/analysis. The report of the committees (August 2012 and October 2012) disclosed that no definite conclusion could be drawn. The findings were put up (November 2013) after a delay of one year, to the Board of Directors of PSPCL which observed (February 2014) that the referee sample results of Guru Gobind Singh Super Thermal Plant (GGSSTP), Roopnagar were not reliable.

Audit observed that due to inadequate monitoring of the activities of sampling of coal, the chances of manipulations in sampling for quality determination since commencement of supply of coal could not be ruled out. Further, the Board of Directors of PSPCL were not apprised of the findings (October 2013) of CE/Thermal Designs for failure on the part of officers and officials of GGSSTP, Roopnagar in sampling, sealing, storage, coding, and non-involvement of senior officer in these activities relating to referee samples. Responsibility of any officers/officials in this regard, has also not been fixed so far (June 2014).

Management stated (September 2014) that common procedure has been started and guidelines have been circulated for strict compliance by all thermal plants of PSPCL. It was further stated that charge sheets have been issued to the concerned officers for lapses on their parts in performing the required checks.

Financial favour to PANEM

Releasing of adhoc advances

3.1.8.1 As per Article 8 (4) of JV agreement, EMTA was solely responsible for arranging the finance required for the mining operations including capital investments and losses to PANEM. There was no provision in the CPA for release of any advances. Audit observed that:

- PSPCL released adhoc advances of ₹ 75 crore in September 2009 (₹ 25 crore) and March 2013 (₹ 50 crore), recoverable in 18 and 12 instalments respectively. Audit noticed that PANEM had repaid the entire amount of ₹ 75 crore without interest as no such provision was made while providing these adhoc advances. PSPCL had to bear burden of interest[8] of ₹ 4.68 crore for the money advanced which it borrowed from banks/financial institutions.

- PANEM did not supply the required quantity of coal to PSPCL during April 2013 and asked for further financial assistance. PANEM and EMTA also issued (May 2013) arbitration notice to PSPCL for resolving various issues. PSPCL concerned over the repeated threats and frequent restrictions imposed in supply of coal by PANEM and keeping the paddy sowing season in view, decided (May 2013) to make adhoc advance payment of ₹ 100 per tonne of

[8] Worked out at the rate of 10 *per cent* per annum.

coal received every fortnight till 31 December 2013 and released ₹ 27.71 crore between 5 July 2013 and 31 December 2013 which was to be paid back after resolving the issue by arbitrator or after 31 December 2013 whichever was earlier. Again in November 2013, on the plea of financial constraints, PANEM reduced supply of coal to PSPCL and requested to provide additional working capital. Ignoring the opinion of the Financial Advisor of PSPCL that there was no justification for agreeing to the request of PANEM, PSPCL provided (December 2013) working capital support of railway freight of six rakes (₹six crore daily) for the period of two months from 10 December 2013 to 9 February 2014 which was extended up to 30 September 2014 with interest to be adjusted in fortnightly installments. PSPCL had not recovered ₹ 27.71 crore (paid between 5 July 2013 and 31 December 2013) and interest on the advances so far (August 2014).

Management stated (September 2014) that the advances were released to maintain continuity in the coal supplies from PANEM and power generation. However, the recovery of the interest on these advances would be initiated after 30 September 2014 i.e. end of the paddy season.

Payment of sizing charges of coal

3.1.8.2 PANEM in March 2008 intimated that it has adopted an advanced method of mining with which top size of coal was limited to 100 mm and requested for payment of sizing charges for 100 mm. PSPCL did not agree (June 2008) as it had facility for crushing of coal up to 200 mm. For causing rate applicable for 100 mm size of coal, PANEM did not despatch coal on 13 February 2013 and from 29 April 2013 to 2 May 2013 and reiterated that supply of coal despatches would continue if decision on issues affecting economic viability (including that relating to coal sizing charges) are taken on top priority as an interim measure. In view of the coal stocks at thermal plants, overall coal scenario in the country, coming paddy season and representations of PANEM, PSPCL decided (4 June 2013) to pay charges of coal size of up to 100 mm.

Audit observed that allowing payment of sizing charges with top size limited to 100 mm was not justified since the coal mills of thermal plants of PSPCL were designed to crush coal up to 200 mm size. The injudicious decision of PSPCL resulted in excess payment of ₹ 16.96 crore on account of sizing charges for supply of coal between June 2013 to March 2014. PSPCL would have to bear financial burden at ₹ 18.70[9] per tonne on all future supply of coal also.

Management stated (September 2014) that PSPCL is paying sizing charges of coal to PANEM as per the actual size of coal being received from PANEM as per CPA and regarding cost benefit analysis, the benefits of using 100 mm coal cannot be quantified as there were many technical and financial intangible benefits of the same.

[9] Crushing charges of up to 200 mm size – 100 mm size x 85/100 viz. ₹ 61 – ₹.39 = ₹.22 x 85/100 = ₹.18.70

The reply is not acceptable as against the earlier decision (June 2008) of PSPCL not to allow payment of sizing charges of 100 mm coal to PANEM which continued for five years (i.e. upto June 2013), the subsequent decision for payment of sizing charges of 100 mm coal should have been supported by proper cost economics comparison. Further, this decision was indicative of PSPCL surrendering to PANEM in disregard to its own financial interests.

Non-working out of liquidated damages for short supply of coal

3.1.8.3 As per Article 8 (12) of the JV agreement, EMTA was to ensure uninterrupted supply of the required quantity of specified coal to PSPCL. Article 13 of the CPA provided for recovery of liquidated damages from the supplier in case of non-adherence to the delivery schedule.

Audit observed that against the annual contracted quantity (ACQ) of 7.0 millon tonne, the supply of coal from PANEM was only 5.95 millon tonne during 2013-14. However, no claim was lodged with PANEM in this regard (June 2014).

Management stated (September 2014) that the claim for liquidated damages will be lodged with PANEM after 30 September 2014 i.e. end of the paddy sowing season.

Other related topics

Mining plan

3.1.9.1 As per the earlier mining plan for Pachwara (Central) Block approved (November 2003) by MOC/GOI, the mineable reserves were assessed at 289.13 million tonne coal through open cast mining[10] and the reserves to be mined through underground[11] mining were not included in this plan. As per mining plan, PANEM was to produce 7.0 million metric tonne coal per annum. Table below indicates year-wise coal to be produced as per mining plan and quantity actually produced as intimated by PANEM during 2006-14:

[10] Method of mining used when the coal is buried less than 200 feet underground. In such mining, machines remove the top-soil and layers of rock to expose the beds of coal. Once the mining is finished, the dirt and rock are returned to the pit.

[11] Method of mining used when the coal is buried several hundred feet below the surface. To remove coal in these underground mines, miners ride elevators down the deep mine shafts where they run machines that dig out the coal.

Table 3.1.1

Sl. No.	Year of mining (Financial Year)	Coal to be produced as per approved mining plan (million tonne)	Quantity Produced (million tonne)	Quantity Supplied (million tonne)
1	1st Year (2006-07)	1.00	1.46	1.46
2	2nd Year (2007-08)	2.00	3.85	3.85
3	3rd Year (2008-09)	3.00	6.23	6.23
4	4th Year (2009-10)	5.00	8.37	8.53
5	5th Year (2010-11)	6.00	8.13	8.21
6	6th Year (2011-12)	7.00	8.46	8.46

Above table showed that PSPCL resorted to mining of coal beyond the approved mining plan. MOC observed (July 2010) that production beyond project rated capacity was not desirable and directed PSPCL not to carry out any illegal mining. It can also be seen from the table that the figures of quantity supplied during the year 2009-10 and 2010-11 were more than the quantity produced during these years. The reasons for this mismatch were not available on record, in the absence of which the accuracy of coal extracted/produced could not be ensured.

Management stated (September 2014) that excess mining was resorted to avoid the import of coal by PSPCL. Moreover, no penalty was levied by Ministry of Coal, GoI. The revised mining plan is still under consideration by MoC.

Mine Closure Plan

3.1.9.2 As per guidelines, a Mine Closure Plan duly approved by competent authority and opening of escrow account was essential to be executed before obtaining permission to open the mine. If the mine owners failed to deposit the annual amount required to be deposited, the Government could withdraw the mining permission.

Coal Controller, MOC, GoI intimated (October 2013) PSPCL that Pachwara (Central) coal block was allotted on 28 December 2001 and production of coal started in March 2006. Despite their several communications (27 August 2009, 8 September 2009, 12 January 2012 and 7 January 2013) PSPCL neither submitted its mine closing plan nor opened an escrow account. On a reference made (18 December 2013) by PSPCL to PANEM, it was informed (18 December 2013) that approval of mine closure plan was under consideration of MOC. Audit noticed that as per proposed mine closure plan, PSPCL is liable to deposit ₹ 29.44 crore up to 31 March 2014. PSPCL had not taken up the matter with PANEM for depositing this amount by opening an escrow account so far (June 2014).

Management stated (September 2014) that approval to Mine Closure Plan submitted to MoC is pending, after which the escrow account will be opened.

Cancellation of allotment of coal mine-impact thereof

3.1.9.3 The Supreme Court while deciding on a writ petition[12] held the allotment of coal blocks made by the Screening Committee of MoC, GOI, as also the allotments made through the Government dispensation route as arbitrary and illegal and quashed all these allotments including allotment of Pachwara (Central) block allotted to erstwhile PSEB. PSPCL was requested (October 2014) to convey the implications of he above judgement on the working of PSPCL and other related aspects.

PSPCL intimated that they have deposited (3l December 2014) ₹ 391.46 crore towards additional levy @ 295 per metric tonne with respect to the coal extracted till 24 September 2014 with Central Government as per the Coal mines (Special Provision) Ordinance 2014. The basis of calculation of ₹391.46 crore deposited towards additional levy and other details though asked for (October 2014 and January 2015) were not furnished.

The matter were referred to the Government (July 2014), their reply was awaited (December 2014).

3.2 Installation of meter pillar boxes

Preparation of incorrect DPRs, delay in finalisation of tenders and not initiating timely remedial measures resulted in non achievement of target of zero theft losses. For slow progress PSERC had also imposed one time penalty of ₹ 10 crore.

With a view to reduce Aggregate Technical and Commercial (AT&C) losses, Punjab State Power Corporation Limited (Company) approved (June 2006) a road map which included various mechanisms like shifting of meters outside consumers premises, conversion of consumers from low voltage distribution system (LVDS) to high voltage distribution system (HVDS), installation of capacitors, electronic meters, earthing etc. In order to ensure zero theft losses, the Company undertook the work of shifting of meters outside consumers premises in pillar boxes on poles or outer walls and replacement of LT bare conductor with cable in rural as well as in urban areas. The installation of meter pillar boxes was undertaken by the Company by making financial arrangement with Rural Electrification Corporation (REC) and schemes of urban areas were taken up under Government of India (GOI) Scheme-Restructured Accelerated Power Development and Reforms Programme (R-APDRP).

Audit scrutiny of schemes of installation of meter pillar boxes for the years 2009-10 to 2013-14 disclosed the following.

The Company framed 37 schemes (as tabulated below), under non R-APDRP, during 2009-14 for shifting of 38.10 lakh meters from the premises of consumers to pillar boxes. Irregularities noticed in the framing and

[12] Writ Petition (Crl.) Nos. 120 of 2012 (Man ohar Lal Sharma Vs Principal Secretary and others) judgment dated 25 August 2014 and 24 September 2014.

implementations of 37 schemes undertaken by the Company with the help of REC are discussed in the succeeding paragraphs:

Table 3.1.2

Particulars		Nos. of meters to be shifted into piller boxes (in lakh)	Project cost (₹ in crore)	Month/ Year of work orders issued	Targets for completion of schemes	Meters shifted into pillar boxes Status as on 31 March 2014 (in lakh)	Actual cost (₹ in crore)
Nos. of Schemes (Month/Year of approval)	**Mode of execution**						
19 Schemes (October 2009)	Turnkey basis	20.81	649.83	June/July 2010	**January 2011**	20.52	**492.77**
18 Schemes (February 2013)	Turnkey basis	11.81	1,005.27	October 2013	**December 2014**	0.44	**4.53**
	Departmentally by labour outsourcing	5.48					
Total		**38.10**				**20.96**	**497.30**

3.2.1 Schemes undertaken by the Company with the help of Rural Electrification Corporation

(i) 19 Schemes - For shifting of 31.89 lakh meters outside the premises of the consumers, 19 schemes with an estimated cost of ₹ 697.31 crore, framed in July 2009, were approved (October 2009) with the arrangement of financing of 90 *per cent* loan from REC (at interest rate of 11.5 *per cent* per annum) and balance 10 *per cent* to be arranged by the Company itself. The investment was expected to pay back in two to three years on account of saving in AT&C losses. Work orders of these schemes were issued (June/July 2010) at a cost of ₹ 684.47 crore for shifting of meters of 32.14 lakh consumers within seven months i.e. by February 2011. Of this target, 9.06 lakh meters (28.19 *per cent*) were shifted at a cost of ₹ 83.07 crore up to 31 March 2011. Despite pointing out about of slow pace of progress in the Report of the Comptroller and Auditor General of India No. 4 (Commercial) for the year ended 31 March 2011 – Government of Punjab, the Company took three years and eight months to complete the scheme in March 2014 against the original schedule of seven months.

Audit observed that DPR deficiencies were not analysed by the management at the time of taking the approval from BoD in the first place. Due to non-matching of the requirement of material with the provisions made in detailed project reports (DPRs) and work orders and non-provision of critical requirement[13] in the DPRs/work orders. Revised DPRs were prepared and approved in June 2012. This also led to revision of targets of scope of work so as to keep the overall cost within original cost of schemes as sanctioned by the REC, the consumer base was reduced to 20.81 lakh (35.25 *per cent*) at a cost of ₹ 649.83 crore. The Company took three years and eight months to shift 20.52 lakh meters (98.61 *per cent*) of the revised target of 20.81 lakh meters (as on 31 March 2014) against the original schedule of seven months. Further,

[13] No provision was made for replacement of LT bare conductor from inside lanes/streets to prevent illegal hooking for theft of electricity, no provision was made for supply and erection of 3.5x50 mm^2 cables, adequate provision of 20x1 pillar boxes was not made and no provision was made for MS Flat for earthing of pillar boxes.,

the work has not been carried out feeder-wise with proper planning and feeders were not taken in one go resulting in very few feeders where total work had been completed. Though 16 out of 19 schemes have already been completed, yet feeder-wise AT&C losses data to assess the impact of implementation of the schemes was only available for 61 feeders covering 1.46 lakh meters i.e 7.1 *per cent* of the total nos of meters shifted. In the absence of adequate data, benefit of the schemes could not be assessed.

(ii) 18 Schemes- For shifting of 17.29 lakh meters outside the premises of the consumers, 18 schemes with an estimated cost of ₹ 1005.27 crore were approved (February 2013) with the arrangement of financing of 90 *per cent* cost as loan from REC and balance 10 *per cent* were to be arranged by the Company itself. Of these 11.81 lakh meters were to be shifted on turnkey basis and balance 5.48 lakh meters for feeders with high losses were to be shifted departmentally. The target date was 30 November 2014.

Audit observed that up to 31 March 2014, mere 0.44 lakh (2.61 *per cent*) meters were shifted on turnkey as well as labour outsourcing in these 18 schemes. At this slow pace of progress of the work, it is apprehended that the Company would not be able to achieve the desired results of shifting of meters outside the premises of consumers.

PSERC also observed (August 2014) that progress of execution of Non R-APDRP programme was very slow and inordinately delayed. On account of this failure, a one time penalty of ₹ 10 crore was imposed by PSERC.

The matter was referred to the Government (June 2014), their reply was awaited (October 2014).

3.3 Avoidable burden of interest due to delayed payments to Small Scale Industrial Undertakings

Failure of the Company to make timely payments of materials to small scale industrial units resulted in extra burden of interest of ₹ 47.81 Crore.

Punjab State Power Corporation Limited (Company) purchases its various requirements like distribution transformers and conductors from various Small Scale Industrial (SSI) Undertakings. Provisions of "The interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993" (Act) provided that the purchasers of goods and services from SSI Undertakings were to pay the amount on due date(s) failing which the buyer(s) were liable to pay interest which was 5 *per cent* higher than the highest lending rate or cash credit limit. This Act was replaced by a new Act 'The Micro, Small and Medium Enterprises Development Act, 2006" which raised the penalty to three times of the bank rate.

Audit observed that the Company was making delayed payments (since September 1992 to July 2005) to various suppliers after receipt of the material.

SSI units filed claims with the reference authority set up under the Act which gave its awards for payment of interest either on the amount agreed to by the Company or claimed by the SSI units where the amount of interest was not contested. Between March 2009 and January 2012 in 38 cases, against interest claim of ₹ 49.55 crore, claims for ₹ 47.81 crore were awarded against the Company.

The Company inspite of accepting creditors' claims, challenged all the cases in the District Court Patiala, by depositing ₹ 35.85 crore as 75 *per cent* of the awarded amount going against the advice (February 2011) of its Law officer.

