Report of the Comptroller and Auditor General of India

on

Public Sector Undertakings

for the year ended 31 March 2015

GOVERNMENT OF GUJARAT

(Report No. 1 of the year 2016)

http://www.cag.gov.in

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Preface

This Report deals with the results of audit of 81 Government Companies and four Statutory Corporations for the year ended 31 March 2015.

The accounts of Government Companies (including Companies deemed to be Government Companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act 1956 and Section 139 and 143 of the Companies Act, 2013.

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

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

The instances mentioned in this Report are those, which came to notice in the course of test audit during the year 2014-15 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; matters relating to the period subsequent to 31 March 2015 have also been included, wherever necessary.

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

Overview

1 Overview on the Functioning of State Public Sector Undertakings

Introduction

The State Public Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. The SPSUs are established to carry out the activities of Commercial nature keeping in view the welfare of people and also occupy an important place in the state economy. As on 31 March 2015, in Gujarat there were 68 Working SPSUs (64 Companies and four Statutory Corporations) and 13 non-working SPSUs. The working SPSUs registered a turnover of ₹ 1,06,553.54 crore as per their latest finalised accounts. The turnover was equal to 12.42 per cent of State's Gross Domestic Product for 2014-15.

Accountability framework

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

Investment in SPSUs

As on 31 March 2015, the investment (capital and long term loans) in 81 SPSUs was ₹1,15,932.27 crore. Out of the total investment, 99.31 per cent (₹1,15,132.84 crore) was in working SPSUs and remaining 0.69 per cent (₹799.43 crore) was in non-working SPSUs.

Arrears in finalisation of Accounts

Thirty five working SPSUs had arrears of 61 accounts as on 30 September 2015. The extent of arrears ranged from one to five years.

Performance of SPSUs

During the year 2014-15, as per their latest finalised accounts, out of 68 working SPSUs, 49 SPSUs earned profit of ₹3,725.62 crore and 13 SPSUs incurred loss of ₹613.17 crore. The major contributors to the profit were Gujarat State Petronet limited (₹660.32 crore), Gujarat Gas Limited (₹641.44 crore), Gujarat Mineral Development Corporation Limited (₹635.87 crore) and Gujarat Energy Transmission Corporation Limited (₹412.65 crore). Major loss making SPSUs were Gujarat State Road Transport Corporation (₹183.58 crore), Gujarat State Energy Generation Limited (₹130.03 crore), Gujarat State Financial Corporation (₹94.81 crore) and Gujarat Water Infrastructure Limited (₹91.37 crore).

Accounts Comments

Out of 52 accounts finalised during the period 2014-15, Statutory Auditors had given unqualified certificates for 36 accounts, qualified certificates for 15 accounts and disclaimer for one account. There were 12 instances of non-compliance to Accounting Standards in 10 accounts during 2014-15.

(Chapter 1)

2. Performance Audit relating to Government Company

Performance Audit of '**Exploration and Development Activities of Gujarat State Petroleum Corporation Limited**' was conducted.

Executive summary of performance audit of **Exploration and Development Activities of Gujarat State Petroleum Corporation Limited** is given below:

Introduction

Gujarat State Petroleum Corporation Limited (the Company) was incorporated on 29 January 1979. The Company along with its subsidiaries and associates has a presence over the entire energy value chain spanning across a range of oil and gas activities comprising oil and gas exploration, development and production, gas trading, gas transmission, gas distribution and power generation. The performance audit focused primarily on the exploration and development (E&D) activities of the Company for the period 2011-12 to 2014-15.

Status of blocks held by the Company

Of the total 64 blocks held by the Company as on 1 April 2011, 37 blocks were surrendered during the performance audit period and the Company had 27 blocks in hand as on 31 March 2015. Of these 11 blocks were under E&D and 16 blocks were under production.

Exploration and Development (E&D)

The major activity under E&D carried out during the period of the performance audit was the development of the Deen Dayal West (DDW) area of the KG block. The Field Development Plan (FDP) for DDW area was approved by the Management Committee (MC) in November 2009 with stipulated date of commercial production from December 2011. The trial production started in August 2014 and the commercial production has not commenced so far (November 2015).

The FDP for DDW assumed a gas price of US $ 5.7/MMBTU (Million British Thermal Unit) and was not viable at the Government approved gas price formula of US $ 4.2/MMBTU prevailing at the time of submission of FDP. The viability of the FDP was further compromised by the underestimation of costs, non-addressing of technological uncertainties, and deficiencies in project implementation. The Company did not address properly the risks associated with cost and technology as stated below which has resulted in uncertainty regarding the future prospects from the block where an investment of around ₹ 19,576 crore had been made as of March 2015.

- ***Against FDP estimates of US $ 547 million, the tender cost for offshore facilities was US $ 810 million (48 per cent higher). Further, the actual costs incurred were US $ 1,058 million.***
- ***Non finalisation of appropriate drilling technology and unresolved low permeability issue led to uncertainties regarding commercial production.***
- ***Cost overruns were noticed due to deficiencies in contract management and higher drilling costs.***

Production

During 2011-15, the revenue from production activity was reduced from ₹ 230.30 crore to ₹ 152.51 crore (i.e. by 33.78 per cent) due to reduction in prices of Oil and reduction in production of gas from 119.24 MM^3 (million cubic metres) to 50.21 MM^3. Hazira block was the main gas producing block contributing 110 MM^3 out of 119.24 MM^3 produced in 2011-12 which declined to 36.9 MM^3 in 2014-15. The sale quantity of test gas from KG block for 8 months (August 2014 to March 2015) itself was 64.81 MM^3 which was more than the combined production of 2014-15 from all producing blocks of the Company indicating the significance of the KG block in the Company's portfolio.

Surrender of blocks

Out of the 64 blocks on hand as on 1 April 2011, during the period 2011-15, the Company surrendered 37 blocks which included 10 overseas and 27 domestic blocks and had written off exploration expenditure worth ₹2,514.65 crore for 29 surrendered blocks (₹1,734.12 crore for overseas blocks and ₹780.53 crore for domestic blocks). In the remaining eight surrendered blocks the expenditure of ₹478.07 crore was yet to be written off as of March 2015.

Out of the 11 overseas blocks held as on 1 April 2011, the Company surrendered 10 blocks (nine operator and one non-operator) during 2011-15. North Hap'y and South Diyur blocks in Egypt were the major overseas blocks which were surrendered. The delays in execution of Minimum Work Programme (MWP) led to huge cost overruns in the North Hap'y block and the Company incurred US $ 263.98 million which was 76 per cent higher than the committed expenditure of US $ 150 million.

The Company went ahead acquiring overseas blocks during 2006-10 mainly as an operator with considerably high participating interests without any prior experience overseas as an operator. Further, the delayed execution of the work committed resulted in cost escalations in overseas blocks. As a result, the Company had incurred expenditure of ₹1,757.46 crore for 10 surrendered overseas blocks, of which ₹1,734.12 crore has been written off.

Financial Position

As on 31 March 2011, the total borrowings of the Company were ₹7,126.67 crore which had increased by 177 per cent to ₹19,716.27 crore as on 31 March 2015. The Company had to rely heavily on borrowings mainly for activities in the KG block. The total interest burden increased from ₹981.71 crore in 2011-12 to ₹1,804.06 crore in 2014-15. Further, there were outstanding dues of ₹2,329.52 crore not recovered from Joint Venture (JV) partners.

Monitoring of blocks as a Non-operator

The Company did not exercise its right to conduct audit of JV accounts periodically and in a timely manner in blocks where it was a non operator. Further, in cases where audit was conducted, the Company did not pursue the Audit Reports.

Recommendations

- ***Risks associated with cost, technology and price realisation may be properly considered while venturing into exploration and development activities and means of risk mitigation such as induction of strategic / financial partners may be timely considered wherever necessary.***
- ***The Company may exercise due caution in venturing into overseas exploration and should endeavor timely completion of work committed.***
- ***The Company needs to ensure that realization from Joint Venture partners are made promptly.***
- ***The monitoring of the blocks where the Company was non-operator needs strengthening through non-operator audit and periodic review of the status of activities in such blocks***

(Chapter 2)

3. Performance Audit relating to Statutory Corporation

Performance Audit of '**Working of Gujarat State Warehousing Corporation**' was conducted.

Executive summary of performance audit of **Working of Gujarat State Warehousing Corporation** is given below:

Introduction

Agriculture is one of the most critical sectors of the Indian economy. Agricultural growth was facing a setback due to lack of adequate handling and post-harvest infrastructure facilities such as warehousing. Gujarat State Warehousing Corporation was established in December 1960 with an objective to construct warehouses within the State to facilitate storage and transportation of agricultural produce, seeds, manures, fertilisers, agricultural implements and notified commodities. The Corporation started with a capacity of 930 MTs which increased to 1.45 lakh MTs by 1992 and thereafter there was no increase in the storage capacity. Performance Audit on the working of the Corporation covers the period from 2010-11 to 2014-15.

Planning for capacity augmentation

The warehousing capacity in the State was 13.08 lakh MTs of which the Corporation's share was 1.45 lakh MTs. In absence of scientific assessment of requirement and proper planning, non-construction of godowns under Private Entrepreneurs Guarantee (PEG) Scheme and absence of financial support from Government of Gujarat for augmentation of capacity, no capacity addition was achieved by the Corporation. Further, the vacant land of 1,24,988 sq.mts. at different locations remained unutilised.

Capacity Utilisation

The utilisation of the Corporation's warehouses including owned and hired increased from 50 per cent in 2010-11 to 82 per cent in 2014-15. This increase was owing to the contribution of hired godowns wherein the occupancy was 90 to 100 per cent during the review period though the occupancy in owned godowns remained up to 65 per cent. 97 out of 129 godowns of the Corporation remained vacant for a period of 1,809 months during the review period. The possible reasons attributable were poor condition of godowns, lack of marketing strategy, non-creating of awareness of the storage facilities among the depositors, especially farmers.

Operation and Financial Management

During the last ten years, the Corporation revised its tariff twice in 2005 and 2012. The tariff does not detail various aspects of the tariff structure such as exclusion/inclusion of advalorem insurance charges in the storage charges collected on sq.ft. basis, collection of storage charges on sq.ft. basis in respect of reservation on lock and key basis etc., nor did the Corporation re-categorise the godowns during last revision in 2012.

Warehouse charges and rent income constituted the major income of the Corporation and it earned profit during 2011-12 and 2012-13. The Corporation did not recover warehouse charges as per applicable rates leading to loss of revenue of ₹ 0.25 crore. The Corporation did not apply the prevailing sq. ft. rate on Central Warehousing Corporation (CWC) for the Inland Container Depot /Container Freight Station godowns lent to them resulting in revenue loss of ₹ 11.70 crore.

Monitoring and Internal Control

The Corporation did not have specific written delegation of powers to the hierarchy and decisions were also taken at lower cadres. There were no procedures in place to inspect godowns by personnel from head office either on regular intervals or as a surprise check. The Corporation's Executive Committee met only four times as against required 30 meetings in the last five years up to March 2015.

Recommendations

- ***The Corporation may gather the data of warehousing capacity in the State, assess the additional requirement and formulate a plan of action in co-ordination with other agencies such as CWC, Food Corporation of India (FCI) etc., for capacity augmentation.***
- ***The Corporation may review the monthly data of occupancy furnished by the warehouse centres periodically, analyse the reasons for godowns remaining vacant for long period to take remedial action and fix godown-wise break-even occupancy.***

- ***The Corporation may review the tariff and categorisation of centres on a periodic basis before fixing the tariff and give required details to bring clarity regarding the system of collection of warehouse charges and applicability of rates.***
- ***The Corporation may ensure recovery of warehouse charges as per the prevailing tariff rates.***
- ***The Corporation may develop a sound monitoring system and also evolve a mechanism for periodical reporting to the top management on the working of the warehouses.***

(Chapter 3)

4. Compliance Audit Observations

Compliance audit observations included in this Report highlight deficiencies in the management of PSUs which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

Loss of ₹67.22 crore in one case due to non compliance to rules, regulations, directives, procedures and terms and conditions of contracts.

(Paragraphs 4.8)

Loss of ₹ 953.90 crore in five cases due to non-safeguarding the financial interests of organisation.

(Paragraphs 4.1, 4.2, 4.4, 4.5 and 4.6)

Loss of ₹1.25 crore in one case due to defective/deficient planning.

(Paragraphs 4.3)

Loss of ₹468.54 crore in one case due to defective/deficient planning and lack of fairness, transparency and competitiveness in operations.

(Paragraphs 4.7)

Gist of the major observations is given below:

Alcock Ashdown (Gujarat) Limited accepted the contract for constructing two ships without having technical and financial capacity. The contract was cancelled due to time over-run which resulted in loss of ₹ 42.80 crore.

(Paragraph 4.2)

The metered agricultural consumers pay energy charges based on actual energy consumption. The unmetered agricultural consumers pay fixed amount irrespective of actual consumption. The excess consumption of electricity by unmetered agricultural consumers as compared to metered agricultural consumers during the period 2009-10 to 2014-15 in the four DISCOMs of **Gujarat Urja Vikas Nigam Limited** ranged from 5,822.84 MUs to 7,569.48 MUs every year resulting in an avoidable power purchase cost every year of ₹ 1,775.97 crore to ₹ 2,910.75 crore.

The average consumption per HP by unmetered agricultural consumers was 1,833 units in 2014-15 as against the average consumption of 719 units by metered agricultural consumers. This indicates that unmetered consumption leads to wastage of electricity as well as creates subsidy burden on the State. Probability for excess consumption of water also exists.

(Paragraph 4.5)

Metro Link Express for Gandhinagar and Ahmedabad Company Limited incurred an expenditure of ₹ 373.62 crore on the development of Indroda, Motera and Chiloda site under the earlier phase without the approval of project report. As the earlier phase was scrapped and the expenditure incurred could not be used in the new phase under progress, it resulted in infructuous expenditure of ₹ 373.62 crore.

(Paragraph 4.7)

Chapter I

Functioning of State Public Sector Undertakings

Chapter I

Functioning of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. The SPSUs are established to carry out the activities of commercial nature keeping in view the welfare of people and also occupy an important place in the State economy. As on 31 March 2015, in Gujarat there were 81 SPSUs. Of these, four[1] were listed on the stock exchange(s). During the year 2014-15, one SPSU[2] was incorporated, whereas one SPSU *viz.*, GSPC Marginal Fields Limited was closed down and one SPSU *viz.* GSFS Capital and Securities Limited went into liquidation. Further, four SPSUs *viz.*, GSPC Gas Limited, Gujarat Gas Company Limited and its two subsidiaries *viz.*, Gujarat Gas Financial Services Limited, Gujarat Gas Trading Company Limited were amalgamated into Gujarat Distribution Network Limited on 30 March 2015, which was subsequently renamed as Gujarat Gas Limited. During the year 2014-15, one SPSU[3] came under the purview of Comptroller and Auditor General of India (CAG) as per Section 139(5) of the Companies Act, 2013. The details of SPSUs in Gujarat as on 31 March 2015 are given below.

Table 1.1: Total number of SPSUs as on 31 March 2015

Type of SPSUs	Working SPSUs	Non-working SPSUs[4]	Total
Government Companies[5]	64	13	77
Statutory Corporations	4	--	4
Total	**68**	**13**	**81**

The working SPSUs registered a turnover of ₹ 1,06,553.54 crore as per their latest finalised accounts as of 30 September 2015. The turnover was equal to 12.42 *per cent* of State's Gross Domestic Product (GSDP) for 2014-15. The working SPSUs earned aggregate profit of ₹ 3,112.45 crore as per their latest finalised accounts as of 30 September 2015. They had employed 1.10 lakh employees as at the end of March 2015.

As on 31 March 2015, there were 13 non-working SPSUs, existing since 1995-96 and having investment of ₹ 799.43 crore. Government may take suitable decision for the final winding up of the non-working SPSUs.

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

2 Gujarat Scheduled Caste Most Backward Development Corporation was incorporated on 1 October 2014.

3 Sabarmati Gas Limited.

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

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

Accountability framework

1.2 The audit of the financial statements of a company in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of the Companies Act, 2013. However, the audit of a company in respect of financial years that commenced earlier than 1 April 2014 continued to be governed by the Companies Act, 1956.

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

Statutory Audit

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

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

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

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

Role of Government and Legislature

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

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports (SARs) in case of Statutory Corporations are to be placed before the Legislature under Section 395 of the Act or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Gujarat

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

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

Investment in State PSUs

1.6 As on 31 March 2015, the investment (Capital and Long-term loans[6]) in 81 SPSUs was ₹ 1,15,932.27 crore[7] as per details given below:

Table 1.2: Total Investment in SPSUs

(₹ in crore)

Type of SPSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working SPSUs	65,360.30	44,438.44	**1,09,798.74**	1,839.07	3,495.03	**5,334.10**	1,15,132.84
Non-working SPSUs	87.57	711.86	**799.43**	0.00	0.00	**0.00**	799.43
Total	**65,447.87**	**45,150.30**	**1,10,598.17**	**1,839.07**	**3,495.03**	**5,334.10**	**1,15,932.27**

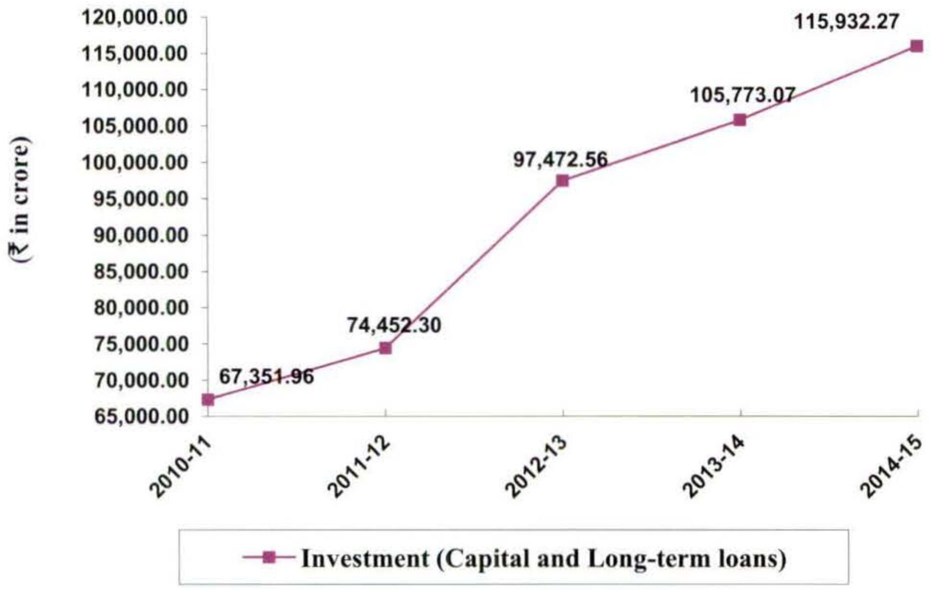
Out of the total investment of ₹ 1,15,932.27 crore in SPSUs as on 31 March 2015, 99.31 *per cent* was in working SPSUs and the remaining 0.69 *per cent* in non-working SPSUs. This total investment consisted of 58.04 *per cent* towards capital and 41.96 *per cent* in long-term loans. The investment has

6 This represents loans from the Government and financial institutions.

7 This amount will not tally with Annexure-2 which is based on latest finalised accounts whereas details of investment in SPSUs in the Table 1.2 have been prepared from information furnished by the SPSUs, which includes additions subsequent to the last finalised accounts.

grown by 72.13 *per cent* from ₹ 67,351.96 crore in 2010-11 to ₹ 1,15,932.27 crore in 2014-15 as shown in the graph below.

Chart 1.1: Total investment in SPSUs



1.7 The sector wise summary of investments in the SPSUs as on 31 March 2015 is given below:

Table 1.3: Total Investment in SPSUs

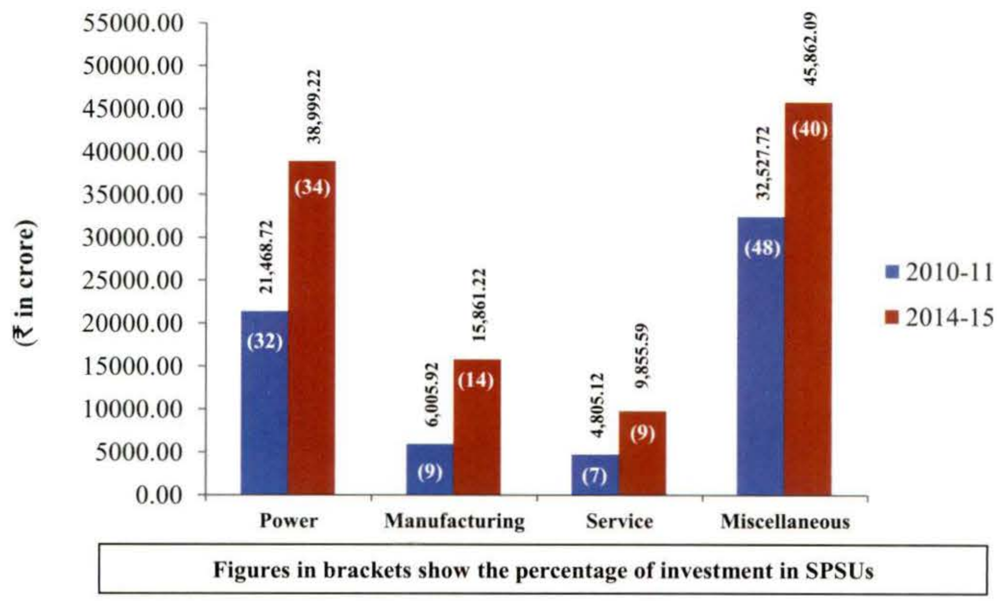
Name of Sector	Government/Other Companies[8]		Statutory Corporations	Total	Investment (₹ in crore)
	Working	Non-working			
Power	11	0	0	11	38,999.22
Manufacturing	7	7	0	14	15,861.22
Finance	12	3	1	16	3,669.52
Miscellaneous	3	0	0	3	45,862.09[9]
Service	17	0	1	18	9,855.59
Infrastructure	10	1	1	12	1,534.05
Agriculture & Allied	4	2	1	7	150.58
Total	**64**	**13**	**4**	**81**	**1,15,932.27**

The investment in four significant sectors and percentage thereof at the end of 31 March 2010 and 31 March 2015 are indicated below in the bar chart.

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

[9] This includes ₹ 45,707.90 crore in Sardar Sarovar Narmada Nigam Limited.