Thus, the Company, despite being aware of the conditions of the Act of penalty for delayed payments to the SSI Undertakings did not make timely payments. It entered into litigation, deposited ₹ 35.85 crore with the Court out of ₹ 47.81 crore and shall incur further additional minimum liability of ₹ 8.72 crore.

While admitting the fact, the Management stated (August 2012 and July 2014) that the payments to suppliers in time would have resulted in delay in payments to other stake-holders such as Power suppliers, Coal companies, Railways, banks and Financial Institutions which could have caused even more serious problems. The reply of the Management is not justifiable because even after meeting all the prioritised liabilities, ample margin existed in the borrowing limit of PSPCL provided by the State Government.

The matter was referred to Government (April 2014), their reply is awaited (October 2014).

3.4 Avoidable payment of octroi

Due to delay of the Company to consider the desirability and take the decision to shift the Central Store to the available alternative site outside the jurisdiction of Cantonment Board, Ferozepur, it had to pay avoidable payment of octroi of ₹ 2.30 crore.

Punjab State Power Corporation Limited (Company) has one of its Central Store along with other offices[14] in the cantonment area of Ferozpur on a land leased from the Cantonment Board, Ferozepur. The material purchased by the Company for use in its field works is received from the suppliers at the Central Stores which make the payment of local taxes (i.e. octroi etc.), if leviable, at the time of receiving material. The State Government has abolished Octroi with effect from 1 September 2006, However, Cantonment Board, Ferozepur

[14] Operation City Division, Operation Circle, Protection and Maintenance Division, Protection Division, Grid Maintenance Division and a Residential Colony.

continued to levy and collect octroi in accordance with its bye-laws framed under the provisions of Section 66(2)[15] of the Cantonments Act, 2006.

Audit observed first in August 2009 that in view of changed circumstances, the Company should have considered the desirability to shift its Central Store outside the jurisdiction of Cantonment Board, Ferozepur to avoid payment of octroi. The Company initiated (September 2013) a proposal to shift this Central Store to other available site (33KV Substation FCI, Ferozepur) outside the jurisdiction of Cantonment Board, Ferozepur to avoid payment of octroi. However, the store is yet to be shifted (October 2014).

Thus, due to the delay in shifting the Central Store to the available alternative site outside the jurisdiction of Cantonment Board, Ferozepur, the Company made avoidable payment of octroi of ₹ 2.30 crore.[16]

The matter was referred to the Company and the Government in January 2014, their replies were awaited (October 2014).

3.5 Delay in initiating action for recovery

Delay in pursuing the case resulted in non-recovery of ₹ 2.20 crore.

Punjab State Power Corporation Limited (Company)) released (1979) a large supply (LS) connection to National Fertilizers Limited, Bathinda (NFL) with Connected Load (CL) and Contract Demand (CD) of 43,962.119 KW and 31,100 KVA respectively at supply voltage of 132 KV. During 1988, NFL installed 2 x 15 MW captive power plant in its premises and got increased the CL from 43,962.119 KW to 61,000 KW and CD from 31,100 KVA to 43,100 KVA. NFL had also installed two power transformers having capacity of 26.5 MVA each in its premises at that time. At the request of NFL, CD was reduced from 43,100 KVA to 33,000 KVA in April 2010

As per Electricity Sales Regulation No. 81.6.3 of the Company, the CD should not be less than the capacity of power transformer installed. Thus, CD of NFL should have been fixed at 53,000KVA (i.e. 26.5 MVA x 2) instead of 43,100 KVA with effect from April 1988. While reducing CD of NFL 43,100 KVA to 33,000 KVA in April 2010, the Company failed to take cognizance of these facts. In August/September 2010, the Chief Engineer (CE), Enforcement, Bathinda reported that the CD of NFL should have been fixed at 53,000 KVA instead of 43,100 KVA from 1988 and sent (September 2010) the case to CE (Commercial), Patiala for deciding the amount to be recovered from NFL. CE (Commercial) took more than two years to decide (October 2012) that

---

[15] As per section 66(2) of the Cantonments Act 2006, the Cantonment Boards are empowered to impose any tax which under any enactment for the time being in force may be imposed in any municipality in the State in which the Cantonment is situated.

[16] The amount had been worked out from August 2009 (Month of Audit observation) to October 2014.

necessary action in this case was required to be taken by the office of CE (Operation), West Zone, Bathinda, in accordance with standing instructions of the Company in this regard.

Audit observed that since the CD of NFL was less than the capacity of power transformer installed, monthly minimum charges (MMC) were chargeable to NFL. As per the applicable regulations, the MMC were leviable on CL basis (i.e. on KW basis) up to 31 August 2007 but with effect from 1 September 2007, the MMC were leviable on the basis of CD (i.e. KVA basis). Hence no MMC were chargeable up to 31 August 2007 as the CL of NFL was 61,000KW since 1988. But with effect from 1 September 2007, MMC were chargeable on CD basis, so MMC were recoverable from NFL for the period from 1 September 2007 to 31 March 2010. Further, reduction in CD of NFL in April 2010 from 43,100 KVA to 33,000 KVA was in order because such consumers can reduce CD with effect from 1 April 2010 as per the concerned regulations.

Audit further observed that despite instruction of CE (Commercial) and being repeatedly pointed out (May 2012, May 2013 and December 2013) by Audit, CE (Operation), West Zone, Bathinda did not initiate action for recovery of MMC from NFL. Management, intimated (June 2014) that an amount of ₹ 2.20 crore on account of MMC for the period from 1 September 2007 to 31 March 2010 has been charged and a notice has been issued (June 2014) to the consumer. However, NFL refused to pay this amount on the ground that PSPCL has never claimed this amount earlier at any stage (September 2007 to March 2010) and has approached Courts.

Thus, the delay in deciding the case of recovery of ₹ 2.20 crore allowed the consumer time to approach the Court and putting the recovery in doubt.

The matter was referred to the Government (February 2014), their reply was awaited (October 2014).

3.6 Avoidable loss

Failure of the system installed by BHEL, during warranty period and failure of operation staff in handling the situation resulted in avoidable expenditure of ₹ 1.91 crore on repair of the turbine.

The Repair & Maintenance (R&M) works of Unit III at GNDTP, Bathinda were taken up by Bharat Heavy Electricals Limited (BHEL) on 14 January 2010. The unit was commissioned on 7 December 2012. After six months and within the warranty period, the Unit tripped on 13 June 2013. The turbine was damaged due to oil starvation to its bearings. The turbine was got repaired and recommissioned on 5 September 2013 at a cost of ₹ 1.91 crore by the Company at its cost.

A Committee[17] constituted (June 2013) to investigate the cause of tripping and subsequent events that led to oil starving of turbine bearings, held BHEL as well as operation staff responsible for the damage of turbine due to systems and human failures. Disciplinary action for the human failure was initiated (January 2014) but no action has been initiated against BHEL so far (October 2014) for recovery of the repair cost incurred.

Thus, failure of the system installed by BHEL, during warranty period and failure of operation staff in handling the situation resulted in avoidable expenditure of ₹ 1.91 crore on repair of the turbine.

The matter was referred to the Company and the Government (June 2014), their replies were awaited (October 2014).

3.7 Irregular contribution

Contribution of ₹ 25 crore to Punjab State Cancer and Drug Addiction Treatment Infrastructure Fund was against the provisions of Government of Punjab, Department of Health & Family Welfare notification and the provisions of Companies Act, 1956.

Section 293(1)(e) of the Companies Act, 1956 restricts the power of the Board of Directors of a public company to contribute to charitable and other funds not directly relating to the business of the company or the welfare of their employees. The Company may contribute any amount the aggregate of which, within any financial year, does not exceed fifty thousand rupees or five *per cent* of its average profit during the three financial years immediately preceding, whichever was greater. Where the contribution is likely to exceed the aforesaid limit, the same must be done with the prior consent of the Company in a General Meeting.

For supporting the creation of infrastructure for cancer and drug addiction treatment and for the matters connected therewith and incidental thereto, Punjab Government constituted (9 April 2013) a fund through the Punjab State Cancer and Drug Addiction Treatment Infrastructure Fund Act, 2013 (Act). Under the provisions of Section 6 (c) of the Act read with Government of Punjab, Department of Health & Family Welfare notification dated 30 April 2013, the State PSUs/Board/Corporation/Apex Co-operative, Urban Local Bodies, Improvement Trust and Panchayati Raj Institutions could contribute two *per cent* or more of their income to the said fund if they were not running into losses.

Board of Directors (BoDs) of Punjab State Power Corporation Limited (Company) decided (May 2013) to contribute ₹ 25 crore to Punjab State

[17] Comprising of Chief Engineer, Guru Gobind Singh Super Thermal Plant, Ropar , Dy. Chief Engineer, Material Management-II, Guru Gobind Singh Super Thermal Plant, Ropar and Additional Superintending Engineer, Operation, Guru Hargobind Thermal Plant, Lehra Mohabbat,

Cancer and Drug Addiction Treatment Infrastructure Fund. The payment was made on 30 May 2013 to which *post-facto* approval of members of the Company was obtained (July 2013).

Audit observed that the Company had incurred loss of ₹ 1,639.77 crore during 2010-11 and ₹ 537.05 crore during 2011-12 and the annual accounts for the year 2012-13 were not finalised (audited). Being a loss making Company, its decision of contribution of ₹ 25 crore to the above Fund was against the provisions of the Act and not regularisable even through a post facto approval of its members.

The Management stated (July 2014) that PSPCL's contribution was for the cause of Drug Addiction Treatment and eradication of Cancer, both of which are the main issues of concern for people of the State.

The reply is not acceptable as the contributions were ultravires of the provisions of the Companies Act, 1956. The expenditure was disallowed by the PSERC vide their order dated 22 August 2014 on ARR 2014-15.

The matter was referred to the Government in June 2014, their reply was awaited (October 2014).

Punjab Financial Corporation

3.8 Implementation of One Time Settlement Policies

Extension of OTS Policy without the approval of State Government, less/non charging of interest, non-adherence to OTS Policy, irregular implementation, favour to a loanee unit and unjustified OTS to a defaulter resulted in loss of ₹ 163.47 crore.

Punjab Financial Corporation (Corporation) was set up (February 1953) under the State Financial Corporations (SFCs) Act, 1951 to provide financial assistance in the form of term loan and working capital term loan to Micro, Small and Medium Entrepreneurs in the State. Owing to financial constraints and non-availability of refinance from Small Industries Development Bank of India (SIDBI), the Corporation stopped the disbursement of loans in financial year 2005-06. Now, only recovery process for the outstanding loans is in operation.

As on 31 March 2008, the Corporation had outstanding loans amounting to ₹ 217.84 crore out of which loans worth ₹ 215.67 crore (99 *per cent*) were non performing assets (NPAs)[18]. The Corporation was running in losses since 1989-90 and its accumulated losses as on 31 March 2013 were ₹ 299.49 crore.

[18] NPA is a loan where interest and/or instalment of a principal overdue for a period of more than 90 days.

Audit observed that the Corporation did not evolve any system for obtaining and analysing the annual accounts of its loanee units for regular feedback about their financial health. In the absence of any such system, the Corporation could not take timely action under Section 29 of SFCs Act for taking over the possession of mortgaged assets of the defaulting loanee units. Subsequently some of the units got registered with the Board for Industrial and Financial Reconstruction (BIFR). Once an industrial unit is registered with BIFR, the provisions of the Act prevent the lending institutions/ creditors from taking any action[19] against the units. Consequent upon non evolving of effective monitoring system, the process of recovery of loans was not effective and the Corporation was left with no option but to cover most of the defaulting units under one time settlement (OTS) policies.

The management stated (June 2014) that the financial health of the units was analysed on the basis of balance sheets/ accounts maintained at the time of post sanction inspection of the units. The reply is not tenable as the annual accounts of the units were not received by the Corporation after disbursement of loans, in the absence of which the financial health of the defaulter units could not be analysed.

The State Government as well as the Corporation formulated the following OTS policies for settlement of outstanding NPAs.

3.8.1. OTS Policy 2009

The State Government notified (March 2009) an OTS Policy for settlement of loans categorised as NPAs as on 31 March 2008. The OTS amount was to consist of principal amount outstanding plus interest at concessional rates ranging from 4 to 12 *per cent* per annum from the date of disbursement to cut-off date. During the intervening period between the cut-off date and date of approval of OTS, interest at the rate of 13.20 *per cent* on the OTS amount was to be charged. The Scheme was open for receipt of applications from eligible units up to 30 May 2009 subsequently extended up to 16 February 2011. The Corporation further extended (December 2012) it up to 15 May 2013 without approval of the State Government.

The Corporation settled 467 cases under this policy. It recovered ₹ 91.67 crore (Principal ₹ 49.98 crore and interest ₹ 41.69 crore) against outstanding amount of ₹ 519.67 crore in terms of loan agreements, thereby sacrificing ₹ 428 crore. In the implementation of OTS Policy 2009, Audit noticed following irregularities:

3.8.1.1 Extension of OTS Policy without approval of the State Government

During the unauthorised extension period the Corporation settled outstanding dues of ₹ 171.71 crore of 81 loanee units (loans above ₹ 5 lakh) at ₹ 18.13 crore, foregoing ₹ 153.58 crore.

[19] Acquiring/selling off the assets of the unit, moving to the judiciary for recovery of dues, etc.

The Management stated (June 2014) that the Board of Directors was competent to take all decisions affecting the recovery and conducting the business of the Corporation. The Management reply is not acceptable as OTS policy 2009 was notified by the State Government and extensions to this policy were also approved by the State Government but the extension of December 2012 was done by the Corporation itself without Government orders.

3.8.1.2 Loss due to less charging/ non charging of interest

The OTS amount of the loanee units was calculated by charging interest at the rate of 10 *per cent* and 12 *per cent* per annum during the intervening period between the cut-off date and date of approval of OTS of the loanee units instead of 13.20 *per cent* per annum in accordance with OTS Policy, 2009. Audit noticed under charging of interest of ₹ 15.90 lakh in 82 cases.

Further, where the OTS amount was worked out to less than principal outstanding plus expenses but settled at principal outstanding plus expenses, the Corporation did not charge interest at the rate of 13.20 *per cent* on the OTS amount during the intervening period between the cut-off date and date of approval of OTS in contravention of OTS Policy, 2009. Non charging of interest on OTS amount in such 17 cases resulted in non-recovery of interest of ₹ 20.15 lakh.

The management replied (June 2014) that the rate of interest of 13.20 *per cent* was applicable only for recovery of settled amount and not for calculating the settlement amount which was the prior stage. The reply is not tenable as the concessional interest rate of 12 and 10 *per cent* per annum was to be applied on loan for calculation of OTS amount up to the cut off date i.e. the last due date of the loan account and the Corporation was to charge interest at the rate of 13.20 *per cent* per annum during the intervening period between the cut off date and the date of approval of OTS of the loanee units.

3.8.1.3 Non-adherence to OTS Policy resulting in undue benefit to a loanee unit

The Corporation disbursed (September 1995 to February 1998) a term loan of ₹ 90 lakh to M/s Sukhraj Agro Papers (P) Limited, Sangrur (unit) against land and machinery valuing ₹ 320.88 lakh as prime security and commercial cum residential building of ₹ 25 lakh as collateral security.

This unit defaulted in repayment of loans since inception. Notices u/s 29 of the SFC Act 1951 were issued in September 2006 and August 2007 but no action was initiated for taking over the assets of the unit. The unit was registered (December 2007) with BIFR and all action u/s 29 was thus stayed. Subsequently, the unit requested (12 March 2009) for settlement of the term loan under the OTS Policy 2009 and deposited (April 2009) ₹ 13.50 lakh as 15 *per cent* upfront payment of OTS amount. The OTS case of the unit was approved (8 July 2009) and the unit was directed to pay another 15 *per cent* upfront payment of OTS amount within one month and the balance 70 *per cent* in eight quarterly instalments against which payment of ₹ 13.50 lakh was deposited by the unit in August 2009. The Unit requested (September 2009) making balance 70 *per cent* OTS amount in three years which was allowed on 29 March 2010. However, due to continuous default of OTS instalments and dishonouring of cheques, the Corporation cancelled (April 2012) OTS of the unit. The unit again requested (April 2013) the Corporation to consider the effective date of settlement as 29 March 2010 instead of 8 July 2009 and deposited (26-28 March 2013) ₹ 51.35 lakh as full and final payment of OTS amount against outstanding dues of ₹ 9.09 crore. The request of the unit was approved (5 April 2013) considering 29 March 2010 as effective date of settlement whereas it was only the date of permitting extension of one year from date of 8 July 2009 and not effective date of settlement of OTS. The Corporation issued (July 2013) 'No dues' certificate to the unit.

Thus, non initiation of timely action for taking over the unit, changing effective date of settlement and subsequent revival of cancelled OTS, despite there being no such provision in the OTS Policy 2009, resulted in extension of undue benefit of OTS to the unit and financial sacrifice of ₹ 8.58 crore by the Corporation.

The management replied (June 2014) that the change of effective date of settlement was within the competence of the settlement committee and within the provisions of the settlement policy. The reply of the management is not acceptable as no such provision for revival of the already cancelled OTS was there in the OTS Policy 2009 notified by the State Government.