Chart 1.2: Sector wise investment in SPSUs



The thrust of SPSUs investment was mainly in Miscellaneous Sector. The percentage of investment to total investment in the above sector was 40 *per cent* in 2014-15. The percentage increase of investment in Manufacturing Sector over the period 2010-11 to 2014-15 was 164.09 *per cent* while that in Power Sector was 81.66 *per cent.*

Special support and returns during the year

1.8 The State Government provides financial support to SPSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity loans, grants/subsidies, loans written off and interest waived in respect of SPSUs are given below for three years ended 2014-15:

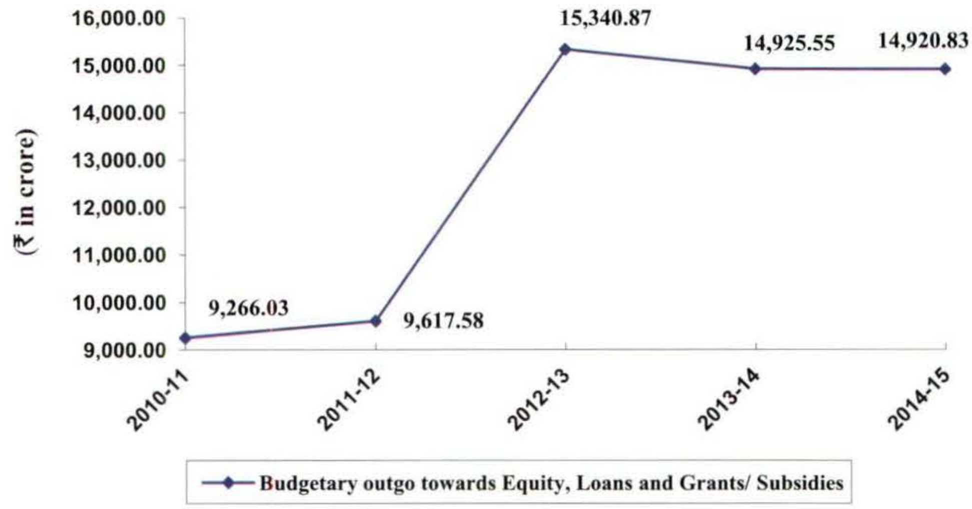
Table 1.4: Details regarding budgetary support to SPSUs

(Amount: ₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital outgo from budget	17	7,952.92	14	7,503.48	9	6,966.86
2.	Loans given from budget	4	610.34	4	279.10	2	201.50
3.	Grants/Subsidy from budget	31	6,777.61	33	7,142.97	24	7,752.47
4.	**Total Outgo (1+2+3)**		**15,340.87**		**14,925.55**		**14,920.83**
5.	Waiver of loans and interest	--	--	--	--	--	--
6.	Guarantees issued	1	8.00	--	--	2	1,609.16
7.	Guarantee Commitment	6	2,718.74	6	2,239.79	4	1,652.82

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in a graph below:

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



The budgetary outgo in the form of equity, loans, grants/subsidies, etc., marginally decreased from ₹ 14,925.55 crore in 2013-14 to ₹ 14,920.83 crore in 2014-15. The outgo on account of grants/subsidies increased from ₹ 7,142.97 crore in 2013-14 to ₹ 7,752.47 crore in 2014-15.

In order to enable SPSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee under Gujarat State Guarantee Act, 1963 subject to the limits prescribed by the Constitution of India, for which the guarantee fee is being charged. This fee varies from 0.25 to one *per cent* as decided by the State Government depending upon the loanees. The guarantee commitment decreased from ₹ 2,718.74 crore during 2012-13 to ₹ 1,652.82 crore during 2014-15. Further, seven SPSUs[10] paid guarantee fee[11] to the tune of ₹ 17.53 crore during 2014-15. There was one SPSU[12] which did not pay guarantee fees/commission during the year and accumulated/outstanding guarantee fee/commission there against was ₹ 35.60 crore as on 31 March 2015.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity, loans and guarantees outstanding as per records of SPSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned SPSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2015 is stated below:

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

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

[12] Gujarat State Financial Corporation.

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

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
Equity	62,322.61	58,862.75	3,459.86
Loans	3,922.39	5,993.98	2,071.59
Guarantees	4,556.60	1,652.82	2,903.78

Audit observed that the differences occurred in respect of 52 SPSUs. Audit brought (December 2015) the matter to the notice of the Finance Department, concerned Administrative Department and the respective SPSUs about the differences in figures indicated in the Audit Report (PSUs) and Finance Accounts for the year 2014-15. The Government and the SPSUs should take concrete steps to reconcile the differences in a time bound manner.

Arrears in finalisation of accounts

1.10 The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year, i.e., by September end in accordance with the provisions of Section 96(1) of the Act. Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

The table below provides the details of progress made by working SPSUs in finalisation of accounts as of 30 September 2015.

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

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Number of Working SPSUs/other companies	60	66	69	72	68
2.	Number of accounts finalised during the year	58	58	71	65	56
3.	Number of accounts in arrears	38	47	42	50	61[13]
4.	Number of Working SPSUs with arrears in accounts	27	35	30	33	35
5.	Extent of arrears (numbers in years)	1 to 4	1 to 4	1 to 3	1 to 4	1 to 5

It can be observed that the number of accounts in arrears has increased from 38 (2010-11) to 61 (2014-15). During the year, 46 Companies have finalised their 52 accounts, out of which 22 were arrear accounts.

Similarly, of the four Statutory Corporations, four accounts were finalised during the year 2014-15 out of which two were arrear accounts. Two Statutory Corporations have total five accounts in arrears.

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

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 SPSUs within stipulated period. Though the concerned Departments were informed regularly (once in 3 months) there was no progress in the matter. In addition, the matter was taken up with the State Government on 16 October 2015 for liquidating the arrears of the accounts however, no improvement has been noticed.

1.11 The State Government had invested ₹ 12,403.50 crore in 16 SPSUs {equity: ₹ 7,178.86 crore (6 SPSUs), loans: ₹ 1,041.50 crore (2 SPSUs) and grants ₹ 4,183.14 crore (14 SPSUs)} during the years for which accounts have not been finalised as detailed in ***Annexure-1***. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such SPSUs remained outside the control of State Legislature.

1.12 In addition to above, as on 30 September 2015, there were arrears in finalisation of accounts by non-working SPSUs. Out of 13 non-working SPSUs, eight were in the process of liquidation whose accounts were in arrears for eight to 20 years. Of the remaining five non-working SPSUs, only three SPSUs[14] had arrears of accounts.

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

No. of non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
1[15]	1999-00 to 2014-15	16
2[16]	2014-15	1

Placement of Separate Audit Reports

1.13 The position depicted below shows the status of placement of SARs issued by the CAG (up to 30 September 2015) on the accounts of Statutory Corporations in the Legislature.

[14] Gujarat Fisheries Development Corporation Limited, Gujarat State Machine Tools Limited and Gujarat Trans Receivers Limited.

[15] Gujarat Fisheries Development Corporation Limited.

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

Table 1.8: Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/ Present Status
1.	Gujarat State Warehousing Corporation	2010-11	2012-13	10 June 2015
			2011-12	31 July 2013
2.	Gujarat State Financial Corporation	2013-14	2014-15	SAR under finalisation
3.	Gujarat Industrial Development Corporation	2013-14	2014-15	SAR under finalisation
4.	Gujarat State Road Transport Corporation	2010-11	2011-12	SAR under finalisation

Impact of non-finalisation of accounts

1.14 As pointed out above (Paragraph 1.10 to 1.12), the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of SPSUs to the GSDP for the year 2014-15 could not be ascertained and their performance was also not reported to the State Legislature.

It is therefore, recommended that:

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

Performance of SPSUs as per their latest finalised accounts

1.15 The financial position and working results of working SPSUs are detailed in ***Annexure-2***. A ratio of SPSUs turnover to GSDP shows the extent of SPSUs' activities in the State economy. Table below provides the details of working SPSUs' turnover and GSDP for a period of five years ending 2014-15.

Table 1.9: Details of working SPSUs turnover *vis-a vis* GSDP

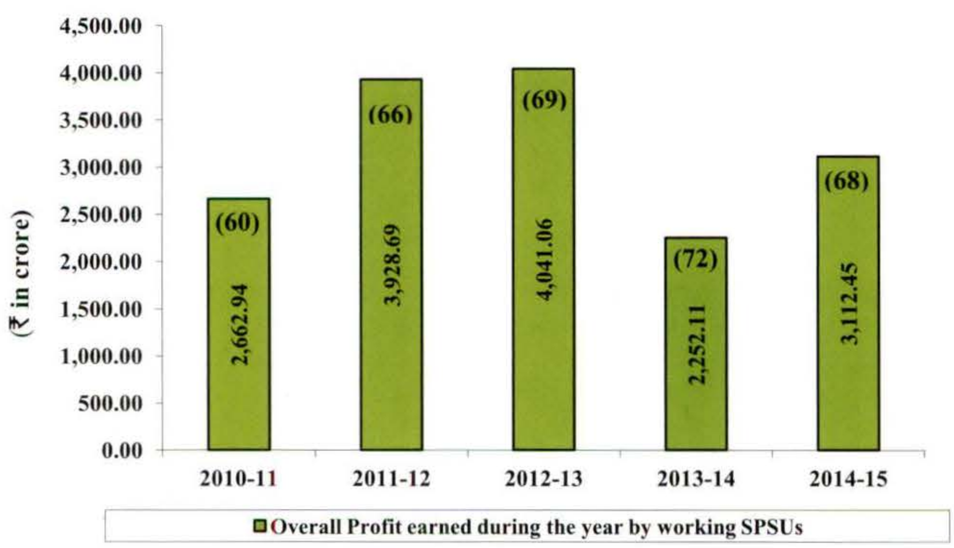
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Turnover[17] (₹ in crore)	63,008.20	79,641.86	91,309.63	98,718.90	1,06,553.54
GSDP (₹ in crore)	5,21,519	5,98,786	6,58,540(P)	7,65,638(Q)	8,58,189(A)[18]
Percentage of Turnover to State GDP	12.08	13.30	13.87	12.89	12.42

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

Out of the total turnover of ₹ 1,06,553.54 crore, ₹ 73,665.41 crore pertains to 32 working SPSUs who have finalised their accounts for the year 2014-15 and the balance turnover of ₹ 32,888.13 crore was taken as per the latest finalised accounts.

1.16 Overall profits[19] (losses) earned (incurred) by working SPSUs during 2010-11 to 2014-15 are given below in a bar chart.

Chart 1.4: Profit/Loss of working SPSUs



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

As per their latest finalised accounts, out of 68 working SPSUs, 49 SPSUs earned profit of ₹ 3,725.62 crore and 13 SPSUs incurred loss of ₹ 613.17 crore. Two Companies[20] are under construction, one Company[21] has not finalised its first accounts, one[22] Company's excess income transferred to non-plan grants, one Company's[23] excess of expenditure over income

[17] Turnover of working SPSUs as per the latest finalised accounts as of 30 September 2015.

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

[19] Represents net profit before tax.

[20] GSPC LNG Limited and Sardar Sarovar Narmada Nigam Limited (Sl. No. A-31 and A-63 of Annexure-2 respectively).

[21] Gujarat Scheduled Caste Most Backward Development Corporation (Sl. No. A-16 of Annexure-2).

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

[23] Gujarat State Police Housing Corporation Limited (Sl. No. A-19 of Annexure-2).

transferred to works completed and one[24] Company's expenditure incurred set off from grant income.

The major contributors to the profit were:

- Gujarat State Petronet Limited (₹ 660.32 crore),
- Gujarat Gas Limited (₹ 641.44 crore),
- Gujarat Mineral Development Corporation Limited (₹ 635.87 crore),
- Gujarat Energy Transmission Corporation Limited (₹ 412.65 crore)

Heavy losses were incurred by:

- Gujarat State Road Transport Corporation (₹ 183.58 crore),
- Gujarat State Energy Generation Limited (₹ 130.03 crore),
- Gujarat State Financial Corporation (₹ 94.81 crore),
- Gujarat Water Infrastructure Limited (₹ 91.37 crore)

1.17 Some other key parameters of SPSUs are given below.

Table 1.10: Key Parameters of State PSUs

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Return on Capital Employed (*per cent*)	5.24	6.97	6.40	5.00	5.56
Debt	26,862.15	30,253.60	44,835.60	45,711.93	42,509.05[25]
Turnover[26]	63,008.20	79,641.86	91,309.63	98,718.90	1,06,553.54
Debt/ Turnover Ratio	0.43:1	0.38:1	0.49:1	0.46:1	0.40:1
Interest Payments	2,423.60	2,935.83	3,390.99	4,214.21	4,949.38
Accumulated Profits/ (Losses)	169.34	1,693.73	2,865.09	3,805.28	3,721.00[27]

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

The turnover of SPSUs had increased gradually from ₹ 63,008.20 crore in 2010-11 to ₹ 1,06,553.54 crore in 2014-15. Simultaneously, the debts also increased from ₹ 26,862.15 crore in 2010-11 to ₹ 42,509.05 crore in 2014-15. The debt-turnover ratio which increased during 2012-13 as compared to other years has decreased in subsequent years and stood at 0.40:1 in 2014-15 because of significant increase in the turnover. Accumulated profits of ₹ 169.34 crore in 2010-11 have progressively increased to ₹ 3,805.28 crore in 2013-14 and decreased to ₹ 3,721 crore in 2014-15. Thus, performance of SPSUs registered marked improvement since 2010-11.

1.18 The State Government had not formulated any dividend policy under which all SPSUs are required to pay a minimum return on paid-up share capital contributed by the State Government. As per their latest finalised accounts, out of 68 SPSUs, 49 SPSUs earned an aggregate profit of

[24] Gujarat Foundation for Mental Health and Allied Sciences (Sl. No. A-53 of Annexure-2).

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

[26] Turnover of working SPSUs as per the latest finalised accounts as of 30 September 2015.

[27] Includes closing balance as per the finalised accounts and excludes General/ Capital/ Other Reserves etc.

₹ 3,725.62 crore. However only seven SPSUs declared dividend of ₹ 145.99 crore of which the State Government's share was ₹ 8.65 crore.

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

Winding up of non-working SPSUs

1.19 There were 13 non-working SPSUs as on 31 March 2015. Of these, eight SPSUs have commenced liquidation process. The number of non-working companies at the end of each year during past five years is given below.

Table 1.11: Non-working SPSUs

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
No. of Non-working Companies	12	12	12	12	13
No. of Non-working Corporations	--	--	--	--	--
Total	12	12	12	12	13

Since the non-working SPSUs are not contributing to the State economy and meeting the intended objectives, therefore, these SPSUs may be considered for closure or revival. During 2014-15, two out of 13 non-working SPSUs incurred an expenditure of ₹ 0.63 crore towards establishment. This expenditure was met from interest income (₹ 0.23 crore) received on their investments and borrowing (₹ 0.43 crore). Other 11 SPSUs did not furnish their accounts.

1.20 The stages of closure in respect of non-working SPSUs as on 30 September 2015 are given below.

Table 1.12: Closure of Non-working SPSUs

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working SPSUs	13	--	13
2.	Of (1.) above, the No. under:			
(a)	Liquidation by Court (liquidator appointed)	6	--	6
(b)	Voluntary winding up (liquidator appointed)	2[28]	--	2
(c)	Closure, *i.e.* closing orders/ instructions issued but liquidation process not yet started.	5	--	5

The Companies which have taken the route of winding up by Court order are under liquidation for a period ranging from 1 year to 20 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously.

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

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

Accounts Comments

1.21 Forty six working companies forwarded their 52 audited accounts to us during the year 2014-15. Of the 52 accounts of 46 Companies, 39 accounts were selected for supplementary audit. The audit reports of Statutory Auditors appointed by the CAG and the supplementary audit of the CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments[29] of Statutory Auditors and CAG for the last three years are given below.

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

(Amount: ₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	5	56.54	2	0.23	8	251.06
2.	Increase in loss	2	135.57	3	34.99	1	152.55
3.	Non-disclosure of material facts	2	17.31	2	277.78	1	115.20
4.	Errors of classification	1	23,885.27	8	25,512.22	6	1,784.86

It is observed from the above that cases of non-disclosure of material facts increased from ₹ 17.31 crore in 2012-13 to ₹ 277.78 crore in 2013-14 and reduced to ₹ 115.20 crore in 2014-15. Cases of decrease in profits and increase in losses increased from ₹ 56.54 crore and ₹ 135.57 crore to ₹ 251.06 crore and ₹ 152.55 crore respectively.

During the year, the Statutory Auditors had given unqualified certificates for 36 accounts and qualified certificates for 15 accounts, and disclaimer certificate (meaning the auditors are unable to form an opinion on accounts) for one accounts. The compliance of companies with the Accounting Standards remained deficient as there were 12 instances of non-compliance in 10 accounts during the year.

1.22 Similarly, four working Statutory Corporations[30] forwarded four accounts to us during the year 2014-15. Of these, two accounts of two Statutory Corporations pertain to sole audit by CAG, which was completed. The remaining two accounts were selected for supplementary audit. The Audit Report of Statutory Auditors and the sole/ supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved

[29] For the purpose of CAG comments only those comments actually issued during October 2014 to September 2015 have been considered including accounts received in the previous period for which comments were issued in the current period.

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

substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given below.

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

(Amount: ₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	1.49	0	0.00	1	0.29
2.	Increase in loss	2	120.05	1	20.40	2	99.73
3.	Non-disclosure of material facts	1	896.59	1	844.65	2	976.96
4.	Errors of classification	1	115.73	1	80.99	1	3.48

It is observed from the above that the money value objection for non-disclosure of material facts increased from ₹ 896.59 crore in 2012-13 to ₹ 976.96 crore in 2014-15. However, the cases of errors of classification decreased from ₹ 115.73 crore in 2012-13 to ₹ 3.48 crore in 2014-15.

During the year, one qualified certificate and one unqualified certificate was given by Statutory Auditors in respect of two accounts. While CAG gave qualified certificate in two accounts of two Statutory Corporations, which are under sole audit of CAG.

Response of the Government to Audit

Performance Audits and Paragraphs

1.23 For the Report of CAG of India for the year ended 31 March 2015, two performance audit reports and eight audit paragraphs contained in this report, were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of both the Performance Audits and five compliance audit paragraphs were awaited from State Government (November 2015).

Follow-up action on Audit Reports

Replies outstanding

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

Table 1.15: Explanatory notes not received as on 30 September 2015

Year of the Audit Report (Commercial/ PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2010-11	30 March 2012	2	15	0	1
2011-12	2 April 2013	2	10	1	3
2012-13	25 July 2014	1	13	1	8
2013-14	31 March 2015	3	9	2	8
Total		8	47	4	20

From the above, it could be seen that out of 55 Paragraphs/ Performance Audits, explanatory notes to 24 Paragraphs/ Performance Audits in respect of five[31] Departments, which were commented upon, were awaited (September 2015).

Discussion of Audit Reports by COPU

1.25 The status as on 30 September 2015 of Performance Audits and paragraphs that appeared in Audit Reports (SPSUs) and discussed by Committee on Public Undertaking (COPU) was as under.

Table 1.16: Reviews/Paragraphs appeared in Audit Reports *vis a vis* discussed as on 30 September 2015

Period of Audit Report	Number of review/ paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2010-11	2	15	0	3
2011-12	2	10	0	0
2012-13	1	13	0	0
2013-14	3	9	0	0
Total	8	47	0	3

Compliance to Reports of COPU

1.26 Action Taken Notes (ATN) to seven paragraphs pertaining to three Reports of the COPU presented to the State Legislature between July 2012 and March 2015 had not been received (October 2015) as indicated below:

Table 1.17: Compliance to COPU Reports

Report of COPU	Total no. of recommendations in COPU Report	No. of recommendations for which ATNs not received
18th Report of 12th Assembly	6	1
2nd Report of 13th Assembly	17	3
3rd Report of 13th Assembly	10	3
Total	33	7

[31] Agriculture and Cooperation Department, Energy and Petrochemicals Department, Health and Family Welfare Department, Industries and Mines Department and Urban Housing and Development Department.

These Reports of COPU contained recommendations in respect of paragraphs pertaining to three[32] Departments, which appeared in the Reports of the CAG of India for the years 2005-06 to 2009-10.

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

Coverage of this Report

1.27 This Report contains eight paragraphs and two Performance Audits involving financial effect of ₹ 1,750.85 crore.

[32] Energy and Petrochemicals Department, Industries and Mines Department and Women and Child Development Department.

Chapter II

Performance Audit relating to Government Company

Chapter II

Performance Audit relating to Government Company

Gujarat State Petroleum Corporation Limited

Exploration and Development Activities of Gujarat State Petroleum Corporation Limited

Executive Summary

Introduction

Gujarat State Petroleum Corporation Limited (the Company) was incorporated on 29 January 1979. The Company along with its subsidiaries and associates has a presence over the entire energy value chain spanning across a range of oil and gas activities comprising oil and gas exploration, development and production, gas trading, gas transmission, gas distribution and power generation. The performance audit focused primarily on the exploration and development (E&D) activities of the Company for the period 2011-12 to 2014-15.

Status of blocks held by the Company

Of the total 64 blocks held by the Company as on 1 April 2011, 37 blocks were surrendered during the performance audit period and the Company had 27 blocks in hand as on 31 March 2015. Of these 11 blocks were under E&D and 16 blocks were under production.

Exploration and Development (E&D)

The major activity under E&D carried out during the period of the performance audit was the development of the Deen Dayal West (DDW) area of the KG block. The Field Development Plan (FDP) for DDW area was approved by the Management Committee (MC) in November 2009 with stipulated date of commercial production from December 2011. The trial production started in August 2014 and the commercial production has not commenced so far (November 2015).

The FDP for DDW assumed a gas price of US $ 5.7/MMBTU (Million British Thermal Unit) and was not viable at the Government approved gas price formula of US $ 4.2/MMBTU prevailing at the time of submission of FDP. The viability of the FDP was further compromised by the underestimation of costs, non-addressing of technological uncertainties, and deficiencies in project implementation. The Company did not address properly the risks associated with cost and technology as stated below which has resulted in uncertainty regarding the future prospects from the block where an investment of around ₹ 19,576 crore had been made as of March 2015.

- ***Against FDP estimates of US $ 547 million, the tender cost for offshore facilities was US $ 810 million (48 per cent higher). Further, the actual costs incurred were US $ 1,058 million.***
- ***Non finalisation of appropriate drilling technology and unresolved low permeability issue led to uncertainties regarding commercial production.***
- ***Cost overruns were noticed due to deficiencies in contract management and higher drilling costs.***

Production

During 2011-15, the revenue from production activity was reduced from ₹ 230.30 crore to ₹ 152.51 crore (i.e. by 33.78 per cent) due to reduction in prices of Oil and reduction in production of gas from 119.24 MM^3 (million cubic metres) to 50.21 MM^3. Hazira block was the main gas producing block contributing 110 MM^3 out of 119.24 MM^3 produced in 2011-12 which declined to 36.9 MM^3 in 2014-15. The sale quantity of test gas from KG block for 8 months (August 2014 to March 2015) itself was 64.81 MM^3 which was more

than the combined production of 2014-15 from all producing blocks of the Company indicating the significance of the KG block in the Company's portfolio.

Surrender of blocks

Out of the 64 blocks on hand as on 1 April 2011, during the period 2011-15, the Company surrendered 37 blocks which included 10 overseas and 27 domestic blocks and had written off exploration expenditure worth ₹2,514.65 crore for 29 surrendered blocks (₹1,734.12 crore for overseas blocks and ₹780.53 crore for domestic blocks). In the remaining eight surrendered blocks the expenditure of ₹478.07 crore was yet to be written off as of March 2015.

Out of the 11 overseas blocks held as on 1 April 2011, the Company surrendered 10 blocks (nine operator and one non-operator) during 2011-15. North Hap'y and South Diyur blocks in Egypt were the major overseas blocks which were surrendered. The delays in execution of Minimum Work Programme (MWP) led to huge cost overruns in the North Hap'y block and the Company incurred US $ 263.98 million which was 76 per cent higher than the committed expenditure of US $ 150 million.

The Company went ahead acquiring overseas blocks during 2006-10 mainly as an operator with considerably high participating interests without any prior experience overseas as an operator. Further, the delayed execution of the work committed resulted in cost escalations in overseas blocks. As a result, the Company had incurred expenditure of ₹1,757.46 crore for 10 surrendered overseas blocks, of which ₹1,734.12 crore has been written off.

Financial Position

As on 31 March 2011, the total borrowings of the Company were ₹7,126.67 crore which had increased by 177 per cent to ₹19,716.27 crore as on 31 March 2015. The Company had to rely heavily on borrowings mainly for activities in the KG block. The total interest burden increased from ₹981.71 crore in 2011-12 to ₹1,804.06 crore in 2014-15. Further, there were outstanding dues of ₹2,329.52 crore not recovered from Joint Venture (JV) partners.

Monitoring of blocks as a Non-operator

The Company did not exercise its right to conduct audit of JV accounts periodically and in a timely manner in blocks where it was a non operator. Further, in cases where audit was conducted, the Company did not pursue the Audit Reports.

Recommendations

- ***Risks associated with cost, technology and price realisation may be properly considered while venturing into exploration and development activities and means of risk mitigation such as induction of strategic / financial partners may be timely considered wherever necessary.***
- ***The Company may exercise due caution in venturing into overseas exploration and should endeavor timely completion of work committed.***
- ***The Company needs to ensure that realization from Joint Venture partners are made promptly.***
- ***The monitoring of the blocks where the Company was non-operator needs strengthening through non-operator audit and periodic review of the status of activities in such blocks.***

Introduction

2.1 Gujarat State Petroleum Corporation Limited[1] (the Company) was incorporated on 29 January 1979. The Company along with its subsidiaries and associates has a presence over the entire energy value chain spanning across a range of oil and gas activities comprising oil and gas exploration, development and production, gas trading, gas transmission, gas distribution and power generation. The upstream business activities of exploration,

[1] It was called Gujarat State Petrochemicals Corporation Limited prior to November 1994.

development and production (E&P) and midstream activity of gas trading are carried out by the Company while its subsidiaries and associates are carrying out other midstream and downstream activities.

The management of the Company is vested with a Board of Directors (BOD). The Managing Director (MD) is the chief executive officer and is assisted by 13 heads in charge of various departments of the Company. The BOD has constituted various committees, *viz.,* Project committee, Audit committee, HR Committee, etc., to assist it in performing its duties.

Segments of the Company

2.1.1 The Company has three segments of operations *viz.,* E&P, Gas Trading and Wind Power and the financial information related to these segments for the period from 2011-12 to 2014-15 is shown below:

Table 2.1: Segment Information

(₹ in crore)

Particulars of Segment	2011-12			2012-13			2013-14			2014-15		
	E&P	Gas Trading	Wind Power	E&P	Gas Trading	Wind Power	E&P	Gas Trading	Wind Power	E&P	Gas Trading	Wind Power
Revenue	224.19	8,204.42	34.59	216.14	9,979.23	44.58	177.33	11,708.92	39.94	162.86	10,738.07	45.37
Net Profit / (Loss)	-266.84	1,247.64	-22.85	-10.44	1,339.53	-25.00	-1,588.97	1,745.20	-5.35	-460.65	532.24	37.40
Assets	14,260.36	777.65	312.25	19,442.85	914.49	268.57	22,232.58	787.15	229.05	25,366.71	1,229.20	201.51
Liabilities	10,562.35	629.39	135.32	13,863.83	1,010.61	5.43	16,256.73	722.99	4.32	20,037.72	1,195.12	4.05

Source: Segment Information as provided in the Annual Accounts of the Company

The major contribution to the revenue and the net profits of the Company was from the Gas Trading segment whereas the majority of the Company's assets and liabilities were under the E&P segment. Further, during the last four years, the Company had incurred capital expenditure of ₹ 15,601.43 crore in the E&P activities. Thus, in terms of expenditure incurred, the E&P segment was the major activity of the Company whereas gas trading was the main revenue generating activity of the Company.

Status of blocks held by the Company

The contract area where exploration activities are carried out is identified as a block.

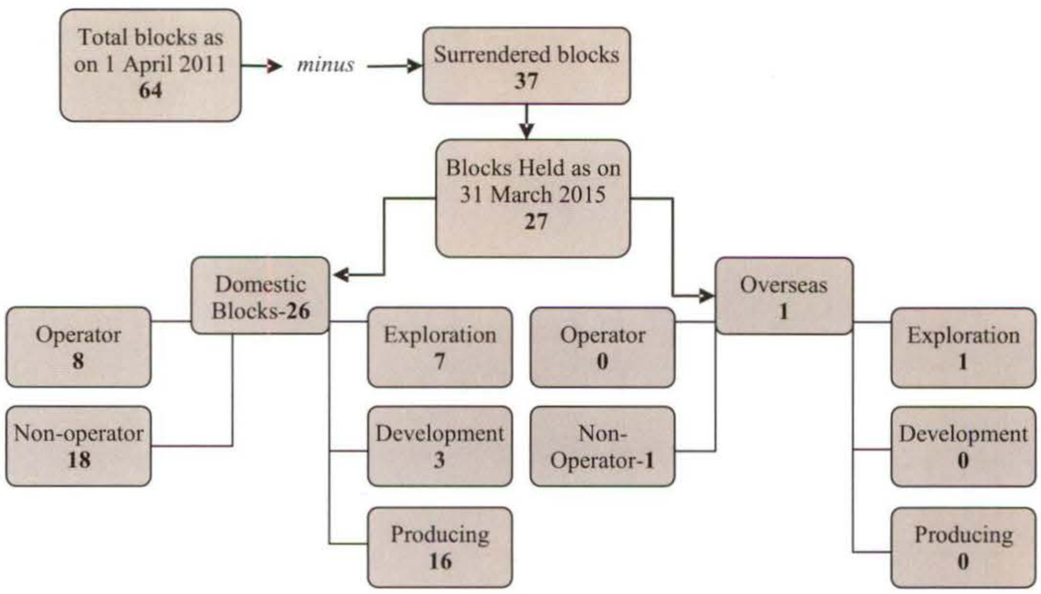
2.1.2 Up to 31 March 2011, the Company had acquired 56 domestic blocks and 12 overseas blocks. Out of the 56 domestic blocks, the Company had acquired 13 blocks during the pre-New Exploration Licensing Policy (NELP) phase (1994 to 2001) while 43 blocks were acquired by bidding under various NELP rounds viz., NELP II to VIII and Coal Bed Methane-II (2002-2011). No blocks were acquired during our audit period of 2011-15. Out of the total 68 blocks acquired by the Company, four had been surrendered (three domestic and one overseas) and the Company had 64 blocks in hand at the beginning of the period of audit, i.e., on 1 April 2011. Of the total 64 blocks (50 blocks under Exploration & Development and 14 under Production), 37 blocks (36 from Exploration and one from production) were surrendered[2] during the

[2] Based on analysis of the risks and returns expected from the block and low prospects of the block, the JV partners arrive at a conscious decision to surrender a block in the Operating Committee (OC) meeting. Thus, we have considered a block as surrendered when the OC approves the proposal for surrender of the block. Blocks, wherein the Company had decided to transfer its entire share (participating interest), were also considered as surrendered (also discussed subsequently at ***paragraph 2.10***).

period covered by the performance audit. Further during 2011-15, three more blocks became producing blocks.

The details of blocks as on 31 March 2015 are shown below:

Chart 2.1: Status of blocks as on 31 March 2015



Out of the 11 blocks under exploration and development, the Company was operator in four blocks and non operator in seven blocks. Out of the 16 producing blocks, the Company was operator in four and non operator in 12 blocks.

Scope of Audit

2.2 The last performance audit on the functioning of the Company was conducted for the period 2006-07 to 2010-11. The Report was under discussion by the Committee on Public Undertakings (November 2015). The current performance audit was conducted for the period of 2011-12 to 2014-15 and Audit examined various exploration, development and production activities of the Company during this period. Audit also examined the process adopted by the Company for surrendering/withdrawing from various blocks. Gas Trading and Wind Power segments have not been covered in this performance audit.

2.2.1 Out of 64 blocks with the Company as on 1 April 2011, Audit selected a sample[3] of 12 blocks: four each under exploration and development[4],

[3] Based on the information available from Annual Accounts upto 2013-14.

[4] KG Offshore (DDW) (Operator), MB-OSN-2005/5, MB-OSN-2005/6 (Mumbai Offshore) (Non-operator), South Diyur (Egypt) (Operator).

production[5] and surrender[6] for test check. The basis for sample selection was as follows:

- Blocks where capital expenditure of more than ₹ 100 crore each was incurred during 2011-14 were selected under exploration and development.
- Among producing blocks, one block each for operated and non-operated having highest production of oil and gas; one operated block where commercial production commenced in 2013-14 and one block where least production was done compared to investment made were selected.
- Among surrendered blocks, those having highest expenditure were selected.

In cases where the Company was non-operator, the cash call contributions (requests/calls for payments towards the expenses in the block from the operator) were examined in case of seven blocks where cash call contributions of more than ₹ 50 crore each were made during 2011-14. Out of these, three[7] blocks were already selected under exploration/production and four other non-operator blocks[8] were selected only for the purpose of verification of cash call payments.

Audit objectives

2.3 The performance audit of the Company was conducted with a view to ascertain whether:

- different phases involved in exploration and development activities were carried out timely in an efficient manner with due observance of relevant rules and regulations;
- production was undertaken as planned;
- decisions for surrender of blocks were arrived at after detailed study/survey and due procedure was followed for surrender of blocks;
- the Company managed their finances prudently to ensure fund availability when required, raising of funds in a cost-effective manner and keeping the borrowings within desirable limits; and
- the Company safeguarded its financial interests in the blocks where it was non-operator.

Audit criteria

2.4 The following audit criteria were adopted for assessing the performance of the Company:

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5 Hazira (Non operator)-Highest production, Tarapur (Operator) Highest production, CB-ONN-2003/2 (Ankleswar) (Operator), Bhandut (Non operator).

6 North Hap'y (Egypt) (Operator), MB-OSN-2004/1 (Operator), MB-OSN-2004/2 (Non Operator), KG-DWN-2004/6 (Non Operator).

7 MB-OSN-2005/5, MB-OSN-2005/6, Hazira.

8 Cambay, CB-ONN-2004/2, KG-DWN-2005/1, MB-OSN-2005/1.

- Company's perspective plans/corporate plan/annual plans;
- New Exploration Licensing Policy – 1999;
- Contracts with consultants for acquisition and interpretation of seismic data, with Rig operators, other service providers and suppliers;
- Joint Bidding Agreements for E&P blocks;
- Joint Operating Agreements between JV partners;
- Minimum Work Programme in E&P blocks;
- Production Sharing Contracts (PSC) with Ministry of Petroleum and Natural Gas (MoPNG) after successful bid;
- Procurement Manual – for procuring services and supplies; and
- Agreements with institutions for financing.

Audit Methodology

2.5 The methodology adopted for attaining the audit objectives with reference to the audit criteria involved explaining the audit objectives to the top management through an entry conference, scrutiny/examination of records at the Head Office, interaction with the audited entity personnel, analysis of data based on audit criteria, raising of audit queries, discussion of audit findings with the management, issue of draft performance audit report to the management and the concerned department for comments and holding an exit conference with the management to discuss the findings.

An entry conference was held on 4 March 2015 with the Managing Director (MD) and officials of the Company in which the scope, methodology and the audit objectives were explained. The audit findings were reported (September 2015) to the Management/ Government of Gujarat. An exit conference was held on 29 October 2015 with the MD and officials of the Company to discuss the draft audit findings. The reply of the Management was received and has been considered while finalising the performance audit report. The reply of the Government is awaited (November 2015).

Audit Findings

2.6 Audit findings have been discussed under the broad headings of exploration and development; production; surrender of blocks; finance; and monitoring of activities by the Company in non-operator blocks. A glossary of the technical terms used in the performance audit report is provided in *Annexure 3*.

The audit observations on the selected blocks have been discussed block-wise under sections for Exploration and Development, Production and Surrender of blocks. As on 31 March 2015, out of four selected blocks under Exploration and Development, three selected blocks[9] were surrendered which have now been covered under the section Surrender of Blocks.

Exploration and Development

2.7 Once a domestic or overseas block is awarded to a contractor, a Production Sharing Contract (PSC) is entered into in case of domestic blocks and a Concession Agreement (CA) in case of overseas blocks. These agreements create the right to exploration for a contractor besides defining the rights and obligations of the parties to the agreement. The details of various stages involved in exploration and development are given in ***Annexure 4***.

Investment in blocks by GSPC for Exploration and development

2.7.1 During the period 2011-15, out of 50 blocks (as on 1 April 2011) under exploration and development phase, three domestic blocks started commercial production[10] whereas 36 blocks were surrendered. As on 31 March 2015, the Company had 11 blocks (10 domestic and 1 overseas) under exploration and development phase.

During the period from 2011-12 to 2014-15, the total investment in the 50 blocks on exploration and development was ₹ 15,601.43 crore. Out of this the major investment of ₹ 12,249.06 crore was for the KG-OSN-2001/3 (KG) block which was selected for test check under Exploration and Development.

KG-OSN- 2001/3 Block (KG Block)

2.8 The KG-OSN-2001/3 block (KG block) was awarded (February 2003) to Gujarat State Petroleum Corporation-Jubilant and-Geo Global Resources (GSPC consortium) by the Government of India (GoI) under NELP-III bid round. The block covers an area of 1,850 square kilometers. The Production Sharing Contract (PSC) was signed between the GSPC consortium and GoI on 4 February 2003. The Company is the operator of the block having 80 *per cent* participating interest (PI) whereas Jubilant and Geo Global Resources (GGR) have 10 *per cent* each. The Minimum Work Programme (MWP) incorporated in the PSC envisaged drilling of 20 exploratory wells in three phases. Although the Company drilled only 16 wells, GoI declared MWP as completed in 2008. There were total nine discoveries in the KG block: three under south western area (termed Deen Dayal West – DDW) and six in other areas of the KG block.

The Declaration of Commerciality (DOC) for three discoveries[11] of DDW was submitted (June 2008) and approved (December 2008) by the Management Committee[12] (MC) and its Field Development Plan (FDP) was submitted in June 2009. The DOC for the remaining six discoveries was subsequently

[9] MB-OSN-2005/5, MB-OSN-2005/6 (Mumbai Offshore) (Non-operator), South Diyur (Egypt) (Operator).

[10] Ankleswar, CB-ONN-2004/1, CB-ONN-2004/2.

[11] Discovery wells KG-08, KG-15 and KG-17.

[12] Management Committee is constituted as per the PSC having members nominated by each contractor and Government of India for overseeing the petroleum operations for each block.

proposed (February 2013) and approved[13] (February 2014) by the MC. However, the FDP in respect of the six discoveries is yet to be submitted (November 2015).

The DDW FDP was planned as the first phase of the combined development of gas from multiple areas in the southern portion of the block. The Company had made three other discoveries[14] in adjoining areas by the time FDP for DDW was prepared and estimated that production from development of these could result in a combined gas production of 400 million standard cubic feet per day (mmscfd). The facilities envisaged in the FDP were therefore initially designed keeping in view the production expected from the development of the other discoveries in the KG block. The FDP for DDW was approved by the MC in November 2009.

The FDP, *inter alia*, included setting up of offshore well head platform and drilling of 11 development wells (in addition to four exploratory wells already drilled, which were to be converted to producing wells). The estimated capital cost of the FDP was US $ 2,751.04 million (₹ 13,122.46 crore at the rate of ₹ 47.70/US $ prevailing then).

As per the approved FDP, the estimated Oil and Gas In Place (OGIP) was 1.952 trillion cubic feet (tcf) with a projected cumulative production of 1.0596 tcf at a recovery rate of 54.3 *per cent*. The FDP had proposed commencement of commercial production by March/ April 2012 but the MC while approving the FDP stipulated the date for commercial production as December 2011.

A flow chart explaining the audit observations in brief on the implementation of FDP for DDW field of KG block is shown as ***Chart 2.2***. The major audit findings on the development of DDW are discussed below:

Viability of the FDP

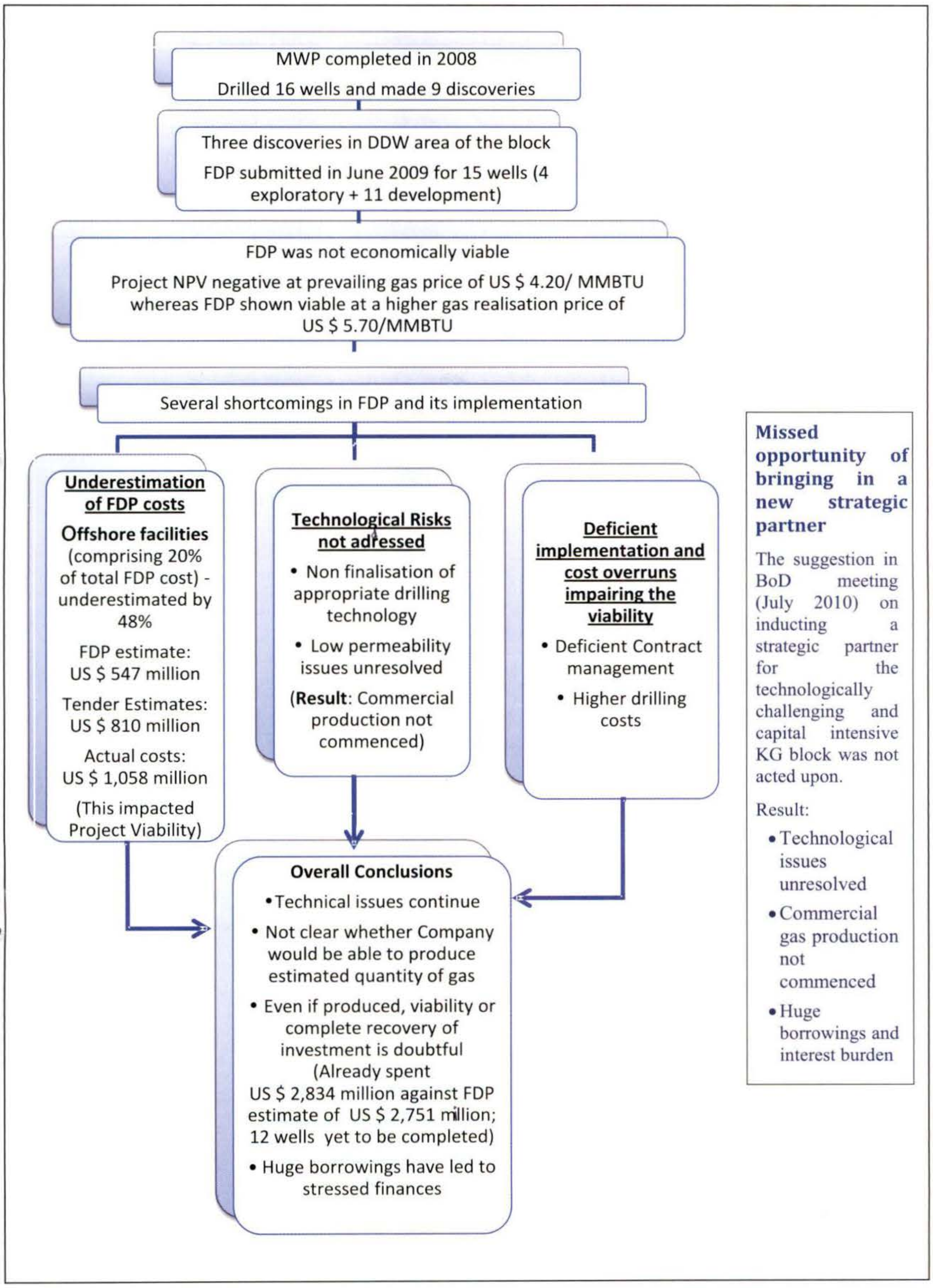
2.8.1 The Company assumed a gas price of US $ 5.7/Million British Thermal Units (MMBTU) for the viability of the project. However, the gas price as per the Government approved formula[15] at the time of preparation of FDP was US $ 4.20/MMBTU. Audit observed that the FDP recognised that the gas price of US $ 4.20/MMBTU showed negative NPV for the project. Thus, the FDP was not economically viable at the prevailing approved gas price. The viability was dependent on subsequent higher price if obtained through Government approval. Thus, Government controlled gas pricing mechanism was a very significant factor which was not addressed in the FDP.

[13] Gas in place of 8.392 trillion cubic feet (tcf) with recoverable reserve of 1.015 tcf (12 *per cent*).

[14] KG 16, KG 22, KG 31.

[15] The formula was finalised in respect of RIL-KG D6 with validity for five years from date of commencement of first commercial production. Subsequent communications indicated that the same gas price was applicable to all NELP contractors. This was a gross price including the royalty payable.

Chart 2.2: Audit Observations on DDW Development



The Management stated (November 2015) that at the time of preparation of FDP it was aware of the GoI pricing policy and the prevailing rate of US $ 4.2/MMBTU but the industry expected gas price deregulation in India and increase in global crude and gas prices. The FDP was prepared and submitted on the assumption that gas price would be revised upward during production phase. The Company was also aware that the PSC provided for sale at arm's length contract and in the price discovery process carried out by the Company it received offers above the floor price of US $ 8.50/ MMBTU subject to the approval of the Government.

Audit is of the view that any price formula discovered by the Company was subject to the approval of the Government. Further, the gas price formula with a base price of US $ 8.50/ MMBTU was not approved by the GoI.