3.8.2 OTS policy for units situated at Border District

The Corporation on the request of the Association of units of Border Area approved (December 2012) another OTS Policy for units situated in Border Districts (Amritsar, Gurdaspur, Fazilka, Ferozpur, Pathankot and Tarn Taran) valid up to 15 May 2013 under which the NPAs as on 31 March 2012 were to pay the outstanding principal plus expenses plus 6 *per cent* simple interest. The Corporation settled its outstanding dues of ₹ 118.56 crore of 29 units at ₹ 12.23 crore under this Policy with financial sacrifice of ₹ 106.33 crore.

Implementation of this policy disclosed the following:

3.8.2.1 Unjustified OTS to a defaulter despite FIR pending against the unit

The Corporation disbursed (May 2001) a term loan of ₹ 19.00 lakh to M/s City Agro Fuel Industries, Abohar (Unit) along with soft loan of ₹ 7.30 lakh for setting up a small scale unit against land, building, plant and machinery as prime security and agricultural land[20] as collateral security.

Because of continuous default in repayment of loans, the Corporation took over (August 2006) the assets of the unit along with collateral securities under Section 29 of SFCs Act. On noticing the entire plant and machinery removed,

[20] Measuring 38 kanal 7 marla at village Dodewala in Ferozpur District and 72 kanal 16 marla at village SarwanBodla in Mukatsar District.

the Corporation filed (January 2007) FIR against the promoters of the unit for missing machinery. The prime security (land and building) of the unit was put to auction twice in July and August 2008 for which the highest bid of ₹ 11.25 lakh was rejected and it was decided to readvertise the unit for sale after re verifying its value but no action was initiated. The collateral security was not put to auction at all. When the Unit applied (March 2009) for settlement under OTS Policy 2009, the Corporation declined (March 2009) OTS to the unit on the ground that complaint had been filed against the unit. The High Court of Punjab and Haryana rejected (August 2010) the petition for quashing of FIR on the ground that they had sold the machinery and mortgaged assets with a view to cheat and defraud the Corporation.

Despite the decision of the High Court of Punjab and Haryana and no change in the circumstances since declining of OTS to the unit in March 2009, the Corporation accepted (April 2013) the request of the unit of OTS under the OTS policy for units situated in Border districts and settled (26 April 2013) the outstanding dues of ₹ 1.55 crore of the unit at ₹ 0.44 crore resulting in extension of undue benefit of OTS to the unit amounting to ₹ 1.11 crore.

The management replied (June 2014) that the case was settled as per the eligibility of Border District cases policy and account stands adjusted as per OTS therefore settlement was justified. The reply is not acceptable as the OTS to the unit which had sold the machinery and mortgaged assets with a view to cheat and defraud the Corporation was not justified and in line with the decision of the Punjab & Haryana High Court.

Thus, the extension of OTS Policy without the approval of State Government, less/non charging of interest, non-adherence to OTS Policy, irregular implementation, favour to a loanee unit and unjustified OTS to a defaulter despite pending action against the unit resulted in loss of ₹ 163.47 crore.

The matter was referred to the Government (May 2014), their reply was awaited (October 2014).

Punjab Information and Communication Technology Corporation Limited

3.9 Allotment of Plots

Wrong interpretation of Court order and loss of opportunity to earn additional revenue resulted in financial disadvantage of ₹ 6.81 crore.

Punjab Information and Communication Technology Corporation Limited (Company) was established in March 1976 with the objective to develop and promote electronics and electrical industry. The Company is mainly engaged in allotment and transfer of plots for development of electronics and electrical industry in the State. The issues regarding allotment and transfer of plots have been reviewed in audit for the years from 2011-12 to 2013-14. Scrutiny of allotment/ transfer cases disclosed the following:

3.9.1 Loss due to incorrect interpretation of Court order

The Company allotted (January 2011) six plots, each measuring 4,300 square yards, to six firms[21]in Sector 67, IT Park, Mohali under 'Off-the-Shelf Scheme' of Land Allotment Policy, 2008. It received ₹ 19.52 crore from allottee firms covering payment of initial amount and allotment money.

While passing an order in a Public Interest Litigation (PIL)[22], Punjab and Haryana High Court (Court) observed (December 2011) that transparent methodology was not developed for inviting applications from all the eligible persons and stayed (December 2011) further allotment of plots in pursuance of the aforesaid policy. In case of already allotted plots, it directed to maintain status quo.

The Company without considering the decision of the court cancelled (February/March 2012) the allotment of plots and refunded the amount of ₹ 19.52 crore along with interest of ₹ 2.06 crore. Aggrieved with the decision of the Company, all the six-allottees filed writ petitions in Court against cancellation of their plots. The Court ordered (July 2013) the annulment of cancellation orders in view of its decision dated December 2011. Management stated (March/August 2014) that the Company was issuing restoration letters to the allottees as per order of the Court and that they would recover the amount paid to the allottees along with interest thereon besides interest refunded amounting to ₹ 2.06 crore. However, neither the Company issued restoration letters to the allottees, nor received any money so far (October 2014).

Audit noticed that the decision of the Company to cancel the allotment of plots and refund the money received was not in consonance with the decision of the Court. Consequently the Company suffered a loss of interest of ₹ 5.74 crore[23].

3.9.2 Loss of opportunity to earn additional revenue

The Company allotted a plot on lease to manufacture electronic component. The allottee was not to transfer rights in the plot without prior written permission of the Company and was also required to commence production within 2 years and in case of failure, an extension fee was payable for 3rd and 4th year at five *per cent* and seven and a half *per cent* respectively of the cost of plot. Extension beyond 4 years was not to be granted. On the expiry of fourth year the plot was to be automatically cancelled and resumed by the Company. The transferee failed to submit proof of commencement of

---

21 Netsmartz LLC, Matrix Processing House, Giga Net Technologies Private Limited, Scott EdilInfortech Private Limited, Shalimar Estates Private Limited and Alpha Technologies USA Inc.

22 CWP No. 23112 0f 2010 and CWP No. 4308 of 2011 titled Manav SamajSewa Swasth Sangthan versus State of Punjab and others.

23 (₹ 19.52 crore + ₹ 2.06 crore) x 11 *per cent* per annum x 29 Months (March 2012 to July 2014)

production up to the maximum permissible project implementation period i.e November 2007. The Company, however, did not initiate any action to cancel the transfer and resume the plot.

The State Government notified (April 2008) a new Land Allotment Policy which allowed additional time period of one year from the expiry of last permissible/extended time period or five years whichever was later to previous allottees/transferees on the payment of prescribed extension fee. This additional period of one year was subsequently extended (August 2010) by two years.

Meanwhile, the transferee submitted (June 2009) a registration certificate in the name of another firm[24] operating from the plot. After expiry of maximum permissible project implementation period i.e. November 2010, the Company failed to take action for cancellation of transfer and resumption of plot. Instead the Company asked (30 April 2013) the transferee to pay outstanding dues of ₹ 13.69 lakh towards extension fee for the period from 5 August 1999 to 20 November 2003 and 20 November 2005 to 30 November 2012. Instead of depositing the extension fee, the transferee issued (November 2013) a legal notice for cancellation of this demand on the ground that the transferee has already commenced production on the plot. The Company observed (16 December 2013) that this was an attempt to try and take advantage of registration certificate submitted (June 2009) by the transferee as proof of commencement of production. Which could not be accepted because another firm was a separate legal entity independent of the transferee irrespective of her shareholding in the said firm. The firm filed (14 January 2014) claim petition before the Managing Director cum Sole Arbitrator of the Company, which was dismissed (1 April 2014).

Thus, laxity on the part of the Company in resumption of plot after 20 November 2007 for failure of commencement of production and further upon expiry of maximum permissible project implementation period in November 2010, not only resulted in loss of opportunity to earn additional revenue of ₹ 1.07 crore[25] but also in unnecessary litigation

The management stated (August 2014) that the period of commencement of production was extendable up to November 2011 and as such the plot could not be cancelled in 2007. Reply is not justifiable as the period of four years allowed initially expired in November 2007 and the extended period expired in November 2010 but the company did not initiate any action against the allottee/ transferee for resumption of the plot. The fact remained that the Company failed to resume the plot and lost the opportunity to earn additional revenue of ₹ 1.07 crore.

Thus, wrong interpretation of Court order and loss of opportunity to earn additional revenue resulted in financial disadvantage of ₹ 6.81 crore.

---

[24] G. S. Electronics Private Limited

[25] 1,075 square yards x current reserve price of ₹ 10,000 per square yards

The matter was referred to the Government (June 2014) their reply was awaited (October 2014).

Punjab State Bus Stand Management Company Limited

3.10 Cash management

Non-recovery of amounts on account of free/concessional travel services, delay/non recovery of advances from oil companies, non-compliance of Accounting Rules & Procedures and distinct directives affected cash management decisions to the disadvantage of the Company to the extent of ₹ 5.86 crore.

Punjab State Bus Stand Management Company Limited (Company) was incorporated (March 1995) with the main objective to take bus stands on lease as well as to control, manage and construct modern bus stands in the State of Punjab apart from carrying on business of running and operation of commercial vehicles on the existing and new permits of Punjab Roadways. The Company operated 926, 1,050 and 1,058 buses during 2011-12, 2012-13 and 2013-14 respectively.

Table below summarises the position of revenue receipt, revenue expenditure, bank balances and loans from banks during the years 2010-11 to 2012-13:

(₹ in crore)

	Particulars	2010-11	2011-12 (provisional)	2012-13 (provisional)
A	Revenue from operations	339.42	319.32	401.79
B	Expenditure	334.95	318.59	392.72
C	Profit (+) / Loss (-) before Tax	4.47	0.73	9.07
D	Bank Loans & other loans	49.03	57.68	42.19
E	Cash & Bank Balances	16.75	15.63	24.28
F	Amount recovered/book adjustment on account of free/ concessional transport facilities	28.30	26.03	64.83
G	Debt Equity Ratio	0.87:1	1.03:1	0.75:1

Cash management in the Company has been reviewed in audit for the years 2010-11 to 2013-14 and showed the following:

Free/concessional transport services

3.10.1 As per the standing instructions of the State Government, the Company as well as Punjab Roadways provides free/concessional travelling services to various departments of the State Government, for which the claims for reimbursement are raised with the concerned departments on quarterly basis including unrecovered amount up to previous quarter. The income from free/concessional transport facility is credited and accounted for on cash basis/book adjustment in the accounts of Punjab Roadways and thereafter it is apportioned on the basis of number of buses operated during the year by the Company and Punjab Roadways.

Audit observed that an amount recoverable from various departments on account of free/ concessional travel services for the period from 2004-05 to 2013-14 has accumulated to ₹ 56.01 crore as the payments were not being received on year to year basis. The Company's share in this worked out to ₹ 51.08 crore[26], non-recovery of which resulted in loss of interest of ₹ 3.99[27] crore. Of these ₹ 56.01 crore, Punjab Roadways received (upto September 2014) ₹ 29.26 crore through book transfers/sanctions, which were, however, yet to be apportioned). The Company/Government should frame a policy for timely payment of compensation for these free/ concessional transportation services to safeguard the financial interest of the Company.

The Management while accepting the audit contention stated (September 2014) that for recovery of pending amount, the matter has been taken up with the concerned departments.

Delayed/non recovery of advances given for purchase of high speed diesel

3.10.2 Government of India decided (January 2013) not to provide subsidy on bulk supply of diesel to bulk purchasers. As such the Company decided (19 January 2013) to discontinue the bulk purchase of HSD from Indian Oil Corporation and Hindustan Petroleum Corporation Limited. The Management decided (March 2013) to get refund of advances given to them.

Audit observed that out of advances of ₹ 2.20 crore(made by 17 depots) to IOC and ₹ 19.62 lakh (by one depot) to HPCL, the Company could recover ₹ 2.14 crore (in respect of 13 depots) from IOC during May 2013 to August 2014 after delays ranging between 55 days to 522[28] days leaving ₹6.06 lakh unrecovered in respect of 6 depots. The Company recovered ₹ 19.62 lakh from HPCL in August 2014. Non recovery of oil advances from oil companies resulted in loss of interest of ₹ 18.88[29] lakh to the Company.

The Management stated (September 2014) that concerned depots have been instructed to recover the loss of interest from the concerned oil companies.

---

26 Calculated on the basis of number of buses of Punjab Roadways and the Company

27 Calculated at the rate of 10.20 *per cent* per annum (the. minimum rate of interest on purchase of buses)

28 Calculated from 1.03.2013 (after allowing reasonable period of 41 days from the date of decision for effecting recovery of advances from oil companies) to date of receipt

29 Calculated at the rate of 10.20 *per cent* (i.e. minimum rate of interest on purchase of buses), from 1.03.2013 to 31.05.2014.

Non-compliance of Accounting Rules & Procedures

Loss of interest due to keeping funds in current account

3.10.3.1 Rule 8.3.4 (ii) of Company's Accounting Rules and Procedure provides for transfer of funds from depot level bank accounts to head office level bank accounts and vice versa through e-banking system for optimal utilisation of funds and placement of surplus funds in term deposit / flexi deposit account. Further, Government of Punjab, Department of Finance instructed (May 2008) all the PSUs not to keep any money in current account, particularly when so many flexi options were available. For loss of interest the Managing Directors of the PSUs were to be held personally liable.

During scrutiny of records of the Head Office and depots of the Company for the years 2010-14, Audit noticed that the district offices were maintaining current accounts with banks for funds transferred from head office for meeting expenses and keeping average daily balances ranging between ₹ 19.70 lakh and ₹ 82.79 lakh during 2010-11, ₹ 15.99 lakh and ₹ 100.64 lakh during 2011-12, ₹ 20.98 lakh and ₹ 152.13 lakh during 2012-13 and ₹ 44.57 lakh and ₹ 168.12 lakh during 2013-14[30] which resulted in loss of interest of ₹ 112.60[31] lakh.

The Management stated (September 2014) that only current account can be opened in the name of the Company and flexi account facility was available with saving bank account and also stated that Head Office transferred funds to depots on fortnightly basis and higher balances shown pertain to those days, which were consumed by the depot within 2-3 days from the date of transfers. The reply is not acceptable as loss of interest has been worked out on the basis of average daily balances of the bank account. The need for having flexi arrangement with the banks had also been regularly pointed out by the internal auditors in their report to the Company. It was also noticed that the Company was already having an flexi/autosweep current account with Oriental Bank of Commerce upto June 2013.

Loss of interest due to delay in depositing cash in bank and retaining of funds by banks at depot level

3.10.3.2 As per Rule 8.1.2, of the Accounting Rules and Procedures, all revenue funds collected at the depot level were to be deposited in the banks which in turn were required to transfer the same in the bank account at Head Office of the Company at Chandigarh.

During scrutiny of records of the Head Office and Depot Offices for the years 2010-14, Audit observed that average daily funds ranging between ₹ 4.40 lakh and ₹ 24.67 lakh during 2010-11, ₹ 5.71 lakh and ₹ 33.64 lakh during 2011-12, ₹ 4.30 lakh and ₹ 67.99 lakh during 2012-13 and ₹ 18.42 lakh and ₹ 57.98 lakh

---

30 In respect of Chandigarh, Ludhiana, Pathankot, Jalandhar I & II depot offices only

31 Calculated at the rate of 4 per *cent* per annum applicable to saving bank accounts (2010-11 : ₹ 27.39 lakh, 2011-12 : ₹ 28.59 lakh, 2012-13 : ₹ 39.36 lakh and 2013-14 : ₹ 17.26 lakh).

during 2013-14[32] were kept in depots in violation of the instructions ibid, resulting into loss of interest of ₹ 34.22[33] lakh.

Further, in accordance with decision (May 2006) of the Company, all the funds above ₹ 5,000 were to be transferred from the bank accounts at the depots level to the bank account at the Head Office level on daily basis at par.

Audit, however, observed that funds deposited in bank accounts at depots were not transferred to bank account of Head Office on daily basis. The banks retained average daily balances in collection account ranging between ₹ 5.45 lakh and ₹ 46.96 lakh during 2010-11[34], ₹ 3.06 lakh and ₹ 40.40 lakh during 2011-12 and ₹ 1.49 lakh and ₹ 14.13 lakh during 2012-13, which showed improper financial planning of the Company.

The Management stated (September 2014) that cash book balances pertain to the funds transferred from Head Office to depots for various payments on fortnightly basis and operational receipts were deposited by the depots in bank once in a day. Reply is not acceptable as depots were required to deposit all revenue funds collected at depot level in banks which was not being done and loss of interest has been worked out on the basis of average daily balances of the bank accounts.

Utilisation of revenue receipts for payments of expenditure

3.10.3.3 As per Rule 8.1.3 of the Accounting Rules and Procedures, for day to day expenses, funds were to be provided by the head office to the concerned Depot Manager and Depot Managers were not to utilise the cash from revenue received. All revenue funds collected at the depots level were to be deposited in the banks which in turn were required to transfer the same in the bank account at Head Office of the Company.

In test check of cash books of five selected depots[35] of the Company, Audit observed that in Ludhiana depot funds ranging between ₹ 14.31 lakh and ₹ 78.47 lakh were utilised from the revenue receipt during September 2013 to March 2014 for making payment of taxes, repair, diesel, petrol and temporary advances to employees. Further, revenue receipts of ₹ 1.19 crore by Jalandhar I depot and ₹ 2.38 crore by Pathankot depot were utilised for purchase of diesel for buses of Punjab Roadways during 2013-14 which was adjusted after passing and payment of bill.