Audit further observed that the gas pricing policy under NELP was due for revision from April 2014. Government of India notified (October 2014) the New Domestic Natural Gas Pricing Guidelines, 2014 applicable to all domestically produced natural gas. The price was to be revised after every six months based on a weighted average of the prices in USA, Mexico, Canada, European Union and Russia. The initial price[16] under the guidelines was US $ 5.05/MMBTU (effective from November 2014) which was revised to US $ 4.66/MMBTU with effect from April 2015 and again revised to US $ 3.81/MMBTU with effect from October 2015. The fact remained that prices were below the FDP estimate of US $ 5.70/MMBTU based on which the project was considered as financially viable. Thus the viability of the project even after commercial production of gas is doubtful.

Further, the viability of the project was further stressed due to underestimation of costs in the FDP, non-addressing the technological risks in the KG block and deficiencies in the implementation of the project. The same are discussed in the subsequent paragraphs.

Cost Estimates in the FDP and actual expenditure

2.8.2 As against the capital cost of US $ 2,751.04 million (₹ 13,122.46 crore) estimated in the FDP, the cost[17] incurred in the block up to 31 March 2015 was US $ 3,418.45 million (₹ 17,025.45 crore including the exploration costs). The major components of costs are given below:

[16] Gross gas prices.
[17] Cost of block indicates total expenditure including JV partner share (excluding borrowing costs).

Table 2.2: Comparison between FDP estimates and Actual costs up to March 2015

Project component	FDP (in million US $)	Actual (in million US $)	FDP estimate[18] (₹ in crore)	Actual (₹ in crore)
Well Head Platform	387.00	261.66	1,845.99	1,263.95
Process cum Living Quarters Platform		375.85		1,975.00
Subsea Pipe line	160.00	420.45	763.20	1,887.66
Onshore Gas Terminal	304.00	327.12	1,450.08	2,015.65
Development Drilling	860.00 (for completion of 15 wells)	344.40 (for 3 completed and 4 wells in progress)	4,102.20 (for completion of 15 wells)	1,979.05 (for 3 completed and 4 wells in progress)
Exploration Costs	950.00	950.00	4,531.50	4,531.50
Geology and Geophysics (G&G) cost and other costs	90.04	154.34	429.49	989.11
Total (for DDW area)	**2,751.04**	**2,833.82**	**13,122.46**	**14,641.92**
Exploration costs[19] (other than DDW)		**584.63**		**2,383.53**
Total (for KG block)		**3,418.45**		**17,025.45**

Source: FDP and JV Annual accounts for KG block

Cost of Offshore Facilities

2.8.3 The details of FDP estimates of offshore facilities as per parameters originally envisaged and actual contract award costs as per subsequent revised parameters after change in design of offshore facilities are given below:

Table 2.3: Offshore facilities -Estimates and parameters

(in million US $)

Offshore facilities in KG block	Original Parameters in FDP	Cost under FDP	Cost Estimates during tendering (2009-10)	Revised parameters due to higher costs (2010)	Actual contract award costs
Well Head Platform (WHP)	Capacity for gas production of 200 mmscfd	387	183	Capacity for gas production of 200 mmscfd	233
Process cum Living Quarters Platform (PLQP)	Capacity for gas production of 400 mmscfd		627	Capacity for gas production of 200 mmscfd	317
Subsea Pipeline (SP)	24" pipeline (for gas production up to 400 mmscfd)	160		20" pipeline (for gas production up to 400 mmscfd)	180
Total		**547**	**810**		**730**

Source: Information furnished by the Company

Audit noticed that the Company had underestimated the costs for the offshore facilities as the estimates at the tendering stage for original design parameters were 48 *per cent* above the FDP estimates. The Company had to realign the capacities of its offshore facilities in order to reduce its costs. Despite revision in the design parameters, the contracts were still finally awarded at 33 *per cent* above the FDP estimates.

[18] At the rate of ₹ 47.70 prevailing in June 2009 (Submission of FDP).

[19] Exploration cost of US $ 584.63 million was for appraisal/ exploratory wells in the areas of KG block other than DDW. The Company proposes to submit a separate FDP for these exploratory wells. However, the same is not yet submitted (November 2015).

The initial underestimation of costs affected the overall economics of the project. The realignment of capacities of the offshore facilities also led to shift in the proposed date of commercial gas production in DDW from March/April 2012 to May/June 2013.

The Management stated (November 2015) that the level of engineering definition determines the level of accuracy of cost estimate of any facility and the cost estimate for PLQP in the FDP was based only on a conceptual stage of engineering which resulted in an estimate with a low accuracy level. It was stated that any attempt to improve accuracy level by firming up engineering details would have required additional time of at least one year leading to delay in the submission of FDP. Further, the variation between cost under FDP and actual contract award costs was only seven *per cent* of FDP estimate (US $ 2,751.04 million) which would be taken care of by sensitivity analysis.

It may be mentioned that the FDP formed the basis for the development of the entire project and there could not be any trade-off between delay and accuracy. The comparison between the FDP estimate and actual award for offshore facilities being only seven *per cent* of total FDP estimate does not take into account the fact that contract award costs are for facilities with reduced parameters. The underestimation is evident from the fact that the actual cost incurred for the creation of offshore facilities was US $ 1,057.96 million (₹ 5,126.61 crore) which was 93 *per cent* higher than the FDP estimates.

Technological risks in DDW leading to uncertainties

2.8.4 The DDW field has High Pressure High Temperature (HPHT) conditions and low permeability. A well in HPHT field is characterised by high pressure which could reach or exceed 705 kg per cm^2 (10,000 pounds per square inch) and temperature exceeding 150° C. Permeability determines the ease with which the reservoir fluid can move out or flow within the rock into the well.

The FDP recognised the HPHT and low permeability characteristics and specific uncertainties regarding permeability of the DDW field. Testing done during drilling in four wells (KG-8, KG-17, KG-15 and KG-28) also showed low values of permeability. Production rate is most impacted by reservoir permeability and connectivity. The FDP proposed to address production rate by employing well bore designs and completion techniques to maximise bore contact with the reservoir. The FDP was justified on the assumption that proven operational and technological means to develop HPHT reservoirs like DDW are readily available and that production of 200 mmscfd could be achieved using appropriate drilling and completion techniques.

The technological uncertainties noticed in Audit are enumerated below:

- The Company expected that drilling of slant/ multilateral wells[20] would be sufficient to resolve the low permeability issue of the field and obtain the

[20] Slant wells are slanting and multilateral wells involve drilling two or more wells from a single surface location, i.e., commencing as a single well and bifurcated after reaching a depth.

targeted production rate. Even though FDP recognised that hydraulic fracturing (HF)[21] was a technically feasible option, it was not included in the FDP as evaluation of HF done in the area was not available at the time of preparation of FDP.

However, there was uncertainty with respect to the success of the multilateral wells as evident from the fact that the FDP considered using HF if the multilateral wells failed to meet the targeted production.

- Subsequently, based on further studies to solve the low permeability problems, the Company awarded (October 2012) contract for carrying out HF jobs in six development wells. HF was initially attempted (August/September 2013) in one well (DDW D3) and failed to produce any result. A study on the failed job indicated (June 2014) that the main reason for failure could be the use of inappropriate fracturing fluid. Thereafter two wells (DDW D1 and D2) were completed without hydraulic fracturing.

- Despite the basic assumption of availability of appropriate technology at the time of preparation of FDP, the successive changes in approach for resolving the issue of low permeability and their outcome indicate that the Company is still not clear on how to obtain the proposed production rate from the wells. Audit noticed that the Board was apprised (May 2015) that the Company had not developed suitable drilling technology during the exploration phase and data gathering during the exploration stage was inadequate and these created problems in development operations.

Audit observed that the trial production from the DDW field commenced in August 2014, but the average production achieved in March 2015 was only 19.45 mmscfd (total targeted commercial production from DDW is 200 mmscfd). Commercial production has not commenced (November 2015) as production rate has not yet stabilised.

The Management stated (November 2015) that from the lessons learnt during the drilling of exploratory and development wells, changes in design of the well, specifications for casings and chemicals and completion strategy were envisaged. It also stated that by doing HF and multiple wells there would be increase in productivity, increase in reserve at low cost and thereby the complete recovery of investment was certain.

The fact remains that the technological issues are unresolved as on date (November 2015).

Award of work to a contractor not technically qualified

2.8.5 For implementation of the FDP for the KG block (DDW), the Company issued (April 2009) tender for Platform rigs[22] and the Company awarded (March 2010) the contract to Tuff Drilling (Consortium of Tuff Drilling Private Limited and Spartan Offshore Drilling). Audit noticed that

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21 Hydraulic fracturing is the process of pumping fluid into a well to improve productivity in a low permeability reservoir.

22 Rig to be fixed and operated from the Well Head Platform.

Tuff Drilling had not designed, engineered or constructed a modular platform rig on its own. Further, on the clarification sought by the Company while evaluating the bid documents, Tuff Drilling replied that their subcontractor had relevant experience, which was accepted by the Company despite the tender condition for considering the experience of individual consortium members in case of Special Purpose Vehicle or joint venture companies. Thus, Audit is of the view that the technical qualification of Tuff Drilling was not according to the tender conditions.

Further, Audit observed that the well head platform from which the platform rig was to operate was expected to be ready for drilling (RFD) by March 2011 and the rig was to be mobilized by that time. As Tuff failed to mobilize the rig by the stipulated time (February 2011), the Company awarded (April 2011) the work to Nabors Drilling International (L-2 of the tender) and their rig was mobilized by February 2012. As the Well Head Platform was RFD by May 2011, the Company had to deploy a costlier Jack-Up rig for drilling the development wells during the period September 2011 to January 2012, which resulted in an additional expenditure of US $ 6.812 million (₹ 34.20 crore at the average rate of ₹ 50.20/US $).

The Management stated (November 2015) that the technical qualification was based on the experience of Spartan Offshore Drilling (SOD), a Consortium partner in designing, constructing and operating offshore rigs and that of the members of its senior management in modular rig construction. It was also considered that the Consortium had constructed eight rigs and that the Consortium gave the option of buying back the rig at a reduced price.

However, Audit is of the opinion that the tender conditions stipulated experience in both operating offshore rigs and building and operating offshore modular platform rigs. Neither of the Consortium partners had experience in designing, constructing and operating modular platform rig. The experience of individual members of senior management was not a consideration relevant to the tender and the eight rigs constructed by the Consortium as stated above were by a subcontractor and not a Consortium member.

Avoidable expenditure in offshore facilities

2.8.6 The actual cost of constructing a Subsea Pipeline increased from US $ 160 million (₹ 763.20 crore) to US $ 420.45 million (₹ 1,887.66 crore) mainly on account of avoidable payment of standby charges of ₹ 541.68 crore to the contractor as the Company did not obtain the required forest/wildlife clearance. This was already reported as ***Paragraph no. 3.6*** of Audit Report (PSUs)-Government of Gujarat for the year ended on 31 March 2014.

Audit further noticed that as the Company did not obtain the above forest/wildlife clearance, the pipeline laying schedule at PLQP location got shifted (December 2012 to March/April 2013). As a result, the barges of WHP-PLQP work had to be kept on standby during March–April 2013 in order to make the work front available for Subsea Pipeline work. The Company thus had to make payment of standby charges of US $ 11.12 million (₹ 68.32 crore) in respect of the WHP-PLPQ contract.

Cost overruns in drilling development wells

2.8.7 As per the FDP, the total estimated cost for 15 wells was US $ 860 million. The FDP envisaged meeting the requirement of 15 wells through completion of four existing wells (estimated cost US $ 70 million), drilling of three wells using jack up rig (estimated cost US $ 270 million) and balance eight wells by platform rig (estimated cost US $ 520 million). As per the FDP, six wells[23] had to be completed by the time of commencement of production.

Audit observed that the Company could not re-enter and complete any of the existing wells on account of drilling complications. Two development wells (DDW D1 and D3) were completed in June 2014 and test production commenced in August 2014. Drilling of one more well (D2) was completed and put under test production in September 2014. The three wells were completed at a cost of US $ 294.59 million which was nine *per cent* higher than well drilling costs under FDP. The drilling of four wells was in progress (August 2015).

The Management stated (November 2015) that the costs overrun was due to unplanned Drill Stem Testing (DST) and non-productive time on account of multiple tool failure, side track, completion problems and others.

However, the fact remains that all the 15 wells were to be completed by June 2015 as per the FDP, against which only three wells had been completed (November 2015). In view of the technological issues, the overall cost overrun in drilling would emerge only on completion of all the wells.

Present Status

2.8.8 The test production of gas in DDW commenced in three wells (August/ September 2014) and the commercial production has not been started due to non stabilisation of production. The Company sold the test gas to Gujarat Narmada Valley Fertilizers and Chemicals Ltd.

As of March 2015, the Company had already spent US $ 2,833.82 million (₹ 14,641.92 crore) for development of DDW area as against the FDP estimate of US $ 2,751.04 million (₹ 13,122.46 crore). As per the requirement of the FDP, twelve more development wells[24] are yet to be completed which would further escalate the project cost.

Overall conclusions on development in the KG block

2.8.9 The DDW is still under test production of gas (November 2015) as against the MC stipulated date of December 2011 for commencement of commercial production. Audit noticed that the Company did not adequately evolve the technology for obtaining the required production rate from the DDW field at the time of exploration and uncertainties regarding technology were still unresolved.

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[23] Completion of three out of four existing wells and three development wells.

[24] Four wells D4 to D7 in progress.

After the revision of gas pricing under the New Domestic Natural Gas Pricing Guidelines 2014, the financial viability of the project after commercial production remains doubtful as per the prevailing market scenario.

The Company had discussed the issue of going for a strategic partner in July 2010. However, no action was taken on this at an appropriate time. The Board belatedly constituted (May 2015) a Committee of Directors for exploring strategic options with regard to KG block like farming out Participating Interest, identifying strategic partner, financial partner etc., in view of the heavy financial burden resulting from the KG block. The Board of Directors on recommendations of the Committee decided (July 2015) to incorporate a Special Purpose Vehicle as subsidiary of the Company for hiving off KG block and it was also decided to simultaneously pursue the option of direct acquisition of Participating Interest in the block by a strategic investor.

The Company did not address properly the risks associated with cost, technology and gas pricing. This has resulted in uncertainty regarding the future prospects from the KG block where an investment of around ₹ 19,576 crore[25] was made as of March 2015. The development costs incurred in the block also resulted in increased borrowings and stressed finances for the Company.

The Management stated (November 2015) that the Company had initiated to get strategic partner with National/ International E&P majors for technical alliances and financial support and as a prerequisite an international consultant was engaged to estimate the gas and condensate in place and recoverable reserve for valuation of asset.

Production

2.9 Production activities include all the operations conducted for the purpose of producing petroleum or related products after the commencement of commercial production.

As on 1 April 2011, the Company had a total of 14 producing blocks. During the period 2011-15, the Company started production from three blocks[26] whereas one producing block (Sabarmati) was surrendered on account of negative cash flow. As on 31 March 2015, the Company had 16 blocks under production.

Proved and Probable (2P) reserves

2.9.1 Proved reserves of petroleum are reserves which on the basis of available evidence are virtually certain to be technically and economically producible (i.e. having a better than 90 *per cent* chance of being produced) and probable reserves are those which are not yet proven but which are estimated

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25 Approximately 80 *per cent* of ₹ 17,025 crore *plus* ₹ 5,971 crore borrowing costs capitalised for KG block.

26 2013-14: Ankleshwar, 2014-15: CB-ONN-2004/1 and CB-ONN-2004/2.

to have a better than 50 *per cent* chance of being technically and economically producible. The Company included in its annual accounts, the details of the proved and probable reserves of those blocks which have commenced commercial production.

Table 2.4: Proved and Probable reserves of the Company

Particulars a	Opening Balance (01.04.2011) b	Addition c	Production d	Closing balance (31.03.2015) e = (b+c-d)
Oil (in million MT)	1.49	0.07	0.18	1.38
Gas (in MM^3)	507.91	76.12	326.11	257.92

Source: The Company's Annual Accounts

As given in the table above, the 2P reserves of the Company as on 31 March 2015 were 1.38 million MT of Oil and 257.92 million cubic metres (MM^3) of Gas. As per the approved FDP (November 2009), DDW area of KG offshore block had an estimated recoverable gas reserve of 1.0596 tcf (30,004 MM^3). The estimated reserve is approximately 116 times of the existing gas reserves of the Company. However the commercial production from the block could not be started (November 2015) as already mentioned at ***paragraph 2.8.4 and 2.8.9*** above.

Performance of gas and oil producing blocks

2.9.2 The year wise details of production, cost of production, revenue and profit/loss are given in the table below:-

Table 2.5: Revenue and profits from producing blocks (Company's share)

Particulars	2011-12		2012-13		2013-14		2014-15	
	Oil	Gas	Oil	Gas	Oil	Gas	Oil	Gas
Production (Qty) oil in MMT/Gas in MM^3	0.05	119.24	0.05	98.31	0.04	58.35	0.04	50.21
Total sales (₹ in crore)	230.30		220.56		189.10		152.51	
Total production expenditure (includes duties and taxes, depletion cost and others) (₹ in crore)	157.22		176.80		157.29		150.48	
Profit (without reckoning interest and finance charges) (₹ in crore)	73.08		43.76		31.81		2.03	

Source: The Company's Annual Accounts

During 2011-15, the revenue from production activity was reduced from ₹ 230.30 crore to ₹ 152.51 crore (i.e. by 33.78 *per cent*) due to reduction in prices of Oil and reduction in production of gas from 119.24 MM^3 to 50.21 MM^3. Hazira block was the main gas producing block contributing 110 MM^3 out of 119.24 MM^3 produced in 2011-12 which declined to 36.9 MM^3 in 2014-15. The reduced gas production from Hazira block during the period was due to the natural and gradual decline of reserves and productivity.

Audit noticed that the sale quantity of test gas from KG block for 8 months (August 2014 to March 2015) itself was 64.81 MM^3 which was more than the combined production of 2014-15 from all producing blocks of the Company indicating the significance of the KG block in the Company's portfolio.

Planned and actual production

2.9.3 Audit selected four producing blocks[27] (02 operator and 02 non-operator blocks) for test check. The planned and actual production in these blocks (including JV partners share) was as under:-

Table 2.6: Production of selected producing blocks during 2011-15

Sl No	Name of the block	Gas (in million SCM)		Oil (in bbls)	
		Plan	Actual	Plan	Actual
1	Hazira	351.61	425.65	3,09,911	3,83,118
2	Bhandut	3.30	0.00	2,538	1,466
3	Tarapur	27.02	19.65	1,67,888	1,18,341
4	Ankleshwar	0.09	0.08	17,500	13,292
	Total	**382.02**	**445.38**	**4,97,837**	**5,16,217**

SCM – Standard Cubic Metre , bbls - Barrels
Source: Information furnished by the Company

The planned production for gas and oil was achieved in the Hazira block. In Bhandut block, the planned gas production could not be achieved due to delay in commencement of production and the oil production had ceased from October 2011. In Tarapur block, the reasons for non achievement of planned production of oil and gas were delay in installation of Sucker Rod Pump (SRP) units and their frequent failures and absence of potential gas buyer in nearby area. In Ankleshwar block, the planned production for gas was almost achieved and the main reasons for non achievement of planned production for oil in this block were non continuous flow on account of reservoir property and delay in installation of artificial lifting despite specific provision in the Field Development Plan.

Surrender of Blocks

2.10 If the Company during the exploration phase does not meet with any success in discovery of oil and gas, then the JV partners for the respective block can surrender (or relinquish) the block under the provisions of the respective PSC / CA. Based on an analysis of the risks and returns expected and low prospects of the block, the JV partners arrive at a conscious decision to surrender a block in the Operating Committee (OC) meeting which is forwarded to the Management Committee (MC) or any other regulatory committee of the respective block for further approval. Subsequently, the Government approves the surrender / relinquishment of the block. Further, decisions, if any, of the Company to transfer its entire participating interests (PI) in the blocks to other JV partners are approved by OC resolutions. Thus, we have considered a block as surrendered when the OC approves the proposal for surrender of a block or the decision of the Company for transfer of PI has been taken.

Status of Surrender of blocks

2.10.1 Out of the 64 blocks on hand as on 1 April 2011, during the period 2011-15, the Company surrendered 37 blocks which included 10 overseas and 27 domestic blocks and had written off exploration expenditure worth

[27] **Operator**: Ankleshwar and Tarapur, **Non-operator**: Hazira and Bhandut.

₹ 2,514.65 crore for 29 surrendered blocks (₹ 1,734.12 crore for overseas blocks and ₹ 780.53 crore for domestic blocks). Audit observed that as per OC resolutions and information from JV accounts, in respect of remaining eight blocks[28], the decision for surrender was made, but the Company was yet to write off the expenditure of ₹ 478.07 crore for these blocks as of March 2015 (₹ 454.73 crore for seven domestic blocks and ₹ 23.34 crore for one overseas block in Indonesia).

Surrender – Domestic operations

2.11 The Company had 53 domestic blocks (nine operator and 44 non-operator) on hand as on 1 April 2011. Out of these, during the period 2011-15, the Company had surrendered 27 blocks (one operator and 26 non-operator).

Review of five test-checked blocks[29] revealed that all these were surrendered after the completion of MWP as there were no commercial discoveries. We observed that there were delays in completion of MWPs and the MWPs were completed after an extension ranging from nine to 14 months.

Surrender - Overseas Operations

2.12 The overseas blocks surrendered during 2011-15 are as follows:

Table 2.7: Expenditure incurred in surrendered overseas blocks up to March 2015

Sl. No	Name of the Block	GSPC PI (In %)	Date of PSC/ CA (DDMMYY)	Date / Period of surrender	Completion of MWP (Yes / No)	Block Expenditure (million US $)		Expenditure by GSPC (₹ in crore)
						MWP	Actual	
Operated Overseas Blocks								
	Egypt Region							***1,690.51***
1	North Hap'y	80*	09-03-08	Aug-14	Yes	150	263.98	1,273.74
2	South Diyur	80*	09-03-08	Feb-14	Yes	45	45.55	296.68
3	South Gulf of Suez	60	08-04-10	Jan-15	No	22	2.72	99.06
4	South Sinai	50	Not signed	BoD Decision (April 2013)	NA	29	NA	10.46
5	South Quseir	50	Not signed		NA	35	NA	10.57
	Yemen Region							***43.07***
6	Block - 19	45	17-03-09	Feb-13	No	16	6.46	16.08
7	Block - 28	45	17-03-09		No	13	6.33	15.81
8	Block - 57	45	17-03-09		No	13	5.97	11.18
	Indonesia Region							***23.34***
9	South East Tungkal	50.5	13-11-08	Nov-14	No	7.5	6.06	23.34
Non Operated Overseas Blocks								
	Australia Region							***0.54***
10	WA-388 Block	8.4	28-08-06	Sep-12	Yes	AUD 23.5	AUD 29.28	0.54
	Total expenditure							**1,757.46**
	Total expenditure written off							**1,734.12**

* including 30 *per cent* PI of Geo Global Resources (GGR) taken over by Company
Source: Information provided by Company

As can be seen from the table above, nine blocks in which the Company was operator in Egypt, Yemen and Indonesia were surrendered during the period of

[28] Sabarmati, CY-DWN-2004/3, CY-PR-DWN-2004/1, MB-OSN-2005/5, MB-OSN-2005/6, CB-ONN-2005/10, AA-ONN-2003/1 and South East Tungkal-Indonesia.

[29] **Operator:** MB-OSN-2004/1; **Non Operator:** MB-OSN-2004/2, KG-DWN-2004/6, MB-OSN-2005/5, MB-OSN-2005/6.

audit while in Australia one block (WA-388-P) in which the Company was non-operator was surrendered.

2.12.1 Out of the 10 overseas blocks surrendered during 2011-15, three blocks[30] were surrendered due to the deteriorating law and order situation in Yemen and five blocks[31] were surrendered due to higher exploration costs which made the blocks commercially unviable for exploration. The total expenditure incurred for these eight blocks was ₹ 187.04 crore. Besides these, the major expenditure (₹ 1570.42 crore) was incurred in North Hap'y and South Diyur blocks of Egypt which are discussed in the succeeding paragraphs.

North Hap'y Block

2.12.2 The Company and its JV partners[32] had signed (March 2008) Concession Agreement (CA) for the North Hap'y Block with a minimum work programme (MWP) involving financial commitment of US $ 150 million (₹ 603.45 crore at the rate of ₹ 40.23/US $ prevailing on signing of CA). The Company completed (October 2012) the MWP for the block with a delay of seven months against scheduled date of completion of March 2012 as per the CA. Further, as the discoveries were found to be not commercially viable the Company finally decided (November 2013) to surrender the block.

The following was observed as regards the various stages of implementation of the MWP.

3D seismic data processing

3D API refers to acquisition, processing and interpretation of seismic data to identify prospects for hydrocarbons

2.12.2.1 The Company planned to complete 3D seismic data processing by December 2009[33] in order to complete the data interpretation and commence the drilling activity from September 2010 as per MWP. The due date of completion of data processing was subsequently shifted to September 2010 due to change in the method of processing of data. However, the work was actually completed in February 2011.

The availability of processed 3D seismic data was essential for further interpretation work and finalisation of exploration strategy. The delay in processing of 3D seismic data led to an overall shift in the schedule for commencement of drilling as the exploration strategy could not be finalised. As a result, the initial tender invited (August 2009) for hiring of rigs for the drilling activity had to be cancelled (January 2010).

The Management stated (November 2015) that the processed 3D seismic data was provided to 3D interpretation consultant in a phased manner from September 2010 to February 2011 in order to avoid any further delay in drilling plans.

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[30] **Yemen Region**: (i) Block 19, (ii) Block 28, (iii) Block 57.

[31] **Egypt Region**: (i) South Gulf of Suez, (ii) South Sinai, (iii) South Qusier, **Australia Region**: (iv) WA-388P Block, **Indonesia Region**: (v) South East Tungkal.

[32] JV partners for North Hap'y Block – (i) GSPC (Operator) (ii) GGR (iii) Alkor Petro.

[33] Date of completion as per original work order to CGG Veritas.

The reply does not appear to be convincing as despite providing the processed data in phases, the interpretation could be completed only in May 2011 due to non availability of the complete processed data leading to overall delay in commencement of drilling operations.

Commencement of drilling

2.12.2.2 After cancellation of the original tender for drilling rig, the Company invited a second tender in July 2010. However, due to delay in 3D data API, the drilling prospects were not identified and the drilling schedule was again shifted to August 2011. The rescheduling was not accepted by the bidder which resulted in cancellation of the second tender. In view of the exigency of the need for timely completion of MWP, the work was finally awarded (July 2011) at an estimated cost of US $ 89.55 million as against the original estimated cost of US $ 68.04 million.

The delay in 3D API activities and consequential delay in drilling activities led to shift in drilling commencement schedule from April 2011 to December 2011 which resulted in cost overruns in view of additional expenditure worth (estimated) US $ 21.51 million[34] (₹ 90.85 crore) being the difference in the estimated costs for hiring of rigs during second tender and the actual rig contract costs.

The Management stated (November 2015) that the second tender in July 2010 for hiring of rigs was with an intention to commence drilling in April 2011. As the contracts for materials related to drilling rig were awarded during February/March 2011 and its delivery was not expected before July 2011, the Company had revised its drilling commencement schedule to July/August 2011 which was not acceptable to the bidder. As the drillable prospects would not be ready by March 2011, the hiring of rig would have led to huge standby costs.

It may be mentioned that the delay in finalisation of drilling prospects was attributable to the delayed execution of 3D data API work by the Company as explained in ***paragraph 2.12.2.1***.

Drilling operations - Cost overruns

2.12.2.3 For drilling five exploratory wells, the Company had estimated cost of US $ 141.62 million with a period of 176.8 days. However, the actual drilling along with associated activities was conducted in 297.7 days which led to total cost of US $ 192.58 million.

There were delays in drilling operations due to problems related to breakdown and repairs of Blow Out Preventer Equipment on Rigs. This along with the testing carried in one exploratory well led to the increase in the drilling campaign time and the drilling activity under MWP was completed only in October 2012.

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[34] US $ 89.55 million (₹ 397.51 crore at the prevailing rate of ₹ 44.39/US $) *less* US$ 68.04 million (₹ 306.66 crore at the rate of ₹ 45.07/US $ prevailing in December 2010 during commercial bid opening).

Financial implications due to time and cost overruns

2.12.2.4 Audit observed that the delays in execution of MWP led to huge cost overruns and the Company incurred US $ 263.98 million which was 76 *per cent* higher than the committed expenditure of US $ 150 million.

The Management stated (November 2015) that the cost overrun was mainly due to escalations in the prevailing market rate of all services relating to drilling activities including drilling rigs during award of contracts. Further, the unrest/ revolution in Egypt completely disrupted the drilling schedule deadline of April 2011 and the unstable Government and disruptions in the post revolution period affected the project planning and execution.

However, Audit is of the view that the market related cost escalations resulting from time overruns were due to avoidable delays and non synchronisation of activities in the implementation of the MWP. Further, the shift in drilling commencement from original September 2010 (under MWP) to December 2011 (when drilling actually commenced) was mainly on account of delay in finalisation of drilling prospects.

South Diyur block

2.12.3 The Company and its JV partners[35] executed (March 2008) a Concession Agreement (CA) with Egyptian authorities for the block with exploration phase I of four years which was extended up to February 2014 due to *force majeure*. The Company completed the MWP in October 2013 and decided to call off the campaign in the block in view of negative results in exploratory wells. The Company finally surrendered (February 2014) the block.

As per the CA, the contractor (the Company) had to spend a committed amount of US $ 45 million in exploration phase-I along with completing the MWP. If the expenditure at the end of exploration phase was less than US $ 45 million (₹ 181.04 crore at the rate of ₹ 40.23/US $ on signing of CA); such sum of deficiency was to be paid to GANOPE[36] (regulator).

Audit noticed the following regarding implementation of exploration operations in the block:

- The Company had incurred expenditure of US $ 40.29 million up to February 2014 which was claimed (April 2014) from the regulator. The regulator forfeited an amount of US $ 10.36 million (₹ 63.90 crore at the prevailing rate of ₹ 61.68/US $) from the Bank Guarantee (BG) furnished for the block. This included US $ 4.71 million towards the shortfall in the committed amount and US $ 5.65 million (₹ 34.85 crore) towards disallowances due to non adherence to procedural requirements and technical assessments of the regulator.

[35] JV partners for South Diyur Block – (i) GSPC (Operator) (ii) GGR (iii) Alkor Petro.
[36] Ganoub El Wadi Holding Petroleum Company.

- The total expenditure incurred on the block was US $ 45.55 million (₹ 233.58 crore at the average rate of ₹ 51.28/US $ from March 2008 to December 2014) up to December 2014. The difference between the expenditure claimed (US $ 40.29 million) and expenditure incurred (US $ 45.55 million) was mainly on account of loss of US $ 3.29 million (₹ 19.77 crore at the rate of ₹ 60.08/US $ during June 2014 when materials were sold) incurred on the disposal of excess material procured by the Company due to deficient planning.

The Management stated (November 2015) that purchase orders for all major materials were issued prior to rig contract to ensure availability of materials and to avoid standby charges of rig on waiting for materials. It was also stated that materials were left over from the drilled wells due to encountering of basement at shallow depths.

It may be mentioned that had the procurement of materials been done in a phased manner expenditure on excess material could have been avoided.

Overall conclusions on overseas blocks

2.12.4 Audit observed that the Company went ahead acquiring overseas blocks during 2006-10 mainly as an operator with considerably high participating interests without any prior experience as an overseas operator. The Company had (March 2006) eight producing blocks[37] with relatively smaller reserves of which the Company was the operator only in one block. Thus, the Company had a limited experience as a successful operator of petroleum blocks even in the domestic arena. The delayed execution of the work committed resulted in cost escalations in overseas blocks. Further, the Company had to face difficulties under the strict regulatory environment in overseas which led to disallowance of expenditure incurred by it and legal difficulties. This was further compounded by international events like unrest in Yemen. The total expenditure incurred for the 10 surrendered overseas blocks was ₹ 1,757.46 crore, of which ₹ 1,734.12 crore has been written off.

Financial Position

Financial Position and working results

2.13 The segment information of the Company (referred to at ***paragraph 2.1.1***) showed the segment-wise revenue, profit/loss and the segment-wise assets and liabilities. The overall financial position and working results of the Company for the period 2010-15 are tabulated below:

[37] **Non Operator:** Hazira, Bhandut, Cambay, Sabarmati, Asjol, North Balol, Palej.
Operator: Unawa.

Table 2.8: Financial position for last five years

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Shareholders' Funds (Capital)	4,222.84	4,832.72	6,472.43	7,170.92	7,417.52
Long Term Borrowings	4,146.35	5,933.83	11,151.83	12,293.88	14,350.87
Short Term Borrowings	2,980.32	3,790.01	2,748.82	3,704.06	5,365.40
Other Liabilities	1,140.94	1,856.90	1,654.49	1,705.46	2,087.85
Total	**12,490.45**	**16,413.46**	**22,027.57**	**24,874.32**	**29,221.64**
Net Fixed Assets and CWIP	10,217.87	13,268.51	18,047.29	20,426.55	22,870.16
Other Assets	2,272.58	3,144.95	3,980.28	4,447.77	6,351.48
Total	**12,490.45**	**16,413.46**	**22,027.57**	**24,874.32**	**29,221.64**

Source: Annual Accounts of the Company

Table 2.9: Financial performance for last five years

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Total Income	**4,805.99**	**8,534.80**	**10,303.79**	**12,037.82**	**11,037.90**
Financial Cost	41.74	62.97	93.37	33.82	51.03
Exploration Cost written off	62.96	339.35	51.60	1,610.69	513.03
Other expenses (incl. adjustments)	4,298.07	7,190.93	8,911.68	10,296.30	10,442.13
Total Expenses	**4,402.77**	**7,593.25**	**9,056.65**	**11,940.81**	**11,006.19**
Profit before tax	**403.22**	**941.55**	**1,247.14**	**97.01**	**31.71**
Tax expenses & related expenses	80.27	333.81	400.57	61.52	8.01
Profit for the period	**322.95**	**607.74**	**846.57**	**35.49**	**23.70**
Other Parameters					
Earnings Before Interest & Tax	444.96	1,004.52	1,340.51	130.83	82.74
Borrowing Costs Capitalised	589.74	918.74	1,136.24	1,504.20	1,753.03
Total Interest Costs	631.53	981.71	1,229.61	1,538.02	1,804.06

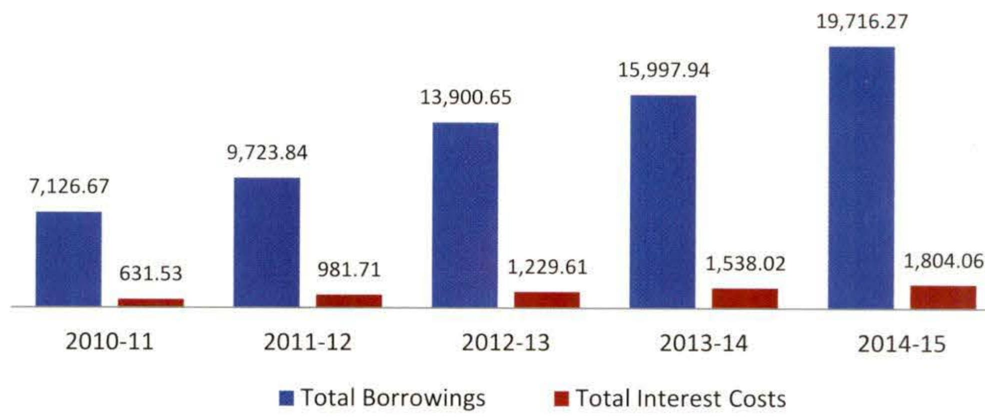
Source: Annual Accounts of the Company

The net profit of the Company reduced drastically in 2013-14 and 2014-15 as the Company had to write off exploration expenditure worth ₹ 1,610.69 crore and ₹ 513.03 crore respectively in view of the surrender of various E&P blocks.

Huge borrowings and increased interest burden

2.13.1 As on 31 March 2011 the total borrowings of the Company were ₹ 7,126.67 crore which had increased by 177 *per cent* to ₹ 19,716.27 crore as on 31 March 2015. The details of the borrowings of the Company and the resultant interest costs during 2011-15 are depicted in the chart below:

Chart 2.3: Borrowings and Interest Cost during 2011-15 (₹ in crore)



Audit observed that as a result of debt restructuring and raising long term borrowings using different long term debt instruments the Company was successful in reducing the average interest cost for borrowings from 11.65 *per cent* during 2011-12 to 10.10 *per cent* during 2014-15. However, due to overall increase in the borrowings, the total interest burden had increased over the four year period from ₹ 981.71 crore in 2011-12 to ₹ 1,804.06 crore in 2014-15. Of this, the major portion of borrowings was to finance the KG Block development activities.

Finances relating to KG block development

2.13.2 As the KG block had not yet (August 2015) started commercial production, the interest costs allocable to KG block worth ₹ 1,616.42 crore for the year 2014-15 were capitalised to the KG block in the books of accounts. In the event of start of commercial production during 2015-16, the entire interest relating to KG block would be charged to profit and loss (P&L) account. The preliminary estimates in the budget for the year 2015-16 indicate that the revenue from KG block might not be sufficient to meet the interest service obligations. Hence, considering the quantum of borrowings and associated interest costs for the Company, adequate and sustained production of gas from KG block would be required in future to sustain the financial position of the Company.

The Company on realizing the cost, technological and price related risks could have reduced their interest burden through greater equity infusion or seeking a financial partner.

The Management stated (November 2015) that the project revenue stream curve was similar to project life cycle wherein in the initial years of operations revenue grows till it reaches the peak. Thus, when the Company declares the commercial operation of KG DDW the initial revenue might not meet the debt servicing requirement; but once revenue stream reaches peak there would be sufficient margin to improve overall project financials.

Audit is of the view that project revenue stream curve reaching the peak was contingent on the production reaching the peak and as per FDP the peak production was to start from third year after commencement of commercial production. However, till date (November 2015) the Company has not declared commercial commissioning. Further, the increased costs will also have a bearing on the profitability through higher depreciation and interest costs.

Receipt of dues from Joint Venture (JV) partners in operated blocks

2.13.3 As per the accounting procedure indicated in the Joint Operating Agreements (JOA) between JV partners, the operator shall raise funds for E&P operations through cash calls[38] and Joint Interest Billings[39] (JIBs).

Audit reviewed the JIBs of six test-checked blocks wherein the Company was an operator and noticed that as on 31 March 2015 the outstanding dues recoverable from the JV partners were ₹ 2,329.52 crore, of which ₹ 2,319.43 crore was in respect of three blocks as discussed below:

Table 2.10: Details of outstanding dues in three blocks

Name of block	JV Partners	Outstanding amount (₹ in crore)	Reasons
KG block	GeoGlobal Resources (India) Inc	1,734.60	Dispute between JV partners in relation to sharing of exploration costs incurred for the block under a separate agreement[40].
	Jubilant Offshore Drilling Pvt Ltd. (Jubilant)	313.65	Jubilant stopped making payment since October 2013 citing various procedural lapses. In spite of the fact that the Company was not agreeing with view of Jubilant, it had not claimed interest for the default.
North Hap'y	Alkor Petro	223.36	JOA was belatedly executed after 3 years from Concession Agreement. Further, Company had conducted only one and two OC meetings for North Hap'y and South Diyur block respectively. Alkor defaulted payments worth US $ 35.87 million for North Hap'y block and US $ 7.68 million for South Diyur Block citing reasons related to procedures under JOA and OC meetings. Company had filed (January 2015) a case for Arbitration for recovery of dues.
South Diyur	Alkor Petro	47.82	

Source: Information provided by the Company

Procedural lapses like delayed execution of JOA, inadequacy in providing information on operations and in conduct of meetings led to disputes by the non-operator and accumulation of dues. This led to the Company incurring expenditure of ₹ 2,319.43 crore for the share of the E&P activities of JV partners in the operated blocks which had remained unrecovered till date (November 2015).

The Management stated (November 2015) that matter of GGR was pending with MoPNG for transfer of PI to the Company. The Board had directed

38 It means any request for payment of cash made by the Operator, in accordance with an approved work programme and approved budget to the JV partners in connection with JV operations.

39 A statement of cost and expenditure incurred during the previous month, indicating the amount payable by the JV partner after considering the advance received from them for the venture.

40 Dispute on the amount to be borne by the Company in accordance with Carried Interest Agreement.

(August 2015) to have further discussions with Jubilant for settlement and further, interest outstanding of ₹ 5.70 crore as of February 2015 had been claimed from them.

Monitoring of Activities in non operator Blocks

2.14 After allotment of a block, the Joint Venture (JV) partners execute a Joint Operating Agreements (JOA) among themselves which provides the framework of the relationship between the operator and the non-operators. The non-operator can keep itself aware of the activities in those blocks and monitor the activities through participation in the Operating Committee and Management Committee meetings, conducting an audit of JV Accounts maintained by operator and obtaining returns and other information.

Out of the 64 blocks in hand as on 1 April 2011, the Company was non-operator in 50 blocks. The various audit findings related to monitoring of its interests in these blocks by the Company in its role as a non-operator are as follows:

Conducting Audit of Joint Venture accounts

2.14.1 As per the JOA, the operator shall maintain the accounts relating to the JV operations. According to the JOA, the non-operator once per year shall have the right to audit JV Accounts and records relating to the accounting for any year within a 24 months period following the end of such year.

Audit noticed that the Company had not exercised the option of conducting the audit of JV accounts till 2010-11. Subsequently, out of the 50 non-operated blocks, audit of 36 blocks was got conducted (through Chartered Accountants). In case where audits were conducted, there were delays in finalisation of Audit Reports and its circulation to operator / other non operators for their response on the audit observations. Further, the Company did not pursue the Audit Reports.

The Management stated (November 2015) that most of the blocks were allotted during 2007-09 and major activities were carried out in the blocks in 2010-12 and hence the timing of taking up audit was appropriate. The delay in finalisation of reports was due to non receipt of information from the operator. It was also stated that there were enough provisions in the JOA to investigate willful misconduct of operator and hence expiry of 24 months did not come in the way of right of conducting investigations. The Company has relied on the non-operator audit done by other partners for the year it has not conducted the audit.

The reply is not convincing as there were 11 non-operator producing blocks allotted during 1994-2001 for which audit could have been got conducted earlier. The availability of other provisions could not be a plea for not using the JOA provision for audit. Further, the Company did not furnish details of non-operator audit done by other non operators.

Review of continuation/ discontinuation in a block

2.14.2 During the period 2011-15, the BOD of the Company reviewed (May 2015) only once the profitability status of 11 non-operator producing blocks. It was found that as on 31 March 2015, six non-operated producing blocks[41] were loss making.

Audit noticed that out of these six blocks, four blocks were incurring losses since 2011-12. However, Audit did not come across any policy of the Company to review profitability and to consider continuation/discontinuation in the non-operated blocks at regular intervals.

Looking at the continuous losses in these blocks, the BOD had appointed (May 2015) a Committee of Directors for taking necessary action for farming out participating interest in all of the above blocks.

The Management stated (November 2015) that the progress of blocks was discussed with the Company's management including the Managing Director on monthly basis where future prospects were considered taking into account factors such as activities during the year, requisite technology etc. However, no records of any such meetings were furnished to Audit.

Conclusion and Recommendations

2.15 The Company during the audit period surrendered 37 blocks out of 64 blocks in hand as on 1 April 2011. Out of 27 blocks in hand as on 31 March 2015, 16 blocks were under production and 11 blocks were under exploration and development. The major investment by the Company in the E&P segment was done for the development of the KG block. Audit examination of the exploration and development, production, surrender, financial position and monitoring of non-operated blocks revealed several areas requiring attention of Management as given below:

- The Company did not address properly the risks associated with cost, technology and price in development of the KG block. The Field Development Plan for DDW field did not take into account the fact that the project was not viable at the gas prices as per Government approved formula prevalent at that time and the viability was dependent on subsequent higher price if any obtained through Government approved formula for NELP contractors. This has resulted in uncertainty regarding the future prospects in the block where an investment of around ₹ 19,576 crore was incurred. The Company did not act upon the proposal for inducting strategic/ financial partner at an appropriate time in spite of the high costs and technological issues.

  - ***Risks associated with cost, technology and price realisation may be properly considered while venturing into exploration and***

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[41] (i) Allora, (ii) Dholasan, (iii) North Kathana, (iv) Cambay, (v) Bhandut and (vi) Sabarmati block. Two blocks (Allora and Dholasan) were loss making from 2007-08. Bhandut from 2010-11, Cambay from 2011-12, North Kathana was in loss from 2010-11 with intervening period of profit in one year, Sabarmati block was in loss in 2010-11, 2013-14 and 2014-15.

development activities and means of risk mitigation such as induction of strategic / financial partners may be considered timely wherever necessary.

- The Company went ahead acquiring the overseas blocks during 2006-10 mainly as an operator with considerably high participating interests without any prior experience as an overseas operator. The delayed execution of the work committed resulted in cost escalations in these overseas blocks. The Company surrendered 10 out of 11 overseas blocks in hand during 2011-15 incurring an expenditure of ₹ 1,757.46 crore, of which ₹ 1,734.12 crore was written off.