The Management while admitting the facts stated (September 2014) that Head Office had issued strict instructions to all the General Managers/Depot Managers not to spend even a penny out of receipt.

32 In respect of Chandigarh, Ludhiana and Jalandhar I depot offices only

33 Calculated at the rate of 4 *per cent* per annum applicable to saving bank accounts (2010-11: ₹ 7.57 lakh, 2011-12: ₹ 9.53 lakh, 2012-13: ₹ 12.75 lakh and 2013-14: ₹ 4.37 lakh).

34 Excluding Amritsar I & II depot for the year 2010-11

35 Chandigarh, Ludhiana, Jalandhar I & II and Pathankot depot

Avoidable payment of bank charges

3.10.4 In accordance with decision (May 2006) of the Company, at par facility for transfer of funds from the field offices to Head Office and vice versa, the issuance of pay orders and drafts, was to be taken from the banks. However, from the scrutiny of records it was noticed that the matter was not taken up with the banks at the depot level to have this facility. Consequently, the banks charged ₹ 21.07 lakh during 2010-11 to 2012-13 on transfer of funds from field offices to bank account at head office, resulting in loss to that extent to the Company.

The Management while admitting the facts stated (September 2014) that the matter was taken up with the banks and remittance charges are being reversed.

Thus, non-recovery of amounts on account of free/concessional travel services, delay/non recovery of advances from oil companies, non-compliance of Accounting Rules & Procedures and distinct directives affected cash management decisions to the disadvantage of the Company to the extent of ₹ 5.86[36] crore.

The matter was referred to the Government (June 2014), their reply was awaited (October 2014).

3.11 Loss of opportunity to earn revenue

Despite an enabling clause in the agreement, failure of the Company to offer their subsequently purchased new buses to the contractor for displaying advertisement resulted in loss of opportunity to earn revenue of ₹ 67.36 lakh.

Punjab State Bus Stand Management Company Limited (Company), on the basis of competitive bidding, entered (April 2011) into an agreement for sale of rights to display advertisements on its fleet of buses for a period of three years commencing from 25 April 2011 at the following rates:

Table 3.1.3

Sl. No.	Type of buses	Rate per bus per quarter (₹)
1	A Type	2,000
2	B type, HVAC, Integral Coach AC buses (LEXIA) and Super Integral Coach AC buses	3,600

Clauses 12 and 17 of the agreement provided that in case there was any increase over and above the contracted fleet strength and the same was offered

[36] ₹ 3.99 (3.10.1) + ₹ 0.19 (3.10.2) + ₹ 1.13 (3.10.3.1) + ₹ 0.34 (3.10.3.2) + ₹ 0.21 (3.10.4)

by the Company to the contractor for use for advertisement, whether utilised or not, the contractor was liable to pay additional charges per bus in addition to the contracted fleet strength.

Audit observed (January 2014) that the Company purchased and put in operation 243 new buses (B type: 210, HVAC: 25 and Super Integral Coach: Eight) during December 2011 to May 2012 but did not offer (till 31 March 2014) these buses to the contractor for displaying of advertisement which resulted into foregoing of opportunity to earn additional revenue of ₹ 67.36 lakh.

Management, while accepting Audit contention, stated (May 2014) that on the recommendations of the departmental committee, the Company has decided (February 2014) to display advertisements on the new buses purchased during December 2011 to May 2012.

The matter was referred to the Government (February 2014), their replies was awaited (October 2014).

Punjab Agro Foodgrains Corporation Limited

3.12 Excess Payment

Excess payments to three artiahs by manipulating accounting books resulted into financial loss of ₹ 3.83 crore.

Punjab Agro Foodgrains Corporation Limited (Company) procures wheat/paddy from farmers in the State for the central pool on behalf of the Government of India from mandis through Artiahs[37]. Payment to farmers is being made through Artiahs. Reconciliation of purchases with reference to payments made there against is carried out at the end of each procurement season.

Scrutiny of records of the Company showed that during 2008-12, the district office Tarn Taran had misappropriated ₹ 4.39 crore (2008-09: ₹ 0.32 crore, 2009-10: ₹ 1.09 crore, 2010-11: ₹ 1.39 crore and 2011-12: ₹ 1.59 crore) by making excess payments to three[38]artiahs on account of cost of grains, bonus and artiah commission by manipulating accounting books. It was noticed that purchase, sale and bank accounts were reconciled by booking these payments into other accounts without supporting documents. Artiahs accounts were, however, not maintained.

Excess payment of ₹ 1.59 crore made during 2011-12 had been recovered in July 2013 and ₹ 0.50 crore in April 2014 from excess payment made during

[37] Artiah – A middleman in the grain market between farmer/seller and purchaser\procurement agency.

[38] M/s Hans Raj KharetiLal, Patti; M/s Kisan Trading Company, Patti and M/s Kisan Trading Company, Khemkaran

2008-11. However, action to recover balance excess payment of ₹ 2.30 crore with interest on excess payment was not initiated. This has resulted in financial loss of ₹ 3.83 crore (₹ 2.30 crore excess payments made and Loss of interest of ₹ 1.11 crore thereon plus interest of ₹ 0.42 crore[39] on ₹ 1.59 crore recovered in July 2013 and ₹ 0.50 crore recovered in April 2014).

The Company had charge sheeted (September and October 2013) its officials responsible for the excess payments made fraudulently during 2011-12. Action for recovering excess payments of ₹ 2.30 crore (out of ₹ 2.80 crore) made during 2008-11 had neither been initiated nor any company official have been held responsible. Further, no action has, been initiated against the artiahs so far (May 2014) for which reasons were not found on record produced to Audit.

Management while admitting Audit contention stated (May 2014) that ₹ 0.50 crore has been recovered from the artihas during April 2014. The facts, however, remain that an amount of ₹ 3.83 crore (including interest of ₹ 1.53 crore) was still to be recovered.

The matter was referred to the Government (January 2014), their reply was awaited (October 2014).

Punjab State Grains Procurement Corporation Limited

3.13 Loss due to waiver/non incorporation of penal interest clause

Failure of the Company to take up the matter with the State Government for making a provision of compensation in lieu of waiver/non incorporation of penal interest clause for extended/delayed period of milling of paddy and delivery of rice for KMS 2010-11 and 2011-12 resulted in financial loss of ₹ 415.50 crore.

Punjab State Grains Procurement Corporation Limited (Company) procures paddy for the central pool on behalf of Government of India (GOI). After getting the paddy milled from the rice millers in the State, the Company delivers the rice to the Food Corporation of India (FCI). The Company avails of cash credit from the bank to manage procurement, storage and delivery of foodgrains, till it gets its reimbursement from FCI.

The Custom Milling Policies (CMP) and Draft Agreements with the millers for the Kharif Marketing Season (KMS) 2010-11 and 2011-12 issued in September 2010 and September 2011 respectively by the State Government required the millers to deliver the rice as per the following schedule:

[39] It has been upto August 2013 and calculated by the Company itself. It includes ₹0.50 crore received during April 2014.

Table 3.1.4

Month	Percentage of delivery	
	2010-11	2011-12
October	5 *per cent*	5 *per cent*
November to February	20 *per cent* each month	15 *per cent* each month
March	15 *per cent*	15 *per cent*
April & May	-	5 *per cent* each month
June	-	10 *per cent*

On the requests of the State Government, GOI extended the delivery period of rice from time to time up to 30 June 2012 and 31 December 2012 for the KMS 2010-11 and 2011-12 respectively. As a result the milling operations for KMS 2010-11 and 2011-12 continued up to June 2012 and December 2012.

CMP for KMS 2010-11 provided that in case of failure to adhere to the above mentioned schedule, interest at the rate of 12 per cent of the cost of rice less delivered was to be charged by the Company from the millers for the period of delay. The State Government dispensed with (October 2010) this penal interest clause, however, without making any provision for compensating the procuring agencies for their liability of interest on cash credit during the delayed/extended period of milling of paddy and delivery of rice. Further, in CMP for 2011-12 approved (September 2011) by the State Government, the penal interest clause was not incorporated.

Audit observed (January 2013) that in order to safeguard its financial interest, the Company should have taken up the matter with the State Government for making a provision of compensation in lieu of waiver/non incorporation of penal interest clause for the delayed/extended period of milling of paddy and delivery of rice due to Government directions in CMP for KMS 2010-11 and 2011-12. However, the Company did not initiate any action in this regard. Consequently, the Company had to bear additional burden of interest of ₹ 415.50 crore for the delayed/ extended period of milling of paddy and delivery of rice, resulting in financial loss to that extent.

The matter was referred to the Company and the Government (February 2014), their replies were awaited (October 2014).

3.14 Loss due to non-recovery of transportation charges

Failure of the Company to recover cost element of transportation of paddy up to 8 Kms included in milling charges from the millers resulted in financial loss of ₹ 103.01 crore to the Company.

Punjab State Grains Procurement Corporation Limited (Company) is one of the five State procuring agencies. The Company procures paddy from mandis on behalf of Government of India (GoI) for central pool and gets the paddy milled as per the Custom Milling Policy (CMP) of the State Government for onward delivery of rice to Food Corporation of India (FCI). FCI reimburses all the elements of cost of rice to the Company at the rates fixed by GoI. As per CMP of each crop year, paddy procured is stored in the premises of the allotted rice mills and remain in joint custody of the Company and the rice millers till its conversion into rice.

Non-recovery of transportation charges from millers by the Company for the years 2003-06, in respect of seven selected districts was reported vide Para 2.9 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2008-Government of Punjab. The Committee on Public Undertakings (COPU) in its meeting held on 13 October 2009 while discussing Para 4.2 of Audit Report 2006-07, relating to the issue, in respect of Punjab State Civil Supplies Corporation, desired that the transportation charges be recovered from the millers and intimated to the Committee. Further, on receiving a number of references in regard to transportation charges included in milling charges, Ministry of Food, Consumer Affairs and Public Distribution, GOI clarified (June 2006) that milling charges of ₹ 15/- per quintal for raw rice and ₹ 25/- per quintal for parboiled rice were inclusive of transportation charges of ₹ 5/- for transportation of paddy as well as rice up to 8 kms from the mills. It was also clarified (June 2007) that if paddy was directly delivered from mandi/purchase centres to mills, reference point for taking into account of 8 kms for transportation of paddy would be taken as mandi/ purchase centre. FCI reiterated (July 2013) that expenditure for transportation of paddy from purchase centres/ mandis to mills up to 8 Kms had to be borne by the millers as this was inbuilt in the milling rates itself.

Scrutiny of records disclosed that during the years 2006-13, the Company incurred an expenditure of ₹ 103.01 crore on transportation of paddy within 8 kms from mandis/ purchase centres to millers' premises. The Company, however, did not recover the transportation charges from the millers despite clarification given by Government of India and recommendation made on a similar case by COPU.

Thus, non-recovery of transportation charges from millers, resulted in loss of ₹ 103.01 crore to the Company.

In its reply, Management stated (July 2014) that it was not possible for them to recover the amount already paid to the millers. Reply is not justifiable as payments to millers were made by ignoring the orders of GoI/FCI and recommendation of COPU in this regard.

The matter was referred to the Government in March 2014, their replies was awaited (October 2014).

Punjab Small Industries & Export Corporation Limited

3.15 Short Recovery of enhanced land compensation

Incorrect calculation of enhanced land compensation has resulted in loss of ₹ 87.64 lakh.

Punjab Small Industries & Export Corporation Limited (Company) allots plots at its industrial focal points (IFPs) at the prevailing reserve price. If subsequently any enhancement is paid by the Company for land acquisition, it is recovered from the allottees of the plots as per the terms of the allotment along with interest at the rate of 15 *per cent* per annum.

During 1992-93, the Company acquired land at the rate of ₹ 2 lakh per acre and ₹ 1.75 lakh per acre for setting up IFP, Amritsar (Expansion). It allotted industrial plots @ ₹ 94 per square yard (PSY). The land owners being not satisfied with the award approached Courts and were awarded (September 2004 to October 2005) enhanced land compensation from ₹ 1.75/ 2.00 lakh per acre to ₹ 4.84 lakh per acre. The Company translated the award into new land cost @ ₹ 294 PSY as on October 2007. but the demand was calculated by December 2011 and demand letters issued (February 2012) for payment of ₹ 355 PSY which included the enhanced cost payable and component of interest at the rate of 15 *per cent* per annum from October 2007 onwards on the original cost of allotment of ₹ 94 PSY instead of the now arrived cost of ₹ 294 PSY.

During test check of case files of 39 allottees, Audit observed (December 2013) that the calculation of interest claimed was not correct. It undercharged demand by ₹ 130 (₹ 191[40] - ₹ 61[41]) PSY on enhanced land compensation from these allottees of total area of 67,418 square yards. There was thus under claiming of ₹ 87.64 lakh[42] from the allottees.

The Company stated (June 2014) that simple interest is charged while preparing cost sheet for recovery of cost of plots in various focal points. Hence interest has been charged on ₹ 94 PSY and the amount of ₹ 294 PSY has emerged after adding simple interest for the period from March 1993 to October 2007.

The reply of the Company is not justifiable as after the Company calculated the demand of ₹ 294 PSY from allottees as on 31 October 2007, the interest for period beyond 31 October was to be charged on that amount i.e ₹ 294 PSY only.

The matter was referred to the Government (March 2014), their reply was awaited (October 2014).

---

40 ₹ 294 PSY *15% * 1582/365

41 ₹ 94 PSY *15% * 1582/365

42 67,418 square yards x ₹ 130

Punjab State Civil Supplies Corporation Limited, Punjab Agro Foodgrains Corporation Limited and Punjab State Warehousing Corporation

3.16 Implementation of the Atta Dal Scheme in the State

Wheat of centrally sponsored schemes diverted towards the Atta Dal scheme and non-release of the subsidy claims of the State procuring agencies, led to diversion of funds from cash credit limits availed for procurement of foodgrains for central pool.

To provide food to poor families of the state whose annual income was less than ₹ 30,000/-, the Government of Punjab introduced (March 2007) a scheme named the Atta Dal Scheme (ADS). The scheme provided 35 kg wheat and 4 kg dal (pulses), subsequently reduced (2009) to 25 kg wheat and 2.5 kg dal, per family per month at the subsidised rate of ₹ 4 per kg of wheat and ₹ 20 per kg of dal. The Director, Food and Civil Supplies & Consumer Affairs (DFSC), Government of Punjab identified 13.58 lakh targeted families on the basis of survey conducted (March/May 2007), out of which 4.68 lakh families were already covered under the Antyodaya Anna Yojna (AAY) and Below Poverty Line (BPL) schemes of the GOI. The Government of Punjab again identified and increased (2009 and 2011) the beneficiaries to 15.41 lakh families (including 1.19 lakh BPL families and 0.59 lakh AAY families also covered under Targeted Public Distribution System) for ADS.

The deficiencies in the implementation of Atta Dal Scheme were discussed in the Report of the Comptroller & Auditor General of India (No. 4) (Commercial) – Government of Punjab for the year ended 31 March 2011[43] wherein major issues i.e. deterioration of wheat stock, diversion of wheat allocated for centrally sponsored scheme and inadequate state budgetary support were pointed out. Implementation of the Atta Dal Scheme has now been reviewed for the years 2010-11 to 2013-14. Scrutiny of records disclosed the following.

3.16.1 Diversion of wheat allotted for the centrally sponsored schemes and deterioration/non-distribution of wheat

For the implementation of the ADS, the procuring agencies[44] procure wheat from the mandis under the ADS as State pool wheat. Director, Food and Civil Supplies & Consumer Affairs (DFSC), Government of Punjab allocates wheat and dals to the ration depot holders for distribution to the identified beneficiaries. PUNSUP was designated as nodal agency by the State Government for ADS as well as for the centrally sponsored schemes i.e. Antyodaya Anna Yojna (AAY), Below Poverty Line (BPL) and Above Poverty Line (APL) under the TPDS.

---

[43] Paragraph no. 3.10

[44] Punjab State Civil Supplies Corporation Limited (PUNSUP), Punjab State Warehousing Corporation (PSWC), Punjab Agro Foodgrains Corporation Limited (PAFCL), and Punjab State Co-operative supply and Marketing Federation Limited (Markfed). However, Markfed is not under the Audit jurisdiction.

Public Distribution System (Control) Order 2001 issued by the Government of India (GOI) in August 2001 specifically mentioned that the State Government should not divert the allocations made by the Centre Government for distribution under the TPDS. Further, it was instructed by Food Corporation of India that allocated quantity of foodgrains from the central pool meant for a particular scheme may not be diverted to any other scheme.