  ➢ ***The Company may exercise due caution in venturing into overseas exploration and should endeavor timely completion of work committed.***

- During the period 2011-15, the total borrowings increased by 177 *per cent* to ₹ 19,716.27 crore, mainly on account of development activities in KG block, which resulted in increase in interest burden from ₹ 981.71 crore in 2011-12 to ₹ 1,804.06 crore in 2014-15. Considering the quantum of borrowings and associated interest costs for the Company, adequate and sustained production of gas from KG block would be required in future to sustain the financial position of the Company. Further, there were outstanding dues of ₹ 2,329.52 crore not recovered from Joint Venture (JV) partners.

  ➢ ***The Company needs to ensure that realisation from Joint Venture partners are made promptly.***

- Monitoring of operators, in JVs where the Company was a non-operator, was inadequate as the Company did not conduct the audit of the JV accounts and records. The profitability of non-operator blocks was not assessed on a regular basis by the Company.

  ➢ ***The monitoring of the blocks where the Company was non-operator needs strengthening through non-operator audit and periodic review of the status of activities in such blocks.***

Chapter III

Performance Audit relating to Statutory Corporation

Chapter III

Performance Audit relating to Statutory Corporation

Gujarat State Warehousing Corporation

Working of Gujarat State Warehousing Corporation

Executive Summary

Introduction

Agriculture is one of the most critical sectors of the Indian economy. Agricultural growth was facing a setback due to lack of adequate handling and post-harvest infrastructure facilities such as warehousing. Gujarat State Warehousing Corporation was established in December 1960 with an objective to construct warehouses within the State to facilitate storage and transportation of agricultural produce, seeds, manures, fertilisers, agricultural implements and notified commodities. The Corporation started with a capacity of 930 MTs which increased to 1.45 lakh MTs by 1992 and thereafter there was no increase in the storage capacity. Performance Audit on the working of the Corporation covers the period from 2010-11 to 2014-15.

Planning for capacity augmentation

The warehousing capacity in the State was 13.08 lakh MTs of which the Corporation's share was 1.45 lakh MTs. In absence of scientific assessment of requirement and proper planning, non-construction of godowns under Private Entrepreneurs Guarantee (PEG) Scheme and absence of financial support from Government of Gujarat for augmentation of capacity, no capacity addition was achieved by the Corporation. Further, the vacant land of 1,24,988 sq.mts. at different locations remained unutilised.

Capacity Utilisation

The utilisation of the Corporation's warehouses including owned and hired increased from 50 per cent in 2010-11 to 82 per cent in 2014-15. This increase was owing to the contribution of hired godowns wherein the occupancy was 90 to 100 per cent during the review period though the occupancy in owned godowns remained up to 65 per cent. 97 out of 129 godowns of the Corporation remained vacant for a period of 1,809 months during the review period. The possible reasons attributable were poor condition of godowns, lack of marketing strategy, non-creating of awareness of the storage facilities among the depositors, especially farmers.

Operation and Financial Management

During the last ten years, the Corporation revised its tariff twice in 2005 and 2012. The tariff does not detail various aspects of the tariff structure such as exclusion/inclusion of advalorem insurance charges in the storage charges collected on sq.ft. basis, collection of storage charges on sq.ft. basis in respect of reservation on lock and key basis etc., nor did the Corporation re-categorise the godowns during last revision in 2012.

Warehouse charges and rent income constituted the major income of the Corporation and it earned profit during 2011-12 and 2012-13. The Corporation did not recover warehouse charges as per applicable rates leading to loss of revenue of ₹ 0.25 crore. The Corporation did not apply the prevailing sq. ft. rate on Central Warehousing Corporation (CWC) for the Inland Container Depot /Container Freight Station godowns lent to them resulting in revenue loss of ₹ 11.70 crore.

Monitoring and Internal Control

The Corporation did not have specific written delegation of powers to the hierarchy and decisions were also taken at lower cadres. There were no procedures in place to inspect

godowns by personnel from head office either on regular intervals or as a surprise check. The Corporation's Executive Committee met only four times as against required 30 meetings in the last five years up to March 2015.

Recommendations

- ***The Corporation may gather the data of warehousing capacity in the State, assess the additional requirement and formulate a plan of action in co-ordination with other agencies such as CWC, Food Corporation of India (FCI) etc., for capacity augmentation.***
- ***The Corporation may review the monthly data of occupancy furnished by the warehouse centres periodically, analyse the reasons for godowns remaining vacant for long period to take remedial action and fix godown-wise break-even occupancy.***
- ***The Corporation may review the tariff and categorisation of centres on a periodic basis before fixing the tariff and give required details to bring clarity regarding the system of collection of warehouse charges and applicability of rates.***
- ***The Corporation may ensure recovery of warehouse charges as per the prevailing tariff rates.***
- ***The Corporation may develop a sound monitoring system and also evolve a mechanism for periodical reporting to the top management on the working of the warehouses.***

Introduction

3.1 Agriculture is one of the most critical sectors of Indian economy. Growth and development of agriculture and allied sector directly affects well-being of people at large, rural prosperity and employment and forms an important resource base for a number of agro-based industries and agro-services. The agricultural growth in India has been facing a setback due to lack of adequate handling and post-harvest infrastructure facilities such as warehousing. The post-harvest loss was estimated at 8 to 10 *per cent* in respect of food grains. The capacity of warehouses available as against the production of important agricultural produce requiring warehousing facilities is tabulated below:

Table 3.1: Production and warehouse capacity in India and Gujarat

(in lakh MTs)

Important produce	Production (2013-14)	Warehouse capacity (2014-15)
All India		
Food grains	2,647.70	985.50 (Government owned warehouses other than cold storages) which is 32 *per cent* of the total production
Cotton	62.20	
Oil seeds	328.80	
Total	**3,038.70**	
Gujarat State		
Food grains	93.82	13.08 (Government owned warehouses other than cold storages) which is 7 *per cent* of the total production
Cotton	17.15	
Oil seeds	74.70	
Total	**185.67**	

Source: Published Reports of GOI and GOG, Annual Reports and information furnished by Corporation

It is clear from the table above that there is shortage in the storage capacity at the state level when compared with the capacity at the national level.

Gujarat State Warehousing Corporation (Corporation) was established in December, 1960 under the provisions of Agriculture Produce (Development and Warehousing) Act, 1956 and subsequently came under the purview of Warehousing Corporations (WC) Act, 1962 enacted by the Parliament.

Government of Gujarat (GoG) and Central Warehousing Corporation (CWC) have 50:50 share capital in the Corporation. It has its Corporate Office at Ahmedabad.

The Corporation started functioning with storage capacity of 930 Metric Tonnes (MTs) inherited by it at three centres *viz.*, Derol, Unjha and Bodeli, upon bifurcation of Bombay State into Maharashtra and Gujarat. As on 31 March 2015, the Corporation has 42 Centres[1] having 210 own godowns of 1.45 lakh MTs capacity.

The Corporation rented godowns to the depositors under two systems *viz.*, general reservation either on quantity basis (i.e., per bag/MT) or on area basis (part or full godown); and lock and key basis[2]. The warehouse charges are collected from the depositors as per the rates of tariff, which is revised from time to time. The major depositors storing commodities in the Corporation's godowns are government agencies, private companies, cooperative bodies, traders and farmers.

Organisational Structure and functions

3.2 The Management of the Corporation is vested with a Board of Directors (BoD) consisting of Managing Director (MD), five Directors nominated by GoG and five Directors nominated by CWC, headed by a Chairman, appointed by the GoG. The MD is assisted by Managers, Secretary, Accounts Officers and other staff.

Though as per Section 20(2) and Section 20(1)(c) of WC Act, 1962, State Government shall appoint a Chairman and a Managing Director respectively, it did not appoint Chairman since October 2012 and did not appoint a Managing Director on a full time basis since September 2003.

The Corporation is under the administrative control of Agriculture and Cooperation Department, GoG. Major activities of the Corporation are to construct warehouses within the State to facilitate storage and transportation of agricultural produce, seeds, manures, fertilisers, agricultural implements and notified commodities and to act as an agent of CWC or GoG to help purchase these commodities.

Audit Objectives

3.3 The objectives of the Audit were to ascertain whether:

- the Corporation had assessed the overall requirement of storage facilities for the State; surveyed the existing capacity and taken steps to bridge the gap by creating additional capacity through construction or hiring of godowns;

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1 Centre comprises a group of two or more godowns.

2 The full godown is handed over to the depositor with lock and key. The responsibility of storage, stacking, withdrawal of goods lies with the depositor. The warehouse charges in this system are collected on area (sq.ft.) basis.

- the Corporation has put its warehouses to optimum use; made available its warehouses to farmers at reasonable/ economical tariff rate; created awareness among farmers; provided handling and transportation facility and performed as an agent of CWC/ Government;
- the warehouses were managed efficiently by providing safe storage for commodities through proper manpower and financial management and timely maintenance of warehouses; and
- adequate monitoring system, internal control system and Management Information System were in place and were effective.

Audit Criteria

3.4 The performance of the Corporation was assessed against the audit criteria drawn from the following:

- Warehousing Corporations Act 1962,
- Gujarat State Warehousing Corporation (Amendment) Rules 1964,
- Warehousing Development and Regulation Act 2007,
- Corporate/ Annual/ Vision documents of the Corporation,
- Minutes and Agenda of the Meetings of Board of Directors,
- Agreements with Depositors for storage of various commodities,
- Agreements with private parties for hiring of godowns,
- Guidelines of various schemes,
- Directions of Governments/Food Corporation of India(FCI)/ CWC,
- Operational Manual of the Corporation and
- State specific Acts/ rules/ guidelines/ directions relating to warehouses.

Scope and Methodology of Audit

3.5 The Performance Audit on the working of the Corporation covers the period from 2010-11 to 2014-15. It evaluates the assessment done by the Corporation for future capacity requirements, planning done for capacity augmentation and the implementation of such plans. It also evaluates the optimum utilisation of the Corporation's godowns and its efficient and effective management. Besides, the existence of a sound internal control and monitoring system and its effectiveness was also reviewed in Audit.

Scope, methodology and objectives of the performance audit were explained in an entry conference (3 March 2015) to representatives of GoG and Management of the Corporation. The entry conference was followed up by interaction with the auditee institution, raising audit queries after scrutiny of documents at the Corporate Office and selected godowns, analysis of data obtained from management, discussion of audit findings with the management and issue of draft Performance Audit Report to the Management and the concerned Department for comments. The exit conference was held on

10 September 2015 in which the audit findings were discussed with the Management and the Government. The reply of the Management was received and has been considered while finalising the performance audit report. The reply of the Government is awaited (November 2015).

Total 16 centres[3] having 85 godowns out of total 42 centres having 210 godowns were randomly selected for detailed examination. The audit findings are discussed in the following paragraphs.

Audit Findings

Planning and implementation of capacity augmentation

3.6 The warehousing capacity in the State is tabulated below:

Table 3.2: Storage capacity in Gujarat State

(in lakh MTs)

Sl. No	Organisation	2010-11	2011-12	2012-13	2013-14	2014-15
1	Food Corporation of India	5.00	5.00	5.00	5.00	5.00
2	Central Warehousing Corporation	3.69	3.64	3.68	3.68	3.66
3	Gujarat State Civil Supplies Corporation Limited	2.40	2.49	2.84	2.93	2.97
4	Gujarat State Warehousing Corporation	1.45	1.45	1.45	1.45	1.45
	Total	**12.54**	**12.58**	**12.97**	**13.06**	**13.08**

Source: Annual Reports and information furnished

In respect of the Corporation there has not been any increase in capacity after 1992. The own storage facility of 1.45 lakh MT of the corporation is about 11 *per cent* of government owned warehouses. The capacity with private sector in the state is not available from any reliable sources.

We reviewed the increase in the capacity of warehouses in 15 State Warehousing Corporations for the period 2010-11 to 2013-14 and it was observed that only in Gujarat and West Bengal there was no increase in capacity. In seven[4] States the increase during the period 2010-11 to 2013-14 as compared to capacity in 2009-10 ranged between 21 to 81 *per cent*. In four[5] states the increase ranged between 10 to 19 *per cent* during the same period. The production of important agricultural produce in Gujarat increased from 168.83 lakh MTs in 2010-11 to 185.67 lakh MTs in 2013-14[6] and hence, there was need for increasing the warehousing capacity.

Audit findings in relation to capacity augmentation are enumerated below:

Assessment of requirement of godowns

3.6.1 As per Warehousing Corporations Act, 1962 (WC Act, 1962), State Warehousing Corporations (SWCs) may run warehouses for storage of

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3 Anjar, Bharuch, Bhuj, Bodeli, Dashrath (General), Dashrath (ICD Godowns given to CWC), Himmatnagar, Idar, Kandla Port, Mahuva, Mehsana, Salal, Talod, Unava, Unjha and Visnagar.

4 Andhra Pradesh, Bihar, Chattisgarh, Haryana, Karnataka, Maharashtra and Odisha.

5 Madhya Pradesh, Meghalaya, Rajasthan and Tamil Nadu.

6 The figures for 2014-15 are not available.

agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities. Thus, considering the growth in the production of above commodities besides the age and poor condition of the existing godowns, there was need to assess the requirement of godowns on a time to time basis to ensure availability of adequate storage facilities. However, no such assessment was carried out by the Corporation during the last five years.

We observed that based on the estimates prepared by the Corporation and the proposals for funding sent to GoG and financing agencies, as tabulated below, some plans for capacity augmentation existed though none of them materialised due to funds not being sanctioned.

Table 3.3: Capacity additions planned as per financing documents

(in lakh MTs)

Particulars	2011-12	2012-13	2013-14	2014.15
Capacity addition planned	0.52	0.35	0.70	0.84

Source: Information furnished by the Corporation

The proposals for increasing the capacity were made based on the open space available in the premises of the 12 existing godowns instead of any scientific study for the requirement. The estimated cost was ₹ 44.43 crore for the increase of 0.84 lakh MTs. Thus, in the absence of scientific assessment of requirement, proper planning and want of financial support from GoG for augmentation of capacity, no capacity addition was achieved by the Corporation.

The Management stated (October 2015) that the Corporation had tried to increase the capacity but could not augment due to lack of technical equipment, technical staff, infrastructure facilities and also non-receipt of financial support from financial institutions like National Bank for Agriculture and Rural Development and also GoG. The Management, however, stated that Corporation will make efforts for assessment of requirement of godowns scientifically.

Submission of Programme of Activities and Budget estimates

3.6.2 Section 26(1) of WC Act, 1962 stipulates that every Warehousing Corporation shall prepare before the commencement of each year a statement of programme of activities (PoA) to be done during the forthcoming year as well as a financial estimate (Budget Estimates) (BE) in respect thereof. Further, Section 26(2) of the said Act stipulates that a statement prepared under Section 26(1) shall, not later than three months before the commencement of each year, be submitted for approval to CWC and State Government in case of a State Warehousing Corporation. The details of submission of PoAs and BEs to CWC and GoG are as follows:

Table 3.4: Delays in submission of PoA and BE

Sl. No.	Year	Due date of submission of PoA and BE	Actual date of Submission to CWC		Delay in sending BE
			PoA	BE	
1	2010-11	31-12-2009	Not sent	29-01-2010	29 days
2	2011-12	31-12-2010	Not sent	29-03-2011	2 months 29 days
3	2012-13	31-12-2011	Not sent	10-12-2012	11 months 10 days
4	2013-14	31-12-2012	Not prepared	Not prepared	Not prepared
5	2014-15	31-12-2013	Not sent	22-10-2013	No delay
6	2015-16	31-12-2014	Not sent	Not sent	10 months (Oct 15)

Source: Information furnished by the Corporation

The Corporation did not prepare PoAs and BEs for the year 2013-14 and for the remaining periods it did not submit the PoAs to CWC as required under the provisions of the WC Act. However, neither PoAs nor BEs were submitted to GoG as stipulated under the Act. Audit observed that approval from CWC was awaited (31 May 2015) for BE 2012-13 and 2014-15.

The Management stated (October 2015) that in the past years BEs and PoAs were not passed in BoD and hence were not sent to CWC and the GoG.

However, the Management had not even put up the BEs and PoAs prepared before BoD seeking its approval.

Construction of godowns under PEG Scheme

3.6.3 During the year 2008, FCI introduced Private Entrepreneurs Guarantee (PEG) Scheme under which the private parties would invest in construction of godowns, which would be hired by FCI for seven year guarantee scheme. These godowns, during construction and subsequent maintenance, would be under the supervision of the respective SWCs. As part of this, FCI assigned (July 2010) the task of creating a total capacity of 3.07 lakh MTs to CWC in Gujarat. Out of this, CWC allotted 52,000 MTs to the Corporation, for taking up the construction with private investment. However, Corporation decided (December 2010) to construct the godowns on its own in the vacant land available at Dashrath, Parapipaliya and Amreli. However, on reviewing the progress of the work, FCI decided in its High Level Committee meeting held on 8 April 2011 that it was unlikely that the Corporation would complete the capacity allotted to it within the next one year and hence withdrew the capacity and transferred the same under PEG for construction by private party.

Audit observed that the decision of the Corporation to construct the godowns on its own in absence of adequate trained manpower and financial resources led to delay in taking action for construction of godowns and consequential withdrawal of allotted capacity by FCI.

The Management stated (October 2015) that in the absence of sufficient manpower and financial resources there was delay in taking action which led to withdrawal of allotted capacity for construction of godowns under PEG.

Registration of godowns as per WDR Act, 2007

3.6.4 As per the provisions of Warehousing (Development and Regulations) (WDR), Act 2007, registration under Section 3(1) was compulsory if the warehouses intended to issue Negotiable Warehouse Receipt under the provisions of the Act.

Audit observed that while CWC and other SWCs[7] have initiated action to register their warehouses; the Corporation has not registered any of its warehouses under the provisions of the WDR Act. The Corporation, therefore, is not entitled to issue Negotiable Warehouse Receipts under the provisions of WDR Act. Though the registration under WDR Act is not mandatory, Audit is of the view that by doing so, the Corporation could have increased its business opportunities as many potential customers interested in negotiating their warehousing receipt might have been lost.

The Management stated (October 2015) that due to inadequate manpower, lack of technical staff and absence of technical equipment, the Corporation had not registered its godowns under WDR Act, 2007.

However, the Corporation could have initiated the process and registered some of its godowns in a phased manner as done in other states as the process of registration would require compulsory improvement in quality of infrastructure which in turn might help in increasing its occupancy.

Utilisation of vacant land

3.6.5 The Corporation holds vacant land at 14 locations admeasuring 1,24,988 square meters (sq.mts) (Own land: 1,16,736 sq.mts. and lease hold land: 8,252 sq.mts.) adjoining to existing godowns. The Corporation acquired these land between 1972 and 1992. The details are as follows:

[7] CWC (173 godowns of 5,37,476 MTs); Rajasthan State Warehousing Corporation (24 godowns of 2,76,850 MTs); Tamil Nadu State Warehousing Corporation (36 godowns of 2,36,486 MTs); Maharashtra State Warehousing Corporation (26 godowns of 1,69,425 MTs); Andhra Pradesh State Warehousing Corporation (14 godowns of 36,410 MTs); Uttar Pradesh State Warehousing Corporation (5 godowns of 36,031 MTs); Punjab State Warehousing Corporation (8 godowns of 15,450 MTs); Kerala State Warehousing Corporation (10 godowns of 8,516 MTs); Karnataka State Warehousing Corporation (one godown of 4,254 MTs); Assam State Warehousing Corporation (one godown of 1,016 MTs).

Table 3.5: Area of vacant land

Sl. No.	Location	Land area (in Sq.mts.)	Cost of Land[8]/ Lease rent per annum (in ₹)	Open Area (in Sq.mts.)	Date of Purchase/ Possession
1.	Anjar	14,799	68,563	3,180	14-02-1973
2.	Amreli	24,281	4,37,058	24,281	22-01-1991
3.	Bavla	8,094	36,423	1,300	04-11-1982
4.	Botad	5,890	62,000	3,390	09-03-1973
5.	Kapadvanj	7,077	5,610	1,245	01-03-1973
6.	Dashrath (Vadodara)	80,000	64,51,000	48,000	18-02-1984
7.	Deesa **Lease hold land**	9,752	9,752	6,252	22-11-1988
8.	Khambhat	7,457	36,433	3,000	24-04-1979
9.	Parapipaliya (Rajkot)	20,235	6,07,500	20,235	03-07-1992
10.	Rakhiyal (Dahegam)	3,583	21,420	1,015	18-04-1973
11.	Salal	5,563	3,30,000	2,060	15-07-1988
12.	Sarodhi (Valsad)	20,234	5,46,318	8,230	31-07-1979
13.	Thasra **Lease hold land**	4,047	750	2,000	01-01-1972
14.	Geetanagar (Vapi)	1,756	43,900	800	06-01-1978
	Total			**1,24,988**	

Source: Information furnished by the Corporation

In this regard, Audit observed that:

- In respect of land at Dashrath, CWC requested (14 November 2011) for hiring of open space along with godowns. However, despite several requests (November 2011 to November 2014) from CWC, the Corporation did not make use of the opportunity, for which no justification was on record.
- As brought out in ***paragraph 3.6.1 and 3.6.3*** above, the Corporation had planned to construct new godowns at vacant land at 12 locations to increase storage capacity by 83,640 MTs with an estimated cost of ₹ 44.43 crore. As the finance was not forthcoming the capacity creation did not materialise.
- The Corporation did not explore the feasibility of at least giving the vacant land as "Covered and Plinth"[9] to store commodities, as is being done by other SWCs.

Thus, the land parcels remained idle without yielding any benefits to the Corporation. Further vacant land also remained unprotected rendering them prone to encroachments.

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8 Cost of land at the time of purchase / possession.

9 This is an improvised arrangement for storing food grains in the open, generally on a plinth which is damp and rat proof. The grain bags are stacked in a standard size on wooden dunnage.

Picture 3.1: Showing vacant land and unprotected godown premises at Dashrath

Thus, by not conducting scientific assessment of the requirement of the godowns in the State, coupled with absence of financial assistance from GoG, the Corporation did not construct any new godowns. It did not utilise the vacant land for capacity augmentation during the review period. As a result, there was no capacity augmentation even though there was increase in the agricultural production.

The Management stated (October 2015) that the Corporation proposed to construct godowns on its own under PEG scheme but the loan was not sanctioned, hence it did not materialise. It further submitted proposal for financial assistance under Rashtriya Krishi Vikas Yojana (RKVY) and Rural Infrastructure Development Fund Scheme but all these proposals were rejected. Therefore, due to non-availability of required funds the Corporation could neither construct godowns nor construct compound walls to safeguard the vacant land. During the exit conference, Government stated that Corporation would focus on development of new storage facilities and upgrading existing facilities.