Audit observed that PUNSUP continued to divert APL and BPL wheat of the TPDS towards ADS and diverted 6.36[45] lakh MT wheat valuing ₹ 613.54 crore[46]. This had resulted in violation of the standing instructions of the GOI. The Committee on Public Undertaking (COPU) in its meeting held on 4 July 2014 noted that diversion of wheat of TPDS towards ADS violated the instructions of GOI and directed that such diversion should be made only after prior approval of GOI and that too only in emergent cases. Audit also observed that wheat stock of 8,314 MT valuing ₹ 20.37 crore of crop year 2008-09 and 2009-10 of PAFCL procured under ADS was not distributed and was lying in damaged condition. Further, 17,813 MT wheat valuing ₹ 30.29 crore of crop year 2013-14 of PUNSUP was also not distributed which remained blocked since the last 12 months which could have been distributed under ADS. PAFCL stated (July 2014) that wheat stock got damaged as these were not moved out and there was no fault on the part of PAFCL. Further, damaged wheat is being categorised and would be disposed off by committee constituted by DFSC, Punjab. The fact remains that wheat stock valuing ₹20.37 crore was not distributed for long and was ultimately damaged.

PUNSUP while admitting the facts stated (September 2014) that there was no diversion of wheat at the level of PUNSUP. Distribution was made as per allocation of DFSC, Punjab and PUNSUP was bound to follow the instructions/directions of its administrative department.

3.16.2 Procurement and distribution of dal

No policy was framed by DFSC, Punjab/PUNSUP regarding adjustment of deficient distribution of monthly allocation of dal to beneficiaries in the succeeding months. During 2011-12 to 2013-14 (upto September 2013) dal were not procured and distributed during 13[47] months out of 30 months due to non release of funds to PUNSUP by the State Government. Thus, PUNSUP could distribute only 42,827 MT dal against the allocated quantity of 92,849 MT dal under ADS defeating the basic purpose of the ADS formulated for poor families. However, wheat was distributed on monthly basis during the said period.

It was also noticed that in 15 districts, 2,965 MT dal were distributed against allocated quantity of 2,239 MT dal in the month of September 2011. Thus, 731 MT of dal valuing ₹ 1.45[48] crore was shown as distributed in excess of the

[45] 0.67 lakh MT in 2010-11, 2.13 lakh MT in 2011-12, 2.03 lakh MT in 2012-13 and 1.53 lakh MT in 2013-14{upto November 2013} from 2010-11 to November 2013

[46] Differential cost of wheat diverted after adjusting the price of APL and BPL wheat paid to FCI.

[47] May 2011 (1), April 2012 to September 2012 (6) and January 2013 to June 2013 (6)

[48] 731 MT * ₹ 19840 per MT

monthly allocation in respect of these districts, without any reasons on records.

PUNSUP stated (September 2014) that policy/ guidelines for ADS are being framed at the level of DFSC, Punjab and also stated that sale of pulses exceeded because the date of distribution of August 2011 quota was extended upto 15th September 2011 by DFSC, Punjab. Reply is not acceptable as extension was given without any policy framed by DFSC, Punjab in August 2011. The reply is also to be viewed in the light of the fact that during the period April 2011 to September 2013, the actual distribution of dal was less than monthly allocation, except during the month of September 2011.

3.16.3 Non release of differential cost of the Atta Dal Scheme by the State Government

As on 31 March 2011 ₹ 1,127.37 crore (₹ 208.06 crore pertained to Markfed) were recoverable from the Government of Punjab on account of differential cost of ADS. Government ordered (April 2012) to release ₹ 50.00 crore per month from June 2012 onwards on account of outstanding amount of subsidy under the ADS but eventually no amount was released by the State Government. Finance Department, Government of Punjab, expressed (February 2013 and December 2013) its inability to release subsidy under the ADS. The claim of subsidy had mounted to ₹ 1,814.62[49] crore as on 31 March 2014.

Audit observed that PUNSUP, PAFCL and PSWC arranged cash credit limit from the banks for financing ADS and as on 31 March 2014, ₹ 455.56[50] crore were outstanding. Due to non-release of claim of subsidy of ₹ 1,518.83 crore (excluding that of Markfed) by the State Government, the banks did not come forward to finance the scheme further. The extant Reserve Bank of India guidelines did not permit financing of budgetary supported schemes. To meet the shortfall of finances from the State, the procuring agencies diverted ₹ 1,063.27[51] crore (subsidy outstanding: ₹ 1,518.83 crore less loans outstanding to banks: ₹ 455.56 crore) from the cash credit limit for purchase of foodgrains for central pool. Thus, due to non-release of the differential cost by the State, the procuring agencies became defaulters of the banks.

PAFCL, PSWC and PUNSUP stated (July, August and September 2014) that matter for release of outstanding amount of subsidy under ADS has been taken up with the State Government and subsidy claims on month to month basis were being lodged. The fact remains that the State Government has not released the amount of ₹ 204.68 crore, ₹ 203.86 crore and ₹ 1,110.29 crore payable to PAFCL, PSWC and PUNSUP respectively.

---

[49] PUNSUP ₹ 1,110.29 crore, PAFCL ₹204.68 crore, PSWC ₹ 203.86 crore and Markfed ₹ 295.79 crore after adjusting ₹ 147.20 crore received during 2011-12 and ₹ 220.00 crore during 2012-13 for procurement of wheat and pulses, ₹ 180 crore for procurement of pulses and ₹ 150 crore for procurement of State Pool Wheat for 2013-14.

[50] PUNSUP ₹ 272.95 crore, PAFCL ₹110.98 crore and PSWC ₹ 10.69 crore and ₹60.94 crore

[51] PUNSUP ₹ 837.34 crore, PAFCL ₹ 93.70 crore and PSWC ₹ 132.23 crore

Thus, wheat of centrally sponsored schemes was diverted towards the Atta Dal Scheme and non-release of subsidy claims of the State procuring agencies led to diversion of funds from cash credit limits for procurement of foodgrains for central pool.

The matter was referred to the Government (July 2014), their reply was awaited (October 2014).

Punjab State Forest Development Corporation Limited

3.17 Avoidable Expenditure

Non repatriation of the surplus deputationist staff to their parent department resulted in avoidable expenditure of ₹ 1.59 crore.

Punjab State Forest Development Corporation Limited (Company) is engaged in business of buying and selling of trees, converting and selling timber logs, development of forestry and raising plantations for industrial use.

The Company changed (July 2009) its policy of sale of trees and started selling standing trees through tender and auction instead of sale of timber after cutting of trees. The change in policy resulted in 13 deputationists being rendered surplus. Board of Directors of the Company noted this in 108th Board meeting (June 2010). The Company was required to repatriate these deputationists to their parent department but instead of repatriating the surplus deputationists to their parent department the Company took six more persons on deputation. This resulted in extra burden of ₹ 49.01 lakh from August 2009 to June 2010. Board of Directors of the Company also observed (June 2010) that these 19 surplus deputationists were putting extra expenditure of ₹ 4.46 lakh per month on the Company. Out of these 19 officials, 15 officials had gradually been repatriated to their parent departments up to October 2011 and four officials were still on deputation with the Company (March 2014). Gradual/non-repatriation of the surplus deputationists resulted in avoidable expenditure of ₹ 88.72 lakh from July 2010 to March 2014. Further, without recording any reasons and despite the Board highlighting (June 2010) extra burden on Company due to retention of these deputationists, the Company hired two more officials of the Forest Department (December 2011 and May 2012), of which one was repatriated on 7 March 2014 and other still on deputation with the Company (31 March 2014). Hiring of these two officials without any justification resulted in extra expenditure of ₹ 20.90 lakh.

Audit observed that non repatriation of the surplus staff to their parent department after change in policy of sale of standing trees resulted in avoidable expenditure of ₹ 1.59 crore.

The management/Government stated (June 2014) that the services of some of the employees had to be retained on account of their experience in the working of the Company as under the New State Policy, the Company is also engaged in other Commercial activities etc. for which services of some of the staff was required to carry out these activities. The reply is not acceptable as the Company itself declared the field staff on deputation as surplus stating that these were not required for the working of the Company and were putting extra expenditure on the Company.

Chandigarh	**(Jagbans Singh)**
The 23 FEB 2015	**Principal Accountant General (Audit)**
	Punjab

Countersigned

New Delhi	**(Shashi Kant Sharma)**
The 24 FEB 2015	**Comptroller and Auditor General**
	of India

Annexures

Annexure - 1

(Referred to in paragraph 1.7)

Statement showing particulars of paid-up capital, loans outstanding and manpower as on 31 March 2014 in respect of Government companies and Statutory corporations

(Figures in column 5 (a) to 6(d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Depart ment	Month and year of incorpor ation	Paid-up Capital[i]				Loans[ii] outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Man power (No .of employees as on 31.3.2014)
				State Govern ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6(d)	(7)	(8)
A. Working Government Companies													
Agriculture & Allied													
1.	Punjab Agro Foodgrains Corporation Limited	Agriculture	8 July 2002	-	-	5.00	5.00	-	-	-	-	- (13.07:1)	(all employees are on deputation)
2.	Punjab Agro Industries Corporation Limited	-do-	11 February 1966	45.46	1.25	2.50	49.21	5.50	-	-	5.50	0.11:1 (0.11:1)	446
3.	Punjab Agro Juices Limited	-do-	1 February 2006	50.00	-	-	50.00	30.00	-	-	30.00	0.60:1 (0.60:1)	All employees are on contract basis
4.	Punjab Agro Power Corporation Limited	-do-	8 July 2005	-	-	0.05	0.05	-	-	-	-	-	-
5.	Punjab State Forest Development Corporation Limited	Forest	23 May 1983	0.25	-	-	0.25	-	-	14.64	14.64	58.56:1 (64.28:1)	229
6.	Punjab State Grains Procurement Corporation Limited	Food and Supplies	10 March 2003	1.05	-	-	1.05	-	-	-	-	-	2- (others are on deputation/ contract)
7.	Punjab State Seeds Corporation Limited	Agriculture	27 March 1976	4.51	-	1.11	5.62	-	-	5.00	5.00	0.89:1 (0.89:1)	59
8.	Punjab Water Resource Management & Development Corporation Limited	Irrigation	26 December 1970	324.09	-	-	324.09	222.26	-	-	222.26	0.69:1 (0.72:1)	1,577
9.	Punjab Agri Export Corporation Limited	Agriculture	17 January 1997	-	-	5.00	5.00	-	-	-	-	-	on deputation
Sector wise Total				**425.36**	**1.25**	**13.66**	**440.27**	**257.76**	**-**	**19.64**	**277.40**	**0.63:1 (0.81:1)**	**2,313**

Sl. No.	Sector & Name of the Company	Name of the Depart ment	Month and year of incorpor ation	Paid-up Capital[I]				Loans[II] outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Man power (No .of employees as on 31.3.2014)
				State Govern Ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6(d)	(7)	(8)
Financing													
10.	Punjab State Industrial Development Corporation Limited	Industries	31 January 1966	78.21	-	-	78.21	-	-	610.92	610.92	7.81:1 (7.84:1)	79
Sector wise Total				**78.21**	**-**	**-**	**78.21**	**-**	**-**	**610.92**	**610.92**	**7.81:1 (7.84:1)**	**79**
Infrastructure													
11.	Punjab Police Housing Corporation Limited	Home	30 March 1989	0.05	-	-	0.05	-	-	-	-	-	151
12.	Punjab Small Industries and Export Corporation Limited	Industries	17 March 1962	49.86	0.15	-	50.01	-	-	-	-	-	794
Sector wise Total				**49.91**	**0.15**	**-**	**50.06**	**-**	**-**	**-**	**-**	**-**	**945**
Manufacture													
13.	Punjab Communications Limited	-do-	21 July 1981	-	-	12.05	12.05	-	-	-	-	-	236
Sector wise Total				**-**	**-**	**12.05**	**12.05**	**-**	**-**	**-**	**-**	**-**	**236**
Power													
14.	Gidderbaha Power Limited	Power	14 August 2008	-	-	0.05	0.05	-	-	10.13	10.13	202.60:1 (202.60:1)	Staff is on deputation from PSPCL
15.	Punjab Genco Limited	Industries	5 March 1998	-	-	22.90	22.90	-	-	-	-	-	1(others are on contract)
16.	Punjab State Power Corporation Limited	Power	16 April 2010	6,081.47	-	-	6,081.47	58.26	381.57	7,580.47	8,020.30	1.32:1 (1.28:1)	44,836
17.	Punjab State Transmission Corporation Limited	Power	16 April 2010	605.88	-	-	605.88	-	-	3,520.42	3,520.42	5.81:1 (5.11:1)	3,275
Sector wise Total				**6,687.35**	**-**	**22.95**	**6,710.30**	**58.26**	**381.57**	**11,111.02**	**11,550.85**	**1.72:1 (1.63:1)**	**48,112**

Sl. No.	Sector & Name of the Company	Name of the Depart ment	Month and year of incorpor ation	Paid-up Capital[I]				Loans[II] outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Man power (No .of employees as on 31.3.2014)
				State Govern ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6(d)	(7)	(8)
Service													
18.	Gulmohar Tourist Complex (Holiday Home) Limited	Tourism	9 July 2003	0.02	-	-	0.02	-	-	-	-	-	-
19.	Punjab Information & Communication Technology Corporation Limited	Industries	27 March 1976	19.23	-	-	19.23	-	-	-	-	-	32
20.	Punjab Police Security Corporation Limited	Home	18 January 2008	-	-	0.05	0.05	-	-	-	-	-	-
21.	Punjab State Bus Stand Management Company Limited	Transport	7 March 1995	56.15	-	-	56.15	-	-	24.21	24.21	0.43:1 (0.75:1)	-
22.	Punjab State Civil Supplies Corporation Limited	Food and Supplies	14 February 1974	3.73	-	-	3.73	-	-	-	-	-	1,619
23.	Punjab State Container and Warehousing Corporation Limited	Agriculture	26 April 1995	25.00	-	-	25.00	-	-	-	-	-	(on contract basis)
24.	Punjab Tourism Development Corporation Limited	Tourism	26 March 1979	6.66	-	-	6.66	-	-	-	-	-	-
25.	Punjab Municipal Infrastructure Development Company	Department of local Government	16 March 2009	-	-	0.05	0.05	-	-	831.22	831.22	16,624.4:1 (11,132.80:1)	-
Sector wise Total				**110.79**	**-**	**0.10**	**110.89**	**-**	**-**	**855.43**	**855.43**	**7.71:1 (5.40:1)**	**1,651**
Total A (All sector wise working Government Companies)				**7,351.62**	**1.40**	**48.76**	**7,401.78**	**316.02**	**381.57**	**12,597.01**	**13,294.60**	**1.80:1 (1.69:1)**	**53,336**

Sl. No	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital[i]				Loans[ii] outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Man power (No .of employees as on 31.3.2014)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6(d)	(7)	(8)
B. Working Statutory Corporations													
Agriculture & Allied													
1.	Punjab State Warehousing Corporation	Agriculture	1 November 1967	4.00	4.00	-	8.00	-	-	45.73	45.73	5.72:1 (3.19:1)	1,519
Sector wise Total				**4.00**	**4.00**	**-**	**8.00**	**-**	**-**	**45.73**	**45.73**	**5.72:1 (3.19:1)**	**1,519**
Financing													
2.	Punjab Financial Corporation	Industries	1 February 1953	29.31	-	11.08	40.39	16.54	-	215.48	232.02	5.74:1 (6.04:1)	173
3.	Punjab Scheduled Castes Land Development and Finance Corporation	Social Welfare	18 January 1971	45.32	40.59	-	85.91	-	-	26.88	26.88	0.31:1 (0.33:1)	189
Sector wise Total				**74.63**	**40.59**	**11.08**	**126.30**	**16.54**	**-**	**242.36**	**258.90**	**2.05:1 (2.34:1)**	**362**
Service													
4.	PEPSU Road Transport Corporation	Transport	7 January 1956	282.08	24.36	-	306.44	23.75	-	25.45	49.20	0.16:1 (0.16:1)	1,934
Sector wise Total				**282.08**	**24.36**	**-**	**306.44**	**23.75**	**-**	**25.45**	**49.20**	**0.16:1 (0.16:1)**	**1,934**
Total B (All sector wise working Statutory Corporations)				**360.71**	**68.95**	**11.08**	**440.74**	**40.29**	**-**	**313.53**	**353.83**	**0.80:1 (0.80:1)**	**3,815**
Grand Total (A+B)				**7,712.33**	**70.35**	**59.94**	**7,842.52**	**356.31**	**381.57**	**12,910.55**	**13,648.43**	**1.74:1 (1.64:1)**	**57,151**

Sl. No.	Sector & Name of the Company	Name of the Depart ment	Month and year of incorpor ation	Paid-up Capital[i]				Loans[ii] outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Man power (No .of employees as on 31.3.2014)
				State Govern ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6(d)	(7)	(8)
C. Non working Government companies													
Agriculture & Allied													
1.	Punjab Land Development and Reclamation Corporation Limited	Agriculture	22 March 1965	1.45	-	-	1.45	3.52	-	0.20	3.72	2.57:1 (2.57:1)	-
2.	Punjab Micro Nutrients Limited	-do-	1 February 1983	-	-	0.25	0.25	0.36	-	-	0.36	1.44:1 (1.44:1)	-
3.	Punjab Poultry Development Corporation Limited	Animal Husbandry	15 September 1964	3.09	-	-	3.09	-	-	-	-	-	-
Sector wise Total				**4.54**	**-**	**0.25**	**4.79**	**3.88**	**-**	**0.20**	**4.08**	**0.85:1 (0.85:1)**	**-**
Financing													
4.	Punjab Venture Capital Limited	Industries	4 December 1998	-	-	0.05	0.05	-	-	-	-	-	-
5.	Punjab Venture Investors Trust Limited	Industries	4 December 1998	-	-	0.05	0.05	-	-	-	-	-	-
6	Punjab Film and News Corporation Limited	Cultural Affairs	26 June 1973	1.51	-	-	1.51	0.14	-	-	0.14	0.09:1 (0.09:1)	(On contract basis)
Sector wise Total				**1.51**	**-**	**0.10**	**1.61**	**0.14**	**-**	**-**	**0.14**	**0.09:1 (0.09:1)**	**-**
Manufacturing													
7.	Electronic Systems Punjab Limited	Industries	22 September 1980	-	-	3.00	3.00	-	-	6.09	6.09	2.03:1 (2.03:1)	-
8.	Punjab Bio-Medical Equipments Limited	-do-	4 January 1977	-	-	**0.43**	**0.43**	-	-	0.41	0.41	0.95:1 (0.95:1)	-
9.	PCL Telecom Limited	-do-	6 April 1993	-	-	0.20	0.20	-	-	-	-	-	-

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital[i]				Loans[ii] outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Man power (No .of employees as on 31.3.2014)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6(d)	(7)	(8)
10.	Punjab Digital Industrial Systems Limited	-do-	4 January 1977	-	-	0.25	0.25	-	-	0.26	0.26	1.04:1 (1.04:1)	-
11	Punjab Electro Optics Systems Limited	Industries	12 January 1978	-	-	0.12	0.12	-	-	0.87	0.87	7.25:1 (7.25:1)	-
12.	Punjab Footwears Limited	Industries	15 July 1969	-	-	0.15	0.15	-	-	0.04	0.04	0.27:1 (0.27:1)	-
13.	Punjab Power Packs Limited	-do-	28 September 1981	-	-	1.55	1.55	0.65	-	7.39	8.04	5.19:1 (5.19:1)	-
14.	Punjab Power Products Limited	-do-	13 March 1979	-	-	0.31	0.31	-	-	0.66	0.66	2.13:1 (2.13:1)	-
15.	Punjab State Handloom and Textile Development Corporation Limited	-do-	27 March 1976	3.63	-	-	3.63	-	1.71	-	1.71	0.47:1 (0.47:1)	1
16.	Punjab State Hosiery and Knitwear Development Corporation Limited	-do-	21 February 1977	3.91	-	-	3.91	9.64	-	0.49	10.13	2.59:1 (2.59:1)	-
17.	Punjab State Leather Development Corporation Limited	-do-	23 February 1981	3.42	-	-	3.42	-	-	-	-	-	1
18.	Punjab Tanneries Limited	-do-	29 October 1969	-	-	0.52	0.52	-	-	1.41	1.41	2.71:1 (2.71:1)	-
19.	Consumer Electronics (Punjab) Limited	-do-	12 January 1978	-	-	0.21	0.21	-	-	-	-	-	1
20.	Punjab Recorders Limited	-do-	4 January 1977	-	-	0.71	0.71	-	-	0.79	0.79	1.11:1 (1.11:1)	-
Sector wise Total				**10.96**	**-**	**7.45**	**18.41**	**10.29**	**1.71**	**18.41**	**30.41**	**1.65:1 (1.65:1)**	**3**

Sl. No.	Sector & Name of the Company	Name of the Depart ment	Month and year of incorpor ation	Paid-up Capital[i]				Loans[ii] outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Man power (No .of employees as on 31.3.2014)
				State Govern ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6(d)	(7)	(8)
Service													
21.	Amritsar Hotel Limited	Tourism	9 July 2003	0.02	-	-	0.02	-	-	-	-	-	-
22.	Neem Chameli Tourist Complex Limited	-do-	9 July 2003	0.02	-	-	0.02	-	-	-	-	-	-
23.	Punjab Export Corporation Limited	Industries	17 June 1963	0.09	-	0.01	0.10	0.52	-	-	0.52	5.20:1 (5.20:1)	-
	Sector wise Total			**0.13**	**-**	**0.01**	**0.14**	**0.52**	**-**	**-**	**0.52**	**3.71:1 (3.71:1)**	**-**
Total C (All sector wise non working Government companies)				**17.14**	**-**	**7.81**	**24.95**	**14.83**	**1.71**	**18.61**	**35.15**	**1.41:1 (1.41:1)**	**3**
Grand (A+B+C)				**7,729.47**	**70.35**	**67.65**	**7,867.47**	**371.14**	**383.28**	**12,929.16**	**13,683.58**	**1.74:1 (1.64:1)**	**57,154**

Notes:

1. **Punjab Agri Export Corporation Li mited at Sl No. A-9 was established on 17 January 1997 and it became a Government Company in 2010-11 with the increase in shareholding of the Holding Company to more than 50 per cent.**
2. **Companies at Sl. No. A- 1, 4 and 9 are subsidiaries of Punjab Agro Industries Corporation Limited (Sl. No. 2)**
3. **Punjab Venture Investors Trust Limited and Punjab Ventu re Capital Limited have been shown as non working Company as the Companies have gone into winding up process.**

[i] Paid-up capital includes share application money.

[ii] Loans outstanding at the close of 2013-14 represent long term loans only and do not include interest accrued and due.

Annexure – 2

(Referred to in paragraphs1.14, 1.18, 1.23 and 1.28)

Summarised financial results of Government companies and Statutory Corporations for the latest year for which accounts were fin alised

(Figures in column 5(a) to 11 are ₹ in crore)

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/Loss(-)				Turnover	Impact of Accounts Comments [3]	Paid up Capital	Accumulated Profit (+)/Loss(-)	Capital employed[4]	Return on capital employed[5]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
Agriculture & Allied														
1.	Punjab Agro Foodgrains Corporation Limited	2012-13	2014-15	5.21	5.16	0.19	(-)0.14	3,846.59	Under Audit	5.00	5.20	10.19	5.02	49.26
2.	Punjab Agro Industries Corporation Limited	2013-14	2014-15	1.03	1.04	0.09	(-)0.10	-	Under Audit	49.21	1.13	89.22	0.94	1.05
3.	Punjab Agro Juices Limited	2012-13	2013-14	3.44	-	5.85	(-)2.41	-	-	50.00	(-)46.64	33.65	(-)2.41	-
4.	Punjab Agro Power Corporation Limited	2012-13	2013-14	D	D	D	-	D	-	0.05	D	-	D	-
5.	Punjab State Forest Development Corporation Limited	2012-13	2013-14	17.39	-	0.40	16.99	58.04	(-)0.02	0.25	42.28	58.60	16.99	28.99
6.	Punjab State Grains Procurement Corporation Limited	2011-12	2013-14	627.47	1,040.91	0.42	(-)413.86	8,058.67	(-)14.64	1.05	(-)1,150.14	6385.58	627.05	9.82
7.	Punjab State Seeds Corporation Limited	2009-10	2013-14	2.87	-	0.24	2.63	114.20	-	5.62	6.95	21.92	2.63	12.00
8.	Punjab Water Resource Management & Development Corporation Limited	2011-12	2012-13	4.06	-	7.93	(-)3.87	6.47	(-)19.04	298.16	(-)88.86	431.56	(-)3.87	-
9.	Punjab Agri Export Corporation Limited	2012-13	2013-14	0.07	-	0.01	0.06	0.51	-	5.00	(-)0.50	12.46	0.06	0.48
Sector wise Total				**661.54**	**1047.11**	**15.13**	**(-)400.70**	**12084.48**	**(-)33.70**	**414.34**	**(-)1230.58**	**7043.18**	**646.41**	**9.18**

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/Loss(-)				Turnover	Impact of Accounts Comments [3]	Paid up Capital	Accumulated Profit (+)/Loss(-)	Capital employed[4]	Return on capital employed[5]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Financing														
10.	Punjab State Industrial Development Corporation Limited	2012-13	2013-14	4.12	47.25	0.14	(-)43.27	4.88	(-)4.38	78.21	(-)613.85	39.05	3.98	10.19
Sector wise Total				**4.12**	**47.25**	**0.14**	**(-) 43.27**	**4.88**	**(-)4.38**	**78.21**	**(-)613.85**	**39.05**	**3.98**	**10.19**
Infrastructure														
11.	Punjab Police Housing Corporation Limited	2012-13	2013-14	B	B	B	B	B	-	0.05	B	0.10	B	-
12.	Punjab Small Industries and Export Corporation Limited	2011-12	2014-15	19.14	3.69	0.37	15.08	257.67	Under audit	50.01	102.04	161.94	18.77	11.59
Sector wise Total				**19.14**	**3.69**	**0.37**	**15.08**	**257.67**	**-**	**50.06**	**102.04**	**162.04**	**18.77**	**11.58**
Manufacture														
13.	Punjab Communications Limited	2013-14	2014-15	(-)6.26	0.07	0.52	(-)6.85	20.38	(-)0.28	12.05	19.22	104.65	(-)6.78	-
Sector wise Total				**(-)6.26**	**0.07**	**0.52**	**(-)6.85**	**20.38**	**(-)0.28**	**12.05**	**19.22**	**104.65**	**(-)6.78**	**-**
Power														
14.	Gidderbaha Power Limited	2013-14	2014-15	D	D	D	D	D	-	0.05	D	12.06	D	-
15.	Punjab Genco Limited	2012-13	2013-14	15.05	-	2.98	12.07	20.46	(-)3.16	22.90	91.78	114.68	12.07	10.52
16.	Punjab State Power Corporation Limited	2012-13	2014-15	3,488.17	2,429.79	797.83	260.55	19,191.90	Under audit	6,081.47	-1,896.15	29475.48	2,690.34	9.13
17.	Punjab State Transmission Corporation Limited	2012-13	2014-15	483.47	216.03	108.78	158.66	885.47	Under audit	605.88	81.90	5555.26	374.69	6.74
Sector wise Total				**3986.69**	**2645.82**	**909.59**	**431.28**	**20097.83**	**(-)3.16**	**6710.30**	**(-)1722.47**	**35157.48**	**3077.10**	**8.75**

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/Loss(-)				Turnover	Impact of Accounts Comments [3]	Paid up Capital	Accumulated Profit (+)/Loss(-)	Capital employed[4]	Return on capital employed[5]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Service														
18.	Gulmohar Tourist Complex (Holiday Home) Limited	2009-10	2013-14	(-)0.07	-	0.05	(-)0.12	-	-	0.02	-3.33	-2.27	-0.12	-
19.	Punjab Information & Communication Technology Corporation Limited	2012-13	2013-14	(-)2.58	-	1.12	(-)3.70	4.14	-	19.23	20.34	39.57	-3.70	-
20.	Punjab Police Security Corporation Limited	2012-13	2013-14	B	B	B	B	B	-	0.05	0.00	0.18	B	-
21.	Punjab State Bus Stand Management Company Limited	2010-11	2013-14	30.96	4.32	26.03	0.61	334.13	(-)0.36	56.15	2.29	595.09	4.93	0.83
22.	Punjab State Civil Supplies Corporation Limited	2011-12	2012-13	1,320.64	1,318.66	1.04	0.94	7,728.88	(-)1,105.17	3.73	-448.44	7,823.44	1,319.60	16.87
23.	Punjab State Container and Warehousing Corporation Limited	2012-13	2013-14	15.94	-	2.70	13.24	20.23	1.17	25.00	70.23	95.23	13.24	13.90
24.	Punjab Tourism Development Corporation Limited	2009-10	2013-14	0.95	0.02	0.03	0.90	17.44	(-)1.99	6.66	15.11	23.02	0.92	4.00
25.	Punjab Municipal Infrastructure Development Company	2012-13	2013-14	B	B	B	B	B	-	0.05	B	262.45	B	-
Sector wise Total				**1365.84**	**1323.00**	**30.97**	**11.87**	**8104.82**	**(-) 1,106.35**	**110.89**	**(-) 343.80**	**8836.71**	**1334.87**	**15.11**
Total A (All sector wise working Government companies)				**6031.07**	**5066.94**	**956.72**	**7.41**	**40570.06**	**(-)1147.87**	**7375.85**	**(-)3789.44**	**51343.11**	**5074.35**	**9.88**

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/Loss(-)				Turnover	Impact of Accounts Comments [3]	Paid up Capital	Accumulated Profit (+)/Loss(-)	Capital employed[4]	Return on capital employed[5]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
B. Working Statutory corporations														
Agriculture & Allied														
1.	Punjab State Warehousing Corporation	2012-13	2013-14	507.51	766.80	8.57	(-)267.86	3,815.52	(-)183.89	8.00	(-)1,007.80	(-)947.85	498.94	-
Sector wise Total				**507.51**	**766.80**	**8.57**	**(-) 267.86**	**3815.52**	**(-)183.89**	**8.00**	**(-)1007.80**	**(-)947.85**	**498.94**	**-**
Financing														
2.	Punjab Financial Corporation	2012-13	2013-14	33.17	16.43	0.05	16.69	25.90	-	40.39	(-)299.49	322.65	33.12	10.26
3.	Punjab Scheduled Castes Land Development and Finance Corporation	2011-12	2013-14	(-)5.26	0.45	0.06	(-)5.77	6.15	(-)2.03	68.26	11.37	97.49	(-)5.32	-
Sector wise total				**27.91**	**16.88**	**0.11**	**10.92**	**32.05**	**(-)2.03**	**108.65**	**(-)288.12**	**420.14**	**27.80**	**6.62**
Service														
4.	PEPSU Road Transport Corporation	2012-13	2014-15	7.11	9.50	8.58	-10.97	328.66	Under Audit	306.44	(-) 365.19	32.42	1.47	4.53
Sector wise Total				**7.11**	**9.50**	**8.58**	**(-) 10.97**	**328.66**	**-**	**306.44**	**(-) 365.19**	**32.42**	**1.47**	**4.53**
Total B (All sector wise working Statutory corporations)				**542.53**	**793.18**	**17.26**	**(-) 267.91**	**4176.23**	**(-)185.92**	**423.09**	**(-)1661.11**	**(-)495.29**	**528.21**	**-**
Grand Total (A+B)				**6573.60**	**5860.12**	**973.98**	**(-)260.50**	**44746.29**	**(-)1333.79**	**7798.94**	**(-)5450.55**	**50847.82**	**5602.56**	**11.02**
C. Non working Government companies														
Agriculture & Allied														
1.	Punjab Land Development and Reclamation Corporation Limited	1994-95	2000-01	1.60	0.40	0.13	1.07	9.85	-	1.45	0.65	5.56	1.47	26.44
2.	Punjab Micro Nutrients Limited[3]	1991-92	1994-95	(-)0.07	0.05	0.00	(-)0.12	0.05	-	0.25	(-)0.61	0.13	(-)0.07	-
3.	Punjab Poultry Development Corporation Limited	2011-12	2014-15	0.02	-	-	0.02	-	-	3.09	(-)9.27	3.09	0.02	0.65
Sector wise Total				**1.55**	**0.45**	**0.13**	**0.97**	**9.90**	**-**	**4.79**	**(-)9.23**	**8.78**	**1.42**	**16.17**

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/Loss(-)[1]				Turnover	Impact of Accounts Comments[3]	Paid up Capital	Accumulated Profit (+)/Loss(-)	Capital employed[4]	Return on capital employed[5]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Financing														
4.	Punjab Venture Capital Limited	2010-11	2011-12	(-)0.08	-	-	(-)0.08	0.40	-	0.05	0.44	0.53	(-)0.08	-
5.	Punjab Venture Investors Trust Limited	2011-12	2012-13	-	-	-	-	-	-	0.05	0.03	0.08	-	-
6.	Punjab Film and News Corporation Limited	1999-2000	2010-11	(-)0.01	-	-	(-)0.01	-	-	1.51	(-)2.02	(-)0.27	(-)0.01	-
Sector wise Total				**(-) 0.09**	**-**	**-**	**(-) 0.09**	**0.40**	**-**	**1.61**	**(-)1.55**	**(-) 0.34**	**(-) 0.09**	**-**
Manufacturing														
7.	Electronic Systems Punjab Limited	2012-13	2013-14	0.04	56.94	0.05	(-)56.95	-	-	3.00	(-)393.95	(-)3.95	(-)0.01	-
8.	Punjab Bio-Medical Equipments Limited[3]	1996-97	2001-02	(-)0.03	-	-	(-)0.03	-	-	0.43	(-)1.12	0.19	(-)0.03	-
9.	PCL Telecom Limited[3]	2004-05	2005-06	-	-	-	-	-	-	0.20	(-)0.59	(-)0.39	-	-
10.	Punjab Digital Industrial Systems Limited[3]	2006-07	2007-08	(-)0.71	-	-	(-)0.71	-	-	0.25	(-)0.78	(-)1.12	(-)0.71	-
11.	Punjab Electro Optics Systems Limited[3]	1996-97	1997-98	(-)0.01	-	-	(-)0.01	-	-	0.12	(-)1.28	(-)0.70	(-)0.01	-
12.	Punjab Footwears Limited	1990-91	1995-96	(-)0.05	0.05	-	(-)0.10	0.18	-	0.15	(-)0.83	(-)0.39	(-)0.05	-
13.	Punjab Power Packs Limited[3]	1997-98	1999-2000	(-)1.03	0.09	-	(-)1.12	1.97	-	1.55	(-)5.53	3.63	(-)1.03	-
14.	Punjab Power Products Limited[3]	1982-83	1983-84	(-)0.06	0.06	-	(-)0.12	Not Available	-	0.26	(-)0.27	1.05	(-)0.06	-
15.	Punjab State Handloom and Textile Development Corporation Limited	2011-12	2013-14	(-)0.25	-	-	(-)0.25	-	(-)2.02	3.63	(-)9.05	0.09	(-)0.25	-