Capacity Utilisation

3.7.1 The year wise utilisation particulars of own and hired godowns during the period 2010-11 to 2014-15 are given in the table below:

Table 3.6: Capacity utilisation of the Corporation

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Own godowns						
1	No. of Centres	42	42	42	42	42
2	Average capacity available (MTs)	1,45,056	1,45,056	1,45,056	1,45,056	1,45,056
3	Average Capacity utilised (MTs)	71,156	89,657	91,683	87,579	94,131
4	***Percentage utilisation****	49	62	63	60	65
Hired godowns						
5	Average capacity of godowns (MTs)	4,513	3,100	3,100	63,398	1,38,578
6	Average capacity utilised (MTs)	4,056	2,868	2,968	63,308	1,38,547
7	***Percentage utilisation****	90	93	96	100	100
8	Total available capacity (MTs) (Sl.No. 2+ 5)	1,49,569	1,48,156	1,48,156	2,08,454	2,83,634
9	Total utilisation (MTs) (Sl.No. 3 + 6)	75,212	92,525	94,652	1,50,887	2,32,678
10	***Percentage utilisation****	50	62	64	72	82
11	***Estimated utilisation in Budget estimates (In per cent)***	68 (Rev 50)	60	75	75	75
	Shortfall (-)/ Excess (+)(Own)	(-) 19	(+) 2	(-) 12	(-) 15	(-) 10
	Shortfall (-)/ Excess (+) (Hired)	(+) 22	(+) 33	(+) 21	(+) 25	(+) 25
	Shortfall (-)/ Excess (+) (Total)	(-) 18	(+) 2	(-) 11	(-) 3	(+) 7

* Percentage utilisation has been rounded off to the nearest integer.
Source: Information furnished by the Corporation

- It can be seen from the above table that the occupancy percentage of own godowns increased from 49 *per cent* to 65 *per cent* which indicates that Corporation had made efforts in this regard. Further, during the years 2010-11 to 2014-15 not only the hired godowns capacity increased multifold but also the percentage of utilisation was very good. The utilisation which was 90 *per cent* in 2010-11 gradually increased to 100 *per cent* occupancy in 2013-14.

- The percentage occupancy of own godowns in 2010-11 and 2011-12 was low which was even pointed out by CWC while approving the budget for 2011-12 and was suggested for increase in the ensuing years. Further, estimate for 2010-11 was revised to suit actual achievements, when Corporation could not achieve the original estimated occupancy of 68 *per cent*.

- A review of the centre wise occupancy of owned godowns revealed that annual occupancy percentage in many centres[10] was below the estimated utilisation given in the budget. Further, 12 centres[11] registered annual occupancy below 10 *per cent*.

- The Corporation had no system of fixing godown-wise break-even occupancy, which could be a better parameter for monitoring the functioning of the godowns.

The Management accepted (October 2015) the observation and stated that measures would be taken to implement the break even policy for betterment of the godown occupancy.

[10] 32 in 2010-11, 25 in 2011-12, 26 in 2012-13, 29 in 2013-14 and 20 in 2014-15.
[11] Dhanduka, Viramgam, Umreth, Unava, Harij (2010-11); Visnagar, Patan, Sidhpur (2011-12); Amreli, Jamnagar (2012-13); Surendranagar (2013-14) and Madhi (2014-15).

Non-occupancy of godowns for long period

3.7.2 A review of the occupancy details during the last five year period as received from 29 centres[12] out of 42 centres, revealed the following:

- 97 out of 129 godowns were fully vacant for one to more than one month in different spells of period during the years 2010-11 to 2014-15. This resulted in a total vacant period of 1,809 months and an average vacancy of 19 (1,809 /97) months during the period of 60 months under review.
- The two godowns at Thasra Centre were vacant during the entire five year period. Other than Thasra, the total vacant period of godowns at Bodeli centre for 183 months was highest followed by 147 months at Anjar Centre and 144 months at Valsad Centre. The Corporation did not analyse the reasons for not getting business for long period in these centres.
- We also observed that data on the monthly occupancy in godowns as received from the warehouse centres was not put up periodically to the top management or BoD for remedial action.

The Corporation should have maintained a database of all the depositors and evolved a system to constantly be in touch with the depositors and convey the vacancy position of godowns so that the depositors can hire them. In case, the reasons for the vacancy were poor conditions of the godowns then specific steps could be taken for improving the facilities.

The Management stated (October 2015) that Valsad, Thasra and Anjar were odd centres. It also stated that agricultural produce was mainly stored in the godowns during six months period October to April and during the rest of the period either non-agricultural commodities were stored or the godowns remained vacant. The Management further stated that Corporation would try its level best to increase the occupancy.

Occupancy of godowns by farmers

3.7.3 The table below gives the details of occupancy by different category of consumers:

Table 3.7: Category wise occupancy

(Figures in Percentage[13])

Sl. No	Category of Depositor	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Government Companies					
(i)	FCI	2	1	Nil	Nil	Not Available
(ii)	CWC	13	10	10	6	
(iii)	GSCSCL	1	4	4	1	
(iv)	Other Government Companies & Departments	39	37	13	61	
2.	Cooperative Bodies	3	3	4	1	
3.	Private Firms	34	39	56	28	
4.	Farmers	8	6	13	3	
	Total	**100**	**100**	**100**	**100**	

Source: Information furnished by the Corporation

12 Consisting of 129 godowns.
13 Rounded off to the nearest integer.

It can be seen from the above that major depositors are Government Companies and private firms. The occupancy percentage of farmers decreased from 8 *per cent* in 2010-11 to just 3 per *cent* in 2013-14. No concerted efforts were made by the Corporation to attract farmers to utilise the godowns by creating the required awareness amongst them. Only upon receipt of grant from Government of India (GoI) under RKVY Scheme in 2013-14, the Corporation conducted 15 farmers awareness programmes (FAP) at district level and 160 programmes at village level for farmers from February 2014 onwards. Audit observed that the FAPs were conducted only once in each village/ centre and there was no follow up on the issue. Test check in audit of the occupancy position in four centres[14] after the conduct of FAP revealed that even after FAP, the occupancy by farmers during 2014-15 was low. The Corporation could have campaigned regarding their godowns in the market yards by distributing pamphlets and requesting Agricultural Produce Market Committee (APMCs) for indicating the vacancy position in their websites/notice board.

Thus, on one hand there was no increase in storage capacity, on the other there were numerous instances of several godowns lying vacant for a long period of time. The occupancy by farmers was also very low. **The possible reasons attributable were poor condition of godowns, lack of marketing strategy, non-creation of awareness of the storage facilities among the depositors, especially farmers etc. The Corporation did not make efforts to identify reasons for low occupancy and take remedial measures**.

The Management stated (October 2015) that as per general practice small farmers used to go to APMC or wholesalers to sell their produce. It also stated that National Agricultural Co-operative Marketing Federation of India Limited and FCI, which purchased groundnut and food grains respectively from small farmers utilised the Corporation's godowns. The Management however stated that Corporation would conduct more FAPs and create awareness among farmers. During the exit conference, Government stated that the effectiveness of the awareness programmes would be ensured and a list of available godowns and facilities would be provided to farmers with online reservation option.

Operation and Financial Management

3.8 The Corporation earns revenue primarily from collection of warehouse charges and rent income from Inland Container Depot (ICD) hired to CWC and renting of office building. The Corporation also earned interest income from fixed deposits. The financial performance of the Corporation for the period 2009-10 to 2012-13 is given in ***Annexure-5***.

The Corporation's major source of revenue (operating revenue) was warehouse charges collected from depositors and rent income. The warehouse charges substantially increased during 2012-13 compared to previous year due to revision of tariff. The rent income had constantly increased during 2009-10 to 2012-13 as the rent income fixed with CWC towards ICD kept increasing

[14] Mahuva, Talod, Unjha and Visnagar.

by 10 *per cent* every year as per the agreement. The total income was used to meet the expenses towards salaries, repairs and maintenance and other day to day expenses.

Though Corporation had carried out the operations, with the available resources and earned profits, there were deficiencies in the operations and a few instances of loss of revenue totalling ₹ 11.95 crore are discussed in the following paragraphs.

The Management stated (October 2015) that due to lack of infrastructure facilities and marketing strategy, the Corporation incurred loss. It was further stated that Management would try to find different ways and means to earn profit and carry out various activities to increase the profitability.

System of fixation and revision of tariff

3.8.1 For collection of storage charges from depositors, the Corporation has a category[15] wise tariff structure. In 2007, the number of categories was increased from two to three with a specific tariff for Category III. In the last 10 years, the Corporation had revised its tariff only on two occasions *viz*., in 2005 and 2012. Last revision was effected from 1 March 2012. It is the practice of the Corporation to revise the tariff on the basis of tariff of CWC.

A review of the Corporation's tariff structure and the system of revising the tariff revealed the following:

- While revising the tariff in 2012, the Corporation adopted the respective rates of Category I and II of CWC of 2010 and revised the rates of Category III based on the percentage increase in category II as a result of adoption of CWC rates.
- The tariff of the Corporation does not detail the various aspects of the tariff structure such as exclusion/inclusion of advalorem insurance charges in the storage charges collected on sq.ft. basis, collection of storage charges on sq.ft. basis in respect of reservation on lock and key basis etc., as was done by CWC and other SWCs. The tariff structure may be suitably modified to provide these details explicitly.
- Though tariff was last revised in 2012 no re-categorisation of godowns was done since 2007. It was observed that during the last five years certain centres which are in Category-II (Kapadwanj, Patan and Talod) and Category-III (Rakhial and Bardoli) have registered improved percentage of occupancy but they have not been reviewed and re-categorised and levied tariff accordingly.

The Management stated (October 2015) that in next revision of rates the Corporation would take into consideration various aspects and change the category. During the exit conference, Government stated that tariff would be

[15] Centres were divided into three categories *viz*., category I, category II and category III depending on the occupancy of the area in which the centres fall. Tariff is highest in category I and lowest in category III. For instance the tariff for wheat/bajra and others is ₹ 3.45 for category I and ₹ 2.75 for category III (as per March 2012 tariff).

revised based on scientific study and also based on services and condition of godowns and the category of the customers.

Collection of warehouse charges in lock and key system

3.8.2 The Corporation rented its godowns in six centres to three depositors[16] on lock and key basis during February 2010 to March 2012. We observed that the Corporation in sanction orders (January 2010 to April 2011) intimated the depositors that warehouse charges would be collected on quantity basis (MT) i.e., (capacity of godown) for the commodities (Fertilizers) intended to be stored by the depositors. This was contrary to the Corporation's system of lock and key wherein tariff was to be levied on sq.ft. basis. Thus, due to incorrect collection of warehouse charges, the Corporation suffered loss of revenue of ₹ 0.25 crore[17] as the tariff collected based on capacity of godown was lesser than the tariff leviable on sq.ft. basis.

The Management stated (October 2015) that incorrect collection has not been made and reservation has been made only in case of fertilizers in the year 2010-12 at the rate of ₹ 6.41 per sq.ft. per month.

The reply does not appear convincing because the records produced to Audit reveal that the Corporation has collected warehouse charges on quantity basis (MT) even though the godowns were given on lock and key basis.

Collection of warehouse charges at applicable tariff rate

3.8.3 The Corporation has an Inland Container Depot (ICD)/ Container Freight Station (CFS) at Dashrath (Vadodara) comprising of eight godowns *viz*., A1 to A4 and B1 to B4. The Corporation had outsourced operation of the facility to CWC through tender for a period of 10 years from April 2000 to March 2010 (godowns A-1 to A-4 from April 2000 and B-1 to B-4 from May 2003) at the rates mentioned in the agreement (₹ 2.50 lakh per month with annual 10 *per cent* increase for godowns A-1 to A-4 and ₹ 2.60 per sq.ft. per month with annual 10 *per cent* increase for godowns B-1 to B-4).

As the agreement was due to expire in April 2010, CWC requested (5 March 2010) the Corporation to extend the term of agreement for five years. After a series of correspondence between the Corporation and CWC, the Corporation accepted (23 March 2011) extending the tenure of operations of ICD/ CFS for further ten years from May 2010 retrospectively. A fresh agreement was executed (16 June 2011) between the Corporation and CWC, for the same eight godowns of ICD/ CFS with an annexure indicating the annual rates of warehouse charges. The annual rate payable in 2010-11 would be ₹ 1.08 crore, which would gradually increase to ₹ 2.55 crore by 2019-20.

We observed that instead of collecting warehouse charges as per its prevailing tariff, the Corporation agreed for lumpsum warehouse charges though CWC

16 Indian Potash Limited (IPL), Gujarat State Fertilizers Corporation (GSFC) and Gujarat Cooperative Marketing Society Limited (GUJCOMASOL).

17 Warehouse charges to be levied on sq.ft. basis ₹ 0.54 crore *less* Warehouse charges actually collected ₹ 0.29 crore.

rented the godowns of ICD for commercial purpose. The lumpsum warehouse charges work out to less than the warehouse charges as per sq.ft. rate of tariff. In this regard audit also observed that the tariff of storage charges being collected by CWC from its customers for the ICD Dashrath was much higher than the storage charges paid by it to the Corporation. The rate paid by CWC in 2014 was ₹ 4.67 per sq.ft. (derived) whereas the rate charged by CWC from its customers as per its revised tariff of 2014 was ₹ 16.73 per sq.ft. (derived) (for export), ₹ 29.73 per sq.ft. (for import) and ₹ 27.50 per sq.ft. (for open area), which indicates that CWC earned huge margin in the operations of ICD, Dashrath. Thus, by collecting lumpsum warehouse charges, instead of its tariff rates, the Corporation suffered loss of revenue of ₹ 7.07 crore for the period from 1 May 2010 to 30 April 2015 and would suffer further loss of ₹ 4.63 crore for the remaining agreement period upto April 2020 (***Details in Annexure-6***).

The Management stated (October 2015) that being an odd centre there was no income at Dashrath centre. The same godowns were allotted to CWC as per BoD approval. CWC had struggled a lot to build the business at Dashrath and incurred loss in past years.

The reply does not appear convincing as at least during the renewal of agreement in 2010, an analysis of the business of CWC could have been done and rates as per normal tariff of the Corporation adopted. Further, no record justifying the lower rates agreed to with CWC were furnished to Audit.

Thus, from the above instances it can be seen that had the Corporation handled the transactions properly, it could have avoided the above loss and the revenue could have been used for construction, repairs and maintenance of godowns.

Maintenance of godowns

Upkeep of infrastructure in godowns

3.9.1 Though WC Act, 1962 did not prescribe norms for requirement of essential equipments or security apparatus like moisture metre, fire extinguishers, fire buckets, tarpaulins, fumigation covers, weighing machine, wooden craters, sprayers, etc., the same were prescribed under the WDRA Manual[18]. Based on the information furnished by 12 out of 16 selected centres (67 godowns), the infrastructure available was as follows:

Table 3.8: Details of infrastructure

Name of the Item	Norm per godown	Total requirement	Total available	Shortfall
Moisture Metre	1	67	1	66
Fire Extinguisher	3	201	49	152
Ladder	1	67	30	37
Foot Spray	2	134	1	133

Source: Information furnished by the Corporation

[18] Warehouse Manual for Operationalising of Warehousing (Development & Regulation) Act, 2007 (37-2007).

Audit observed that other essential items such as tarpaulin, fire buckets, fumigation covers, and wooden craters were not available[19] in any of the 12 centres test checked against the norm[20] though all of them were basic necessities for any godown.

Availability of the above items is essential for the safety of the warehouses and to ensure the correctness of the quantum/ quality of commodities, especially keeping in view the claims that may be made by the depositors or by the banks in case depositor availed loan against the NWR issued by the Corporation.

The Management stated (October 2015) that due to inadequate manpower and non-availability of technical staff, the equipment was not purchased.

Long term plan for repairs and maintenance of godowns

3.9.2 The godowns of the Corporation are more than 20 to 30 years old and are in poor condition. As per the practice in vogue in the Corporation, repairs to the godowns are carried out based on the information received from the Warehouse Managers from time to time. The repairs are carried out at three levels[21].

Picture 3.2: Showing poorly maintained Godowns

The provisions made and expenditure incurred on repairs carried out by Corporation funds are tabulated below:

19 Tarpaulin (134), Fire Buckets (1,005), Fumigation Cover (67) and Wooden Craters (as per need).

20 Tarpaulin (2 per godown), Fire Bucket (13 per godown), Fumigation cover (1 per godown), and Wooden Craters (as per need).

21 (1) By engineering branch of Head Office, by deploying technical personnel to the warehouse centres who purchase required material and engage local labourers to get the repairs done, (2) By Warehouse Managers to whom advance amount is sanctioned by Engineering Branch for carrying out repairs locally by purchasing material and engaging local labourers and (3) By inviting e-tenders/offline tenders at Head Office level and awarding work orders/contracts.

Table 3.9: Details of expenditure towards repairs

(Amount: ₹ in crore)

Year	Provision made in internal budget	Expenditure on repairs carried out	Percentage
2010-11	0.20	0.11	55.00
2011-12	0.41	0.06	14.63
2012-13	2.70	0.20	7.41
2013-14	Nil	Accounts not finalised	--
2014-15	1.01	Accounts not finalised	--
Total	**4.32**	**0.37**	**8.56**

Source: Information furnished by the Corporation

In the absence of any budgetary support from GoG, the Corporation has not been carrying out any major repairs. Even the minor repairs carried out were of very small value spread over different godowns. In the proposals sent (January 2013) to GoG for budgetary allocation for 2013-14, it was estimated that it will cost ₹ 0.69 crore for major repairs to godowns (*viz.,* road, compound wall at seven centres) and ₹ 2.12 crore for medium and minor works at all centres. For the year 2014-15 also the Corporation had sent (February 2014) a proposal to GoG for an allocation of ₹ 17.41 crore for repairs, renovation and modernisation works at various centres. As no budgetary support was received to the proposals, the Corporation had not made any long term plans for repairs to godowns.

Due to the above, the godowns of the Corporation are lying in poor condition depriving the depositors of proper storage facilities.

The Management stated (October 2015) that due to lack of capable staff and financial support from GoG, repair work had not been undertaken.

Manpower Management

Utilisation of available manpower

3.10 Audit observed that:

- The cadre structure of the Corporation comprised of Class I to IV. Class III cadre consists of Managers (Grade-I & Grade-II), Senior Supervisors, Divisional Inspectors and Clerks while Class IV cadre comprises Peons and Watchmen. But as on date, Clerks, who are the lowest ranked personnel in Class III and who are not eligible to be posted as warehouse managers and branch heads are looking after the affairs both in head office and warehouse centres.
- There were instances of one official looking after two or more centres. There were no specific instructions with respect to the supervision by warehouse managers who were in-charge of two or more warehouse centres. The capacity of the 162 warehouses controlled by in charge warehouse managers (19) was 1,12,150 MTs, which was 77 *per cent* of the total storage capacity (1,45,056 MTs). Further, in four centres[22], whose

[22] Deesa (2,320 MTs), Bardoli (1,170 MTs), Idar (1,270 MTs) and Umreth (2,300 MTs).

storage capacity was 2,320 MTs and below, a regular warehouse manager of Grade-II had been posted, who should otherwise be posted in centres with higher capacity, considering their grade and experience (May 2015). Thus, the above action of the Corporation shows sub-optimal utilisation of available manpower.

- In the next three years (upto 2018), 20 *per cent*[23] of existing employees in various cadres will be superannuating which will have further adverse impact on the functioning of the Corporation.

Audit is of the opinion that since the level of knowledge and experience of a Clerk is not sufficient to manage the warehouse as per the procedures keeping in view legal aspects and contractual and statutory provisions (payment of taxes etc.), posting Clerks as Warehouse Managers and also making them incharge of two Centres might adversely impact the management of warehouses.

The Management stated (October 2015) that due to shortage of manpower and non-availability of Class I and Class II officers, Class III staff had to manage the affairs of the Corporation and had to manage more than one centre to carry out the work properly.

Monitoring and Internal Control

3.11 Internal control is a management tool used to provide reasonable assurance that the management's objectives are being achieved in an efficient, effective and orderly manner. A good system of internal control should comprise, *inter alia*, proper allocation of functional responsibilities within the organisation, proper operating and accounting procedures to ensure accuracy and the reliability of accounting data, efficiency in operations and safeguarding of assets, competence of personnel commensurate with their responsibilities besides duties and review of the work of one individual by another whereby possibility of fraud or error is minimised.

We observed the following weaknesses in the internal control system with regard to warehouse management and other affairs:

- The Corporation did not have a specific written Delegation of Powers to the hierarchy. Consequently, certain decisions such as, signing of the agreement with depositors and extending the tenure of the agreement were taken at the lower cadre personnel *viz.*, clerks, in charge warehouse mangers etc., in the day to day management of the warehouses.

  The Management stated (October 2015) that the delegation of powers to Class III employees was done due to non-availability of staff at various levels.

- Charge of more than one centre was given to one Warehouse Manager (WM). No instructions or control mechanism existed at head office level regarding norms for WM's visit to the other centres. The WMs submitted

[23] 19 out of 96 employees.

travelling allowance (TA) bills every month in respect of their visits to other centres, which were not supported by any documents *viz.,* travel approval letter, fare paid etc. The bills were passed by the head office of the Corporation without any verification. This indicates lack of procedures in the supervision of warehouses as neither any prior approval was taken for such visits nor any procedure was followed for passing of bills.

The Management stated (October 2015) that WM submits his diary to head office and after proper verification only TA bills had been passed. It further stated that WM informs head office regarding his tour and daily affairs at the centre.

However, there were no records to show the tour programme of the WMs.

- There was no procedure to inspect the centres by personnel from head office either on a regular basis or as a surprise check to ensure that the commodities stored in godowns were as per the list notified under the Act and also as per the agreement with the depositors.

- In case of reservation on lock and key basis, the depositor, in the application for reservation, declares the commodity to be stored in godowns. Neither the WM nor personnel from head office conducted any inspection to ensure that the commodity stored in godown by the depositor was as per the declaration given in the application.

  The Management stated (October 2015) that due to lack of regular and technical staff such inspection could not be undertaken.

- Approvals for reservation on lock and key system and extensions for such reservations are accorded by head office. It was observed that in certain centres, the WM himself gave the godown on lock and key system both for initial reservation period and for the extended period without the approval of the head office.

  The Management stated (October 2015) that WM checks godown to ensure whether the commodities stored are as per the declaration of the depositor.

  However, there were no records to show the monitoring of godowns by the WMs.

- As per Bombay State Warehousing Corporation General Regulations, 1959, as adopted by GoG, at least one meeting in two months of Executive Committee (EC)[24] was required to be held in a year. However the EC met only four times as against required 30 meetings in last five years up to March 2015.

  The Management stated (October 2015) that since there was no regular MD, the meetings of EC were conducted only when complicated matters arose for discussion.