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/Loss(-)				Turnover	Impact of Accounts Comments[3]	Paid up Capital	Accumulated Profit (+)/Loss(-)	Capital employed[4]	Return on capital employed[5]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
16.	Punjab State Hosiery and Knitwear Development Corporation Limited	2005-06	2006-07	(-)0.02	-	0.04	(-)0.06	-	-	3.91	(-)16.84	0.88	(-)0.06	-
17.	Punjab State Leather Development Corporation Limited	2001-02	2009-10	(-)0.05	-	-	(-)0.05	-	-	3.42	(-)7.61	0.22	(-)0.05	-
18.	Punjab Tanneries Limited	1991-92	1993-94	(-)0.06	0.84	0.03	(-)0.93	0.08	-	0.52	(-)4.98	0.33	(-)0.09	-
19.	Consumer Electronics (Punjab) Limited	2010-11	2013-14	B	B	B	B	B	-	0.21	B	0.37	B	-
20.	Punjab Recorders Limited	2008-09	2014-15	(-)0.26	-	0.06	(-)0.32	0.18	Under Audit	0.71	(-)7.14	(-)1.20	(-)0.32	-
Sector wise Total				**(-)2.49**	**57.98**	**0.18**	**(-)60.65**	**2.41**	**(-)2.02**	**18.36**	**(-)449.97**	**(-)0.99**	**(-)2.67**	**-**
Service														
21.	Amritsar Hotel Limited	2009-10	2013-14	(-)0.03	-	-	(-)0.03	-	(-)0.03	0.02	41.37	41.22	(-)0.03	-
22.	Neem Chameli Tourist Complex Limited	2010-11	2014-15	0.12	-	-	0.12	-	-	0.02	0.12	0.31	0.12	38.71
23.	Punjab Export Corporation Limited[3]	1977-78	1979-80	(-)0.06	0.03	-	(-)0.09	-	-	0.10	(-)0.27	0.07	(-)0.06	-
Sector wise Total				**0.03**	**0.03**	**-**	**-**	**-**	**(-)0.03**	**0.14**	**41.22**	**41.6**	**0.03**	**0.07**
Total C (All sector wise non working Government companies)				**-1.00**	**58.46**	**0.31**	**(-)59.77**	**12.71**	**(-)2.05**	**24.90**	**(-)419.53**	**49.73**	**(-)1.31**	**-**
Grand (A+B+C)				**6572.60**	**5918.58**	**974.29**	**(-)320.27**	**44759**	**(-)1335.84**	**7823.84**	**(-)5870.08**	**50897.55**	**5601.25**	**11.00**

Notes:

1. **B denotes four companies (Sl. No. A-11, A-20, A-25 and C-19) functioning on 'no profit no loss' basis.**
2. **D denotes two Companies (Sl. No. A-4 and A-14) are under construction.**
3. **Seven non-working companies (Sl. No. C-2, 8, 10, 11, 13, 14 & 23) are under liquidation. One non-working Company (Sl.No.-C-9) has been dissolved by the orders of Punjab and Haryana High Court.**
4. **Two companies at Sr. No. C-4 and C-5 have been shown as no n-working Company as these have gone into winding up process.**

---

[3] Include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/decrease in losses (-) decrease in profit/increase in losses.

[4] Capital employed in respect of accounts received during October 2013 to September 2014 represents shareholder's funds plus long term borrowings except in case of finance companies/corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance) and there is no change in the Capital employed in respect of accounts received during previous years.

[5] Return on capital employed has been worked out by adding interest to net profit.

Annexure - 3
(Referred to in paragraph 1.10)

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2014

(Figures in column 3(a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/Loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[6]		Waiver of dues during the year			
		Equity	Loans	Central Government	State Govern Ment	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3(a)	3(b)	4 (a)	4 (b)	4 (c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
A. Working Government Companies													
Agriculture & Allied													
1	Punjab Agro Foodgrains Corporation Limited	-	-	-	-	-	-	3,847.38	5,935.42	-	-	-	-
2	Punjab State Forest Development Corporation Limited	-	-	-	-	-	-	-	14.64	-	-	-	-
3	Punjab State Grains Procurement Corporation Limited	-	-	-	-	-	-	9891.34	9,034.48	-	-	-	-
4	Punjab State Seeds Corporation Limited	-	-	7.83	4.17	-	12.00	-	-	-	-	-	-
5	Punjab Water Resource Management & Development Corporation Limited	16.93	-	-	242.25	-	242.25	-	-	-	-	-	-
6	Punjab Agri Export Corporation Limited	-	-	-	0.50	-	0.50	-	-	-	-	-	-
Sector wise Total		**16.93**	**-**	**7.83**	**246.92**	**-**	**254.75**	**13738.72**	**14,984.54**	**-**	**-**	**-**	**-**
Financing													
7	Punjab State Industrial Development Corporation Limited	-	-	-	-	-	-	-	610.92	-	-	-	-
Sector wise Total		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**610.92**	**-**	**-**	**-**	**-**
Power													
8	Punjab State Power Corporation Limited	-	-	-	2,850.00	-	2,850.00	2,178.76	11,555.79	-	-	-	-
9	Punjab State Transmission Corporation Limited	-	-	-	-	-	-	-	472.47	-	-	-	-
	Sector wise Total	**-**	**-**	**-**	**2,850.00**	**-**	**2,850.00**	**2,178.76**	**12,028.26**	**-**	**-**	**-**	**-**

Sl. No.	Sector & Name of the Company	Equity/Loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[6]		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3(a)	3(b)	4 (a)	4 (b)	4 (c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
Service													
10	Punjab Information & Communication Technology Corporation Limited	-	-	1.00	-	-	1.00	-	-	-	-	-	-
11	Punjab Police Security Corporation Limited	-	-	-	0.50	-	0.50	-	-	-	-	-	-
12	Punjab State Civil Supplies Corporation Limited	-	-	2.30	32.40	-	34.70	8,494.80	10,476.56	-	-	-	-
13	Punjab Municipal Infrastructure & Development Corporation	-	-	-	-	-	-	387.50	596.50	-	-	-	-
	Sector wise Total	-	-	**3.30**	**32.90**	-	**36.20**	**8,882.30**	**11,073.06**	-	-	-	-
	Total A (All sector wise working Government companies)	**16.93**	-	**11.13**	**3,129.82**	-	**3,140.95**	**24,799.78**	**38,696.78**	-	-	-	-
B. Working Statutory Corporations													
Agriculture & Allied													
1	Punjab State Warehousing Corporation	-	-	0.52	-	-	0.52	4,093.24	5113.17	-	-	-	-
	Sector wise Total	-	-	**0.52**	-	-	**0.52**	**4,093.24**	**5113.17**	-	-	-	-
Financing													
1	Punajab Financial Corporation	-	-	-	-	-	-	-	175.91	-	-	-	-
2	Punjab Scheduled Castes Land Development and Finance Corporation	5.42	-	1.00	-	-	1.00	2.43	26.88	-	-	-	-
	Sector wise Total	**5.42**	-	**1.00**	-	-	**1.00**	**2.43**	**202.79**	-	-	-	-
Service													
3	PEPSU Road Transport Corporation	-	15.00	-	-	-	-	-	-	-	-	-	-
	Sector wise Total	-	**15.00**	-	-	-	-	-	-	-	-	-	-
	Total B (All sector wise working Statutory corporations)	**5.42**	**15.00**	**1.52**	-	-	**1.52**	**4,095.67**	**5,315.96**	-	-	-	-
	Grand Total (A+B)	**22.35**	**15.00**	**12.65**	**3,129.82**	-	**3,142.47**	**28895.45**	**44012.74**	-	-	-	-

6 Figures indicate total guarantees outstanding at the end of the year.

Annexure – 4

(Referred to in paragraph 1.19)

Statement showing investment made by State Government in PSUs, whose accounts are in arrears

(₹ in crore)

Sl. No.	Sector & Name of the PSU	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Arrear years in which investment received	Investment made by the State Government during the year in which accounts are in arrear		
					Equity	Loan	Grants/ Subsidy
A. Working PSUs							
Agriculture & Allied							
1	Punjab Agro Foodgrains Corporation Limited	2012-13	5.00	-	-	-	-
2	Punjab Agro Juices Limited	2012-13	50.00	-	-	-	-
3	Punjab Agro Power Limited	2012-13	0.05	-	-	-	-
4	Punjab State Forest Development Corporation Limited	2012-13	0.25	-	-	-	-
5	Punjab State Grains Procurement Corporation Limited	2011-12	1.05	-	-	-	-
6	Punjab State Seeds Corporation Limited	2009-10	5.62	2011-12	-	-	14.68
				2012-13	-	-	12.06
				2013-14	-	-	4.17
7	Punjab Water Resource Management and Development Corporation Limited	2011-12	298.16	2012-13	11.00	-	190.29
				2013-14	16.93	-	242.25
8	Punjab Agri Export Corporation Limited	2012-13	5.00	2013-14	-	-	0.50
Sector wise Total			**365.13**		**27.93**	**-**	**463.95**
Financing							
9	Punjab State Industrial Development Corporation Limited	2012-13	78.21	-	-	-	-
Sector wise Total			**78.21**	-	-	-	-
Infrastructure							
10	Punjab Police Housing Corporation Limited	2012-13	0.05	-	-	-	-
11	Punjab Small Industries and Export Corporation Limited	2011-12	50.01	-	-	-	-
Sector wise Total			**50.06**	-	-	-	-
Power							
12	Punjab Genco Limited	2012-13	22.90	-	-	-	-
13	Punjab State Power Corporation Limited	2012-13	6,081.47	2013-14	-	-	2850.00

14	Punjab State Transmission Corporation Limited	2012-13	605.88	-	-	-	-
Sector wise Total			**6710.25**		-	-	**2850.00**
Service							
15	Gulmohar Tourist Complex (Holiday Home) Limited	2009-10	0.02	-	-	-	-
16	Punjab Information & Communication Technology Corporation Limited	2012-13	19.23	-	-	-	-
17	Punjab Police Security Corporation Limited	2012-13	0.05	2013-14	-	-	0.50
18	Punjab State Bus Stand Management Company Limited	2010-11	56.15	-	-	-	-
19	Punjab State Civil Supplies Corporation Limited	2011-12	3.73	2012-13	-	-	35.36
				2013-14	-	-	32.40
20	Punjab State Container and Warehousing Corporation Limited	2012-13	25.00	-	-	-	-
21	Punjab Tourism Development Corporation Limited	2009-10	6.66	-	-	-	-
22	Punjab Municipal Infrastructure Development Company	2012-13	0.05	-	-	-	-
Sector wise Total			**110.89**		-	-	**68.26**
Total A (All sector wise working PSUs)			**7314.54**		**27.93**	-	**3382.21**
B. Working Statutory corporations							
Agriculture & Allied							
1.	Punjab State Warehousing Corporation	2012-13	8.00	-	-	-	-
Sector wise Total			**8.00**	-	-	-	-
Financing							
2.	Punjab Financial Corporation	2012-13	40.39	-	-	-	-
3.	Punjab Scheduled Castes Land Development and Finance Corporation	2011-12	68.26	2012-13	4.91	-	-
				2013-14	5.42	-	-
Sector wise Total			**108.65**		**10.33**	-	-
Service							
4.	PEPSU Road Transport Corporation	2012-13	306.44	2013-14	-	15.00	-
Sector wise Total			**306.44**		-	-	-
Total B (All sector wise working Statutory corporations)			**423.09**		**10.33**	**15.00**	-
Grand Total (A+B)			**7737.63**		**38.26**	**15.00**	**3382.21**

(₹ in crore)

Sector & Name of the PSU	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Arrear years in which investment received	Investment made by the State Government during the year in which accounts are in arrear		
				Equity	Loan	Grants/ Subsidy
C. Non Working PSU						
Agriculture & Allied						
Punjab Land Development and Reclamation Corporation Limited	1994-95	1.45	1995-96	-	-	4.98
			1996-97	-	-	-
			1997-98	-	-	-
			1998-99	-	-	2.50
			1999-00	-	-	1.12
			2000-01	-	-	-
			2001-02	-	-	1.30
			2002-03	-	-	5.85
Sector wise total		**1.45**		**-**	**-**	**15.75**
Total A+B+C		**7,739.08**		**38.26**	**15.00**	**3397.96**

Annexure – 5

(Referred to in paragraph 2.1.7.1)

Statement showing financial position of Punjab State Warehousing Corporation for the for the last five years up to 2013-14

(₹incrore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14 (unaudited)
Liabilities					
Paid-up capital	8.00	8.00	8.00	8.00	8.00
Reserves and surplus	26.48	26.48	26.48	26.48	26.48
Borrowings:					
a) Cash credit	2,372.27	3,659.71	4,496.59	5,994.91	5,137.24
b) Other Borrowings	776.06	782.10	416.93	130.20	313.13
Trade dues and current liabilities (including provisions)	429.44	418.76	458.63	485.51	521.62
Deferred Tax	30.25	30.25	30.25	30.25	Nil
Total- A	**3,642.50**	**4,925.30**	**5,436.88**	**6,675.35**	**6,006.47**
Assets					
Gross block	275.85	294.78	307.64	339.74	387.63
Less: Depreciation	102.46	106.46	112.06	120.59	131.36
Net Fixed Assets	173.39	188.32	195.58	219.15	256.27
Current assets, loans and advances	1,593.61	2,278.47	2,359.07	2,556.75	2,674.05
Closing stock of Foodgrains	1,471.33	1,950.36	2,152.06	2,891.65	1,877.30
Accumulated losses	404.17	508.15	730.17	1,007.80	1,198.85
Total- B	**3,642.51**	**4,925.30**	**5,436.88**	**6,675.35**	**6,006.47**

Annexure-6

(Referred to in paragraph 2.1.8)

Statement showing number of warehouses, their average storage capacity utilisation for the five years upto 2009-14

(Capacity in lakh Metric Tonne)

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1	No. of	112	112	114	115	117
2	Total storage Capacity	57.43	58.16	61.78	63.92	63.90
i)	**Owned capacity**					
	No. of Godowns	**1185**	**1202**	**1238**	**1238**	**1273**
	Covered	24.21	24.17	25.11	25.12	25.27
	Open	1.28	1.28	1.36	1.35	1.52
	Total	**25.49**	**25.45**	**26.47**	**26.47**	**26.79**
ii)	**Hired capacity**					
	No. of Godowns	**1203**	**1219**	**1248**	**1266**	**1242**
	Covered	28.42	29.08	29.98	30.75	30.42
	Open	3.52	3.63	5.33	6.70	6.69
	Total	**31.94**	**32.71**	**35.31**	**37.45**	**37.11**
iii)	Total covered capacity	52.63	53.25	55.09	55.87	55.69
iv)	Total open capacity	4.80	4.91	6.69	8.05	8.21
	Total storage capacity	**57.43**	**58.16**	**61.78**	**63.92**	**63.90**
3	**Storage capacity utilisation**	**48.98**	**53.32**	**57.98**	**62.61**	**59.32**
i)	**Owned capacity**					
	Covered	17.81	20.91	23.06	24.27	22.82
	Open	1.15	0.82	0.94	1.38	1.34
	Total	**18.96**	**21.73**	**24.00**	**25.65**	**24.16**
ii)	**Hired capacity**					
	Covered	27.16	28.59	29.91	31.40	30.36
	Open	2.86	3.00	4.07	5.56	4.80
	Total	**30.02**	**31.59**	**33.98**	**36.96**	**35.16**
iii)	Total covered capacity	44.97	49.50	52.97	55.67	53.18
iv)	Total open capacity	4.01	3.82	5.01	6.94	6.14
	Grand total	**48.98**	**53.32**	**57.98**	**62.61**	**59.32**
4	**Percentage of capacity utilisation of warehouses**	**85**	**92**	**94**	**98**	**93**

Annexure 7

(Referred to in Paragraphs 2.2.1, 2.2.7.3 and 2.2.8)

Statement showing Micro Hydel Projects commissioned and under progress as on 31 March 2014

No. of Project	No. of Sites	Name of Project	Location	Capacity (MW)	Date of Allotment	Date of signing of Implementation Agreement	Date of commissioning
Micro Hydel Projects Commissioned under State sector							
A. Punjab State Power Corporation Limited							
1.	1.	PH-I	UBDC –I	15.00	-	-	30.08.1971
2.	2.	PH-II	UBDC –I	15.00	-	-	25.05.1972
3.	3.	PH-III	UBDC –I	15.00	-	-	12.08.1973
4.	4.	PH-I	UBDC-II	15.45	-	-	06.08.1989
5.	5.	PH-II	UBDC-II	15.45	-	-	26.06.1991
6.	6.	PH-III	UBDC-II	15.45	-	-	01.01.1992
7.	7.	Nadampur	Ghaggar Branch	0.80	-	-	(i) 14.12.1985 (ii) 28.01.1986
8.	8.	Daudhar	Abohar Branch	1.50	-	-	(i) 02.09.1987 (ii) 16.07.1987 (iii) 21.07.1987
9.	9.	Rohti	Ghaggar Branch	0.80	-	-	(i) 19.09.1989 (ii) 21.03.1989
10.	10.	Thuhi	Ghaggar Branch	0.80	-	-	(i) 14.03.1989 (ii) 17.06.1989
11.	11.	Ropar	Ghanauli (Ropar)	1.70	-	-	27.05.2007
Total capacity A				**96.95 MW**			
B. Punjab Genco Limited, Chandigarh							
12.	12.	Chupki	Abohar Branch Canal	1.50	-	-	12.11.1999
13.	13.	Narangwal	Abohar Branch Canal	1.50	-	-	07.06.1999
14.	14.	Tugal	Abohar Branch Canal	1.50	-	-	08.09.1999
15.	15.	Dalla	Abohar Branch Canal	1.00	-	-	24.05.1999
16.	16.	Bowani	Bathinda Branch Canal	1.00	-	-	22.08.2002
17.	17.	Khatra	Bathinda Branch Canal	1.00	-	-	23.01.2001
18.	18.	Jagera	Bathinda Branch Canal	1.00	-	-	31.07.2003
19.	19.	Kanganwal	Bathinda Branch Canal	1.30	-	-	28.08.2001
Total capacity B				**9.80 MW**			

C.	**Micro Hydel Projects Commissioned under Private sector (Independent Power Producers)**						
M/s Polyplex Corporation Limited and its consortium, Noida							
20.	20.	Dolowal	Kotla Branch Canal	1.40	25.11.1997	24.04.2001	26.04.2003
21.	21.	Salar	Kotla Branch Canal	1.50	25.11.1997	24.04.2001	26.04.2003
22.	22.	Bhanubhura	Kotla Branch Canal	1.30	25.11.1997	24.04.2001	26.04.2003
23.	23.	Babbanpura	Kotla Branch Canal	1.00	25.11.1997	06.11.2001	01.07.2004
24.	24. 25.	Killa combined Bugra	Kotla Branch Canal	1.75	19.08.1999	06.11.2001	01.11.2005
25.	26. 27.	Sahoke combined Harigarh	Kotla Branch Canal	1.00	25.11.1997 19.08.1999	06.11.2001	01.11.2006
26.	28. 29.	Lohgarh combined Maholi	Bathinda Branch Canal	2.00	21.04.1998 23.05.2002	30.08.2001	10.10.2005
27.	30. 31.	Dadahur combined Chakbhai	Bathinda Branch Canal	2.00	21.04.1998	30.08.2001	18.11.2004
28.	32. 33.	Sidhana combined Baloke	Bathinda Branch Canal	1.20	21.04.1998	30.08.2001	25.10.2007
29.	34.	Khanpur	Abohar Branch Canal	1.10	25.11.1997	2.11.2001	22.04.2010
30.	35.	Sudhar	Abohar Branch Canal	1.40	25.11.1997	2.11.2001	03.05.2010
31.	36.	Akhara	Abohar Branch Canal	1.10	25.11.1997	30.08.2001	25.03.2010
32.	37.	Gholian	Abohar Branch Canal	0.80	25.11.1997	30.08.2001	04.10.2009
33.	38.	Channuwal	Abohar Branch Canal	0.90	25.11.1997	30.08.2001	30.09.2009
M/s Gill Power Generation. Co. Pvt. Ltd., Noida							
34.	39. 40.	Tibri combined Babehali	Main Branch Upper (UBDC)	2.70	19.08.1999	18.07.2001	06.10.2006
M/s Winsome Yarn Limited, Chandigarh							
35.	41. 42.	Barewal combined Jhammal	Sidhwan Branch Canal	0.90	20.07.2005	07.03.2006	12.06.2010
36.	43. 44.	Sidhwan Bet combined Mansian	Sidhwan Branch Canal	0.50	20.07.2005	07.03.2006	22.09.2010
37.	45.	Dawaitwal combined	Sidhwan Branch Canal	0.90	20.07.2005	07.03.2006	15.07.2011

	46. 47	Issewal and Kailpur					
38.	48. 49.	Raowal combined Bangsipura	Sidhwan Branch Canal	0.85	20.07.2005	07.03.2006	29.08.2011
39.	50. 51. 52.	Swaddi Kalan combined Bharowal and KhudaiChak	Sidhwan Branch Canal	0.75	20.07.2005	07.03.2006	12.01.2013
M/s Atlantic Power Private Limited, Chandigarh							
40.	53.	Terkiana Head Works	Holy Bein (Mukerian Hydel Channel– II)	0.65	20.08.2009	16.10.2009	31.08.2010
M/s Sam (India) Hydro Power Private Limited,							
41.	54.	Bowani	Bathinda Branch Canal	1.20	22.01.2010	25.07.2011	20.03.2013
Total capacity C				**26.90**			
Grand Total Capacity A+B+C				**133.65 MW**			
Micro Hydel Projects under Progress in State sector							
Punjab State Power Corporation Limited							
42.	55.	Mukerian Hydel Channel Stage-II	Terkiana	18.00	24.10.2003	-	Under Progress
Micro Hydel Projects under Progress in Private sector							
M/s Atlantic Power (Phoola) Private Limited							
43.	56.	Phoola	Bathinda Branch Canal	0.60	22.1.2010	26.07.2011	Under Progress
M/s UBDC Hydro Company, Chandigarh							
44.	57.	Kunjar	Main Branch Upper (UBDC)	2.00	30.03.2010	19.10.2012	Under Progress
45.	58.	Dhariwal	Main Branch Upper (UBDC)	2.50	30.03.2010	19.10.2012	Under Progress
M/s Dallanwala Non-Conventional Power Generation Private Limited							
46.	59.	Gujjran	Ghaggar Branch	0.60	1.12.2011	19.10.2012	Under Progress
M/s Majha Canal Hydro Projects							

47.	60.	Udhanwal	Sabraon Branch Canal	0.65	1.12.2011	27.09.2012	Under Progress
M/s Preetech Power Private Limited							
48.	61.	Tugalwala	Sabraon Branch Canal	0.85	1.12.2011	19.10.2012	Under Progress
49.	62.	Kalabala	Kasur Branch Lower	0.80	1.12.2011	19.10.2012	Under Progress
M/s Sidhwan Hydro Power Private Limited							
50.	63.	Ludhiana	Sidhwan Branch Canal	0.70	11.12.2009	31.10.2012	Under Progress
M/s Gill Acqua Hydro Power Generation Company Private Limited							
51.	64. 65.	RD 14350 RD 16500	Madhopur Beas Link of UBDC	6.00	23.07.2008	26.08.2008	Under Progress
52.	66.	RD 1500	Madhopur Beas Link of UBDC	3.00	21.05.2009	26.05.2009	Under Progress
53.	67.	RD 20500	Madhopur Beas Link of UBDC	3.80	21.05.2009	26.05.2009	Under Progress
M/s Lehrun Hydro Power Projects Private Limited							
54.	68.	Lehrun	Chakki Khad	3.00	17.12.2010	28.02.2011	Under Progress
M/s DSL Power Private Limited							
55.	69.	Ralla	Kotla Branch Canal	0.30	23.05.2002	14.07.2003	Under Progress
M/s SKR Hydro Power Generators Private Limited							
56.	70.	Bibiwala	Bathinda Branch Canal	0.40	20.07.2005	7.03.2006	Under Progress
M/s Paradise Power Generation Private Limited							
57.	71.	Samalsar	Abohar Branch Canal	0.35	20.07.2005	1.06.2006	Under Progress
M/s Himalayan Renewable Energy Private Limited							
58.	72.	Talewal	Bathinda Branch Canal	0.60	21.04.1998	30.08.2001	Under Progress
M/s Atlantic Power (Rajgarh) Private Limited							
59.	73.	Rajgarh	Sidhwan Branch Canal	0.43	11.12.2009	Yet to be signed	Under Progress
M/s Atlantic Power (Tibba) Private Limited							
60.	74.	Tibba	Sidhwan Branch Canal	0.36	11.12.2009	Yet to be signed	Under Progress
M/s PRIL-PRESS Consortium, Chandigarh							
61.	75.	Gurdittiwala	Ferozepur Feeder	2.00	15.10.2013	Yet to be signed	Under Progress
Grand Total Capacity of Projects under progress				**46.94 MW**			

Annexure-8

(Referred to in paragraph 3.1.4.1)

Statement showing observations of CMPDI after evaluation of the bid of EMTA and action taken thereon by erstwhile PSEB.

Sr. No.	CMPDI observations	Compliance during negotiation with EMTA dated 4-12-99	Compliance by Negotiating Team	Inclusion in JV	Inclusion in Coal Purchase Agreement (CPA)
1	EMTA has not been able to either show any past experience or any reasonable document by which their claim of having access to geological reports etc. could be relied upon for believing that the party has their capacity to study and identify the most suitable block for allotment by Ministry of Coal.	Not discussed.	Not Discussed.	Not applicable.	Not applicable.
2	Assessment of reserves both for opencast and underground mining can be done only based on geological reports and their expertise even in this field has not been clearly brought out.	Not discussed.	Not discussed.	Not applicable.	Not applicable.
3	EMTA has not given any detail of their experience in preparing mining plans and getting approval from Ministry of Coal.	Not discussed.	Not discussed.	Not applicable.	Not applicable.
4	They have not made any specific commitment to supply coal of less than 34 % ash. In case a beneficiation plant is required they have agreed to set up the same but the entire cost on actual basis will have to be borne by PSEB. The cost of washing has not been disclosed.	EMTA agreed to make all efforts to select a mine of Grade C & D.	Not discussed.	As per Article 5.6, EMTA was to ensure supply of coal having ash contents of less than 34 %. For this purpose requisite coal handling plant and any other equipment required shall be installed or otherwise procured by EMTA but without any implication on the price to be paid by PSEB.	As per Article 6.1, PSEB is to purchase the coal of various grades (Grade 'E' to 'A') with discount ranging from 12 to 38 %, respectively on price of coal of BCCL. As per Article 5.2.7, coal of grade lower than E would fall within rejection limit and shall normally not be accepted. Further, as per article 7.2, coal rakes

					delivered at site which are of F Grade, Chief Engineer of the thermal plant may accept such rakes with a discount factor of 19 % provided the total no. of rakes does not exceed 5 % of the total rakes delivered during a quarter.
5	The commitment of EMTA regarding arranging railway siding upto the mine is based on assumed blocks in the ECL command area.	Not discussed	Not discussed.	As per article 5.7, coal was to be dispatched to the power stations of PSEB by railway wagons provided that beyond distance of 20 Kms, coal shall be transported only through rail. For this purpose, the railway siding was to be arranged by EMTA but without any implication on the price to be paid by PSEB.	Not a part of CPA. However, as per article 8.4, the surface transportation charges by road shall be extra subject to maximum distance of 20 Kms.
6	Who will arrange 23 % equity has not been clearly defined (To be in favour of Financial institutions/ Mutual Funds/ General Public).	Not discussed.	Not discussed.	As per Article 3.3, 23 % of the paid up equity capital of PANEM shall be offered to public/ Financial institutions/ Banks/ Mutual Funds. In case of shortfall if any in subscription by public/ Financial institutions/ Banks/ Mutual Funds such shortfall was to be subscribed to by EMTA and partners and its nominees.	Not a part of CPA.
7	PSEB should take decision to have equal number of directors representing PSEB and EMTA with Chairman being from PSEB and MD from EMTA.	Not discussed.	Not discussed.	As per Article 4.3, at all times PSEB and EMTA and partners shall have equal number of partners in the PANEM. The Chairman of the PANEM shall be nominee of PSEB (now PSPCL) and EMTA and Partners shall have its nominee as MD of the PANEM.	Not a part of CPA.

8	The gestation period of 1.5 years indicated by EMTA appears to be quite optimistic and cannot be accepted until and unless a specific mining block can be identified.	JVC would give PERT chart for mining project after its formation.	Not discussed.	As per Article 5.4, the EMTA shall ensure commencement of PSEB coal mine within a period not exceeding 18 months after allotment of the mining block.	As per Article 5.1.2, it was provided that since the mine could not be made operational within the contractual period, the supplier will supply extra 0.25 million tonne of coal at the same rate as applicable for first 6.0 million tonne of coal at the same base price as prevailing on 5-5-2000.
9	The terms and conditions on which the entire equipment and machines will be supplied to the Joint Venture Company will have to be negotiated and finalised before forming the Joint Venture Company.	Not discussed.	Points relating to depreciation on equipment/assets, workshop debit and reduction in value of land due to mining were discussed.	As per Article 8.5, EMTA and partners were to arrange for the equipment required for carrying the activities related to coal mining.	Not a part of CPA
10	The party has quoted rates as reduction on CIL basic price. The CIL base price at relevant time for respective grade for respective areas where the captive mine will be set up shall form the basis of coal price.	% age reduction as quoted by EMTA was reasonable. The grades would be C or D. in case CIL rates changed, it would reflect upon JVC rates as the base is CIL.	Discount ranging from 11 to 38 % (Grade 'E' to 'A') were discussed and finalised with range of 12 to 38 %, respectively.	As per Article 5.12, PSEB was to purchase the coal of various grades (Grade 'E' to 'A') with discount ranging from 12 to 38 %, respectively on price of coal of CIL in the area of the allotted mine.	As per Article 6.1, PSEB is to purchase the coal of various grades (Grade 'E' to 'A') with discount ranging from 12 to 38 %, respectively on price of coal of BCCL. As per Article 5.2.7, coal of grade lower than E would fall within rejection limit and shall normally not be accepted. Further, as per article 7.2, coal rakes delivered at site which are of F Grade, Chief Engineer of the thermal plant may accept such rakes with a discount factor of 19 % provided the total no. of rakes does not exceed 5 % of the total rakes delivered during a quarter
11	The party has mentioned that PSEB shall accept all grades of coal produced from the captive mine which is a violation of tender document's specific requirement of PSEB to accept only	EMTA agreed to make all efforts to select a mine of Grade C & D.	Only grade wise discounts were discussed.	As per Article 5.12, PSEB was to purchase the coal from Grade 'E' to 'A' with discount ranging from 12 to 38 %.	As per Article 6.1, PSEB is to purchase the coal of various grades (Grade 'E' to 'A') with discount ranging from 12 to 38 %, respectively on price of coal of

	coals of less than 34 % ash.				BCCL. As per Article 5.2.7, coal of grade lower than E would fall within rejection limit and shall normally not be accepted. Further, as per article 7.2, coal rakes delivered at site which are of F Grade, Chief Engineer of the thermal plant may accept such rakes with a discount factor of 19 % provided the total no. of rakes does not exceed 5 % of the total rakes delivered during a quarter.
12	Determination of quality of coal supplied by the JVC to PSEB needs to be detailed out to make the tender document and agreement free from disputes and litigation.	Joint sampling and quality determination at Plant site was accepted by EMTA.	Quality determination at Power plant agreed to by the EMTA. However, no detailed procedure for quality determination was discussed and finalised.	As per article 5.13, PSEB was to pay the price of coal for the quantity and quality received and determined at the receiving end i.e. power stations of PSEB. The quantity and quality shall be determined as per joint sampling at the power station end, the procedure for which shall be laid down in the coal supply agreement. However, no detailed procedure for quality determination was prescribed.	As per article 10, sampling and analysis shall be conducted at delivery point as per procedure specified in Annexure –IV of the CPA.

Annexure-9

(Referred to in Paragraph 3.1.5.4)

Statement showing working results of the PANEM for the last four years up to 2012-13

₹ in crore

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13
1	Revenue earned from supplies				
(i)	Sales	768.35	774.92	794.70	600.03
(ii)	Other income	0.62	0.64	1.35	1.40
(iii)	Increase in stock	2.96	(-) 8.26	1.79	5.22
	Total Revenue	**771.93**	**767.30**	**797.84**	**606.65**
2	Expenditure:				
(i)	Charges for mining operation and dispatch of coal	729.43	732.72	749.84	563.71
(ii)	Development and other direct expenses	16.15	8.68	17.23	17.63
(iii)	Social Environment Management expenses	2.28	0.67	7.07	1.42
(iv)	Administrative Expenses	7.86	9.27	6.17	8.42
(v)	Finance Charges	0.54	0.16	1.03	0.73
(vi)	Depreciation	6.88	7.08	7.59	7.80
(vii)	Other expenditure	0.02	-	0.03	0.01
	Total Expenditure	**763.16**	**758.58**	**788.96**	**599.72**
3	**Profit shown**	**8.77**	**8.72**	**8.88**	**6.93**
	Percentage of profit to turnover	**1.14**	**1.12**	**1.12**	**1.15**

(Source: Annual Accounts of PANEM)