The above weaknesses in the internal controls indicate the risks of misuse of warehouses to the detriment of the Corporation's financial interest and

[24] EC consisting of Chairman, Managing Director and three directors, empowered to deal with the functioning of the Corporation as per the directions of the BoD.

deficient monitoring mechanism only leads to these risks remaining unaddressed.

Conclusion and Recommendations

3.12 Warehousing is one of the most important post harvest infrastructure facilities for agricultural sector. The Corporation owns 1.45 lakh MTs of storage facility which is about 11 *per cent* of government owned warehouses. The Corporation also hires warehouses as per the demand wherein the utilisation was 90 to 100 *per cent* during 2010-11 to 2014-15. However, there were some areas of concern in relation to the performance of the Corporation like capacity augmentation, capacity utilisation, operational and financial management, maintenance of its own godowns and monitoring and internal control as discussed below:

- The Corporation has been operating its godowns as a part of its functions but has not undertaken activities on a scale required to fulfil its mandate. As a result, it has not been able to make any significant impact that a warehouse provider would make on the agrarian market. The farmers have benefited little from its activities.

  - ***The Corporation may gather the data of warehousing capacity in the State, assess the additional requirement and formulate a plan of action in co-ordination with other agencies such as CWC, FCI etc., for capacity augmentation.***

- Instances of many godowns remaining vacant for long period resulted in low occupancy. The Corporation had no system of fixing godown-wise break-even occupancy.

  - ***The Corporation may review the monthly data of occupancy furnished by the warehouse centres periodically, analyse the reasons for godowns remaining vacant for long period to take remedial action and fix godown-wise break-even occupancy.***

- The Corporation did not re categorise its godowns while fixing tariff in 2012 and the tariff did not have details of tariff components as available in the tariffs of CWC and other SWCs.

  - ***The Corporation may review the tariff and categorisation of centres on a periodic basis before fixing the tariff and give required details to bring clarity regarding the system of collection of warehouse charges and applicability of rates.***

- The Corporation did not recover warehouse charges as per applicable rates in certain cases leading to loss of revenue of ₹ 11.95 crore.

  - ***The Corporation may ensure recovery of warehouse charges as per the prevailing tariff rates.***

- No system of monitoring/inspection of centres by the head office was in place and the top management was not periodically apprised of the working of warehouses based on the information received from the centres.

    - ***The Corporation may develop a sound monitoring system and also evolve a mechanism for periodical reporting to the top management on the working of the warehouses.***

Chapter IV

Compliance Audit Observations

Chapter IV

Compliance Audit Observations

Important audit findings that emerged from the test check of transactions of the Government of Gujarat Companies and Statutory Corporations are included in this Chapter.

Government Companies

Sardar Sarovar Narmada Nigam Limited

4.1 Avoidable expenditure

The Company did not utilise the survey data prepared by the consultant and did not obtain required statutory clearance. This led to avoidable expenditure of ₹ 19.20 crore and a further claim for revision in contract price.

The Sardar Sarovar Narmada Nigam Limited (the Company) awarded (January 2011) two works namely construction of Kachchh Branch Canal (KBC) from 82.300 km to 112.500 km (cost ₹ 402.45 crore) and 133.519 km to 189.977 km (cost ₹ 345.30 crore) on Engineering, Procurement, Construction and Commissioning (EPC)[1] basis at a cost of ₹ 747.75 crore[2]. The scope of work, *inter alia*, included preliminary survey, leveling and Geo-technical investigation design of canal section and structure design at a cost of ₹ 19.20 crore. It will irrigate 63,111 hectare (ha) of cultivable command area (CCA) in Banaskantha & Patan and 1,12,778 ha CCA in Kachchh District.

The Company had awarded (November 2001) consultancy work[3] at a cost of ₹ 5.61 crore to M/s. RITES Limited (Consultant) for KBC of Sardar Sarovar Project. The consultant completed (April 2010) the work and submitted (July 2010) the report with details on design/ drawing/ estimates for all structures/ canal for 20 km to 194.677 km along with Geo Technical Reports. The consultant was paid final bill of ₹ 11.53 crore in July 2014.

The irregularities relating to award of contract and not obtaining statutory clearance are as follows:

(a) We observed (December 2013) that the data of preliminary survey, leveling and Geo-technical investigation, design of canal section and structure design prepared (April 2010) by the consultant were already available with the

1 Under EPC contract the contractor has to design a project or work, procure all the necessary materials and construct it, either through own labour or by subcontracting part of work and deliver it to the employer. The contractor carries the entire risk of the project for schedule, as well as budget, in return for a fixed price.

2 Based on Schedule of Rates 2008-09, estimates for the works were prepared and the bids were evaluated accordingly for award of contract.

3 The scope of the work involved in consultancy services was (i) Strip topographic survey and canal alignment planning for 33 km to 105 km, (ii) Canal alignment planning and approval for 125 km to 186 km, (iii) Design, drawing & estimation of canal for 20 km to 186 km, (iv) Geotechnical investigations, testing report and (v) Design, drawing and estimation of structures including vicinity contour survey for 20 km to 186 km.

Company. However, the Company awarded (January 2011) both the works by including these activities at a cost of ₹ 19.20 crore in scope of work of EPC contracts without any recorded justification. It is pertinent to mention that two works in chainage 112.500 km to 133.519 km were carried out based on the report of consultant. Therefore, Audit is of the view that when the report of the consultant could be used for the works in chainage 112.500 km to 133.519 km, the same could also have been used for chainage 82.300 km to 112.500 km and 133.519 km to 189.977 km. Not doing so resulted in avoidable expenditure of ₹ 19.20 crore.

The Government stated (July 2015) that the tender documents of EPC contracts provide for use of available survey and investigation data, design works carried out by RITES. The lump sum amount quoted by the EPC contractors is with respect to the same provision and hence, it is not correct to say that the data prepared by the consultant was not utilised in the works.

The reply is not specific to audit observations. It did not specify to what extent the data prepared by the RITES was being utilised by the EPC contractors and also the necessity of the Company to further include the same type of survey, leveling and Geo-technical investigation, design of canal section and structure design works in the EPC contracts at a higher cost of ₹ 19.20 crore.

(b) The Executive Engineer (EE), Kachchh Branch Canal Division No. 2/4, Bhachau awarded (January 2011) the work[4] for chainage 133.519 km to 189.977 km under EPC contract to a contractor[5] at a cost of ₹ 345.30 crore (Estimated cost: ₹ 375 crore) stipulating completion by January 2013. Out of the total 203.6276 ha land required for completion of the work, Government land of 134.0364 ha was allotted by the Collector, Bhuj to the Company in August-November 2010. Immediately after starting of work (February 2011), the Dy. Conservator of Forests (DCF), Kachchh East Division, Bhuj stopped (June 2011) the work as land in chainage 144.00 km to 168.00 km fell in Kachchh Desert Wild Life Sanctuary (KDWLS).

The Company sought (August 2011) permission from Forest Department to construct canal in the protected area of KDWLS. The Forest Department instructed (November 2011) the Company to carry out Environment Impact Assessment (EIA) and Biodiversity Study. The Company submitted (April 2012) proposal to the Principal Chief Conservator of Forests along with the Study Report of EIA and Biodiversity for obtaining approval of the Committee of National Board for Wild Life (NBWL). The matter remained under pursuance with the NBWL between June 2013 and August 2014. Ministry of Environment and Forests (MoEF) guidelines (December 2012) stipulate that proposals in respect of a Sanctuary or National Park, require Supreme Court's approval based on the recommendation of the Standing Committee of NBWL. The Standing Committee recommended (August 2014) the proposal for diversion of 134.0364 ha land from KDWLS. The Company

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4 Earthwork, structure, lining, service road, CR/HR/Escape gates, stop logs, control cabins etc including Geo-Tech investigation, design of structure and operation and maintenance of the same for five years.

5 M/s. Hindustan Construction Company Limited.

filed (February 2015 and May 2015) affidavit in the Supreme Court for pre-approval. Further progress was awaited (August 2015).

We observed (December 2013) that Land Acquisition is within the scope of Company and at the time of allotment of land, the Collector had stated that if any other permission was required in relation to the allotted land, the same would have to be taken from the Competent Authority. The Company was aware that KBC passes through KDWLS and statutory clearance was required when activities were to be taken in eco-sensitive zone. Similar delay was experienced during work of chainage[6] from 47 km to 110 km of KBC. The Company granted extension (February 2013) of time limit up to June 2014 due to delay in handing over land, which was further increased to March 2015. The contractor put up a proposal (May 2013) for revision in contract price based on provisions in the contract for ₹ 77.33 crore over the contract price for the chainage falling in KDWLS. However, due to stopping of work, the revision in contract price was not finalised (July 2015). Thus, award of work without obtaining required permission for acquisition of forest land resulted in delay and revision in contract price.

The Management/Government have stated (July 2015) that the District Collector transferred 134.0364 ha Government land to the Company on 99 years lease in 2010. However, only when the forest department stopped the work, it was found that the land of four villages falls under the KDWLS. As the land was allotted by the Collector, the Company did not anticipate any problem with the title of land before awarding the contract.

The reply is not acceptable as seen from the correspondence of EE, KBC Division No. 2/4, Bhachau with DCF, Bhuj (July 2011), the Company was aware that KBC passes through KDWLS and no objection certificate of Forest Department was required when activities would be taken up in five km range of the eco-sensitive zone. Thus, not getting statutory clearance before award of contract by the Company may lead to revision in contract price.

Alcock Ashdown (Gujarat) Limited

4.2 Loss due to termination of ship building contract

The Company accepted contract for constructing two ships without having technical and financial capacity. The contract was cancelled due to time over-run which resulted in loss of ₹ 42.80 crore.

The Alcock Ashdown (Gujarat) Limited (AAGL) is engaged in the business of ship building. AAGL entered (20 June 2006) into an agreement for construction of two work boats cum supply vessels (Y-255 and Y-256) at the contract price of USD 6.65 million per vessel (approximately ₹ 61.06 crore[7])

6 Work at various chainages between 47 km and 110 km of KBC passing through KDWLS was delayed due to not obtaining statutory clearance from MoEF (**Paragraph 2.14.2** of Audit Report (Commercial) of Government of Gujarat for the year 2008-09).

7 The exchange rate on 20 June 2006 was ₹ 45.91 per USD as taken from the RBI website. The Rupee equivalent comes out to be 6.65 million USD X 2 X ₹ 45.91= ₹ 61.06 crore.

with Marwa Offshore Enterprises (Mauritius) Private Limited, later on renamed as Dolphin Offshore Enterprises (Mauritius) Private Limited (DOEPL). The vessels were to be delivered in seaworthy condition by 30 September 2007.

AAGL sub-contracted (August 2007) the work related to hull construction, outfitting, engineering, installation, piping, commissioning and trials of vessels Y-255 and Y-256 to Shoft Shipyard Private Limited (SSPL), Thane. The payment was on per tonne basis for fabrication work and on lump sum rate for machine fittings. Material had to be supplied by AAGL and the construction was to be done at SSPL yard in Bharuch. The two ships were to be delivered by 31 December 2007. As monitoring of the contract at SSPL yard was becoming difficult for AAGL, additional responsibility of project management was also assigned (December 2008) to SSPL at a cost of ₹ 2.80 crore. The completion date was extended to May 2009.

One work boat cum supply vessel i.e., Y-255 was delivered by SSPL/AAGL to DOEPL on 20 December 2009 against the scheduled delivery date of 30 September 2007. The delivery of the second vessel was inordinately delayed by four years[8] due to the financial problems faced by AAGL and consequent non fulfillment of financial commitments to SSPL. DOEPL terminated the contract (November 2011) and invoked the bank guarantee given by AAGL to secure advance payments made by them under the contract. The reasons cited for the cancellation were that owing to time over-run there would be cost escalation, deterioration of the Hull and expiry of manufacturer's warranty on the equipments. The Board of Directors of AAGL in its 71st meeting, held in November 2011, took note of the cancellation and assessed the loss due to the cancellation to the tune of ₹ 42.80 crore[9].

The Valuation Report of the vessel Y-256 at SSPL, Bharuch was obtained (June 2012) from the Registered Valuer[10] which was valued at ₹ 24.12 crore on "as is where is basis". The vessel was again valued (December 2013) by another Registered Valuer[11] at ₹ 20.00 crore. The vessel would have deteriorated during the one and half years and there would have been reduction in its fair market value. The tender document was uploaded on the AAGL's website for sale of the vessel (Y-256) and News Paper advertisement was given on 1 March 2014. There was not even a single response.

We observed in Audit that as per the terms of contract for ship building entered into by AAGL, DOEPL was required to give AAGL, 20 *per cent* of the contract amount on signing the contract, 10 *per cent* on commencing of steel cutting and balance 70 *per cent* on delivery of vessel. The above terms indicate a huge working capital investment by AAGL. Even in sub contracted works the material had to be supplied by AAGL and sub-contractor payments were evenly spread throughout the contract period resulting in huge requirement of working capital. It was therefore essential that the order book

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8 From September 2007 to November 2011.

9 Cost incurred on Y-256 ₹ 39.74 crore plus advances to be repaid ₹ 10.86 crore plus subsidy to be refunded ₹ 3.58 crore less advances utilised in the work ₹ 11.38 crore.

10 R.D. Engineer Associates Pvt. Limited, Vadodara.

11 Vedam Design & Technical Consultancy Pvt Limited.

should have been synchronised with working capital availability. At the time of taking up the order of DOEPL in June 2006, AAGL already had the following orders in its order book:

Table 4.1: Orders already booked by AAGL as on June 2006

Name of the party	Description of vehicle	Number	Cost (₹ in crore)
Sea Tanker Management Company	12,800 T dwt IMO II Tankers	8	600
Customs, Delhi	GRP vessels	16	120
Indian Navy	Survey vessels	6	600
Gudami International Private Ltd	3,000 T dwt product carriers	2	34

Source: Board Minutes of the Company

Notwithstanding the above orders in existence, no cash flow analysis was put up to the Board or insisted by the Board before approving taking up of new orders. When DOEPL was considering termination of the contract and invoking bank guarantee, AAGL appointed a consultant (I Maritime Consultants Private Limited) to review the state of affairs of the Company in December 2008. The consultant stated (December 2008) that the orders contracted by AAGL were well beyond its technical and financial capability and orders were procured at very low rates without considering the viability of the pricing and the terms of payment. Thus, the acceptance of a ship building contract by the Company without assessing technical and financial viability resulted in loss of ₹ 42.80 crore.

The Management in their reply accepted (August 2015) that the vessels could not be delivered due to lack of technical manpower owing to disinvestment process of AAGL in the year 2007. Also, the Company took a lot of efforts and initiatives to complete the work and deliver the vessels on time even by incurring additional costs but no progress could be achieved by SSPL.

However, audit is of the view that AAGL agreed to supply vessel to DOEPL ignoring the fact that their own facilities at Bhavnagar and Chanch were already utilised and the same may not be available for construction of Y–255 and Y–256 vessels. To tide over the problem, the construction of the vessels was sub-contracted to SSPL's yard, but cash flow analysis to meet the working capital requirement was not done.

The matter was reported to the Government in July 2015; their replies were awaited (November 2015).

Gujarat State Petronet Limited

4.3 Avoidable Extra Expenditure

The Company commenced the pipe-line re-routing work without receiving the line crossing permission from Indian Oil Corporation Limited. As the permission was refused, the Company incurred avoidable extra expenditure of ₹ 1.25 crore again in re-aligning of said pipe-line.

Gujarat State Petronet Limited (the Company) is engaged in the business of transportation of natural gas from supply sources to demand centres across the State of Gujarat, through its gas transmission pipe-line network. The Amboli-Dahej pipe-line (ADPL) of 45 Kilometres (kms) is operated by the Company since 2001 which crosses river Narmada near Dhanturia village. During floods in the river Narmada (August 2013), the above pipe-line got exposed from the Dhanturia bank in Bharuch, which required re-routing of 2.663 kms.

Based on the detailed engineering route survey report prepared by Secon Private Limited (SPL), the Company's proposed re-routing was crossing the Indian Oil Corporation Limited (IOCL) pipe-line at one place near village Dhanturiya. As a result, the Company applied (February 2014) for permission from IOCL for crossing the pipe-line. The Company without waiting for the permission from IOCL awarded (4 March 2014) the construction contract for re-routing the pipe-line to M/s Punj Lloyd Limited (Punj Lloyd) at a cost of ₹ 16.51 crore. The new pipe-line to be constructed was to cross river Narmada of which, 2.1 km section was to be installed using Horizontal Directional Drilling[12] (HDD) technique and remaining section was to be installed as per onshore pipe-line laying method. However, during work execution, Punj Lloyd realized (April 2014) that the proposed re-routed pipe-line would cross IOCL pipe-line at two more locations[13]. Accordingly, the Company once again applied (28 April 2014) for permission to IOCL for all the three crossings.

However, IOCL took strong exception (May 2014) to the fact that the Company started the drilling work without waiting for IOCL's permission. Further, IOCL showed its concern about crossing of its pipe-line by the Company's proposed pipe-line below the river bed and refused to grant the crossing permission as this would pose great risk. They advised re-alignment of the Company's pipe-line. As a result, the Company had to pay an additional amount of ₹ 1.25 crore to Punj Lloyd for retrieval (restoring) of the pilot already drilled, shifting of HDD rig to the new location and re-pilot hole drilling.

Audit observed (February 2015) that the Company without waiting for crossing permission from IOCL, awarded the contract for construction of the re-routed pipe-line. This not only posed a grave threat in view of the nature of the crossing but also led to avoidable expenditure of ₹ 1.25 crore.

The Management has stated (July 2015) that the work was started without waiting for IOCL permission as the same was rectification work done on an emergency basis and not a normal maintenance work and any delay in completion of work before monsoon could have resulted into restricting the operation of the pipe-line which in turn could have affected the operations of downstream customers. Regarding SPL's failure to identify the other two locations of IOCL pipe-line, the Company justified the same by saying that the field markers were washed away during flood and land became marshy so the

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12 HDD is a steerable trenchless method of installing underground pipes, conduits and cables in shallow arc along a prescribed bore path by using a surface-launched drilling rig, with minimal impact on the surrounding area. Directional boring is used when trenching or excavating is not practical.

13 (i) Near Dhanduriya Village, Tk. Ankleshwar and (ii) Near River Bank towards Bhadbhut.

other two crossing locations were not physically traceable at the time of survey. It was stated that pipe-line built data was also not shared by IOCL with all concerned agencies like Gujarat State Disaster Management Authority and hence SPL did not notice the crossing locations.

The reply is not convincing as IOCL took strong exception to starting of work by the Company without its permission. IOCL even warned that in case of any sort of damage or disturbance or catastrophic situation, the Company would be held responsible. Further, SPL in its survey report made no mention of any difficulty faced in identifying crossings due to markers being washed away.

The matter was reported to the Government in June 2015; their replies were awaited (November 2015).

Gujarat Urja Vikas Nigam Limited

4.4 Management of subsidy by GUVNL

Introduction

4.4.1 Gujarat Electricity Board (Board) was unbundled effective from 1 April 2005 into seven separate companies[14]. GUVNL was the holding company of the remaining six companies with a paid up share capital of ₹ 8,930.35 crore as on 31 March 2015 held by Government of Gujarat (GoG). GUVNL is responsible for carrying out the functions of trading of electricity (purchasing of power from various sources and supplying to the distribution companies/licensees), claiming of subsidy from GoG and other residual functions of the erstwhile Board, not assigned to the remaining six companies.

GoG gives different kinds of revenue subsidies to agricultural consumers; water works consumers, hutments and *bastis* under different schemes. The above revenue subsidies are accounted in the books of the four distribution companies (DISCOMs) on accrual basis and are claimed by GUVNL from GoG on behalf of the DISCOMs and then passed on to them. The four major subsidies given by GoG to GUVNL are Horse Power (HP) based subsidy, Fuel Price and Power Purchase Adjustment (FPPPA) subsidy and Gujarat Electricity Regulatory Commission (GERC) tariff subsidy to agricultural consumers and Water Works subsidy to water works consumers in Gram Panchayats.

As on 31 March 2015, the four distribution companies had 11,85,542 agricultural consumers with a connected load of 1,36,70,911 HP, of whom 4,85,144 consumers were unmetered with a load of 67,52,295 HP and the remaining were metered consumers. There were 32,859 water works consumers as on 31 March 2015 who consumed 90.04 million units (MUS) during 2014-15. As on 31 March 2015, ₹ 3,611.81 crore was outstanding to

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

GUVNL from GoG in respect of the above four subsidies and also a two times subsidy of 50 *per cent* tariff rebate given to agricultural consumers in 2012-13 and 2014-15 on account of delayed and deficient rainfall across the State during those years.

Scope of Audit

4.4.2 This Audit was conducted from January 2015 to April 2015 and updated in August 2015 covering the period 2009-10 to 2014-15 in respect of the four major subsidies *viz.,* HP based subsidy, GERC tariff subsidy, FPPPA subsidy and the Water Works subsidy to verify the correctness of the method of calculation of subsidy, the arithmetical accuracy of the calculation and the timely raising and receipt of claims for subsidy. Two DISCOMs, PGVCL and UGVCL having highest numbers of agricultural consumers (9.42 lakh out of 11.86 lakh consumers) were selected for scrutinsing the claims.

Purpose of subsidy and its accounting

4.4.2.1 The purpose for which the above mentioned four subsidies are given and their accounting are explained hereunder:

HP based subsidy is given by GoG since the introduction of HP based tariff for agricultural consumers in June 1987 to compensate Board/DISCOMs for the loss incurred as a result of the HP based tariff[15] being lower than Board's/DISCOM's cost to serve the Unmetered Agricultural (UAG) consumers. This subsidy was capped by GoG at ₹ 1,100 crore per annum (p.a.) in 1999-2000 based on recommendations of Asian Development Bank. Considering this cap, Gujarat Electricity Regulatory Commission (GERC) fixed its first HP based tariff for UAG consumers at ₹ 1,680 per HP p.a. in October 2000, which was gradually increased to ₹ 2,400 per HP p.a. in April 2013. In view of the cap every year the GoG releases only ₹ 1,100 crore for HP based subsidy.

Over and above the HP based subsidy, GoG also gives GERC tariff subsidy for UAG consumers as GoG does not allow DISCOMs to charge even the HP rate fixed by GERC from time to time. Since July 2004, GoG has kept the HP tariff constant at ₹ 665/807.50 per HP p.a.[16] and the difference between this rate and the GERC fixed rate from time to time is compensated by the GoG as GERC tariff subsidy.

FPPPA charges are levied on consumers on a quarterly basis to compensate DISCOMs for the difference in actual fuel price and power purchase cost incurred by them on the power sold to consumers as compared to the fuel price and power purchase cost of the base year considered by GERC while fixing the energy charges to be levied on consumers. FPPPA charges are, however, not levied on agricultural consumers as per GoG directions (November 2004). This non-levy is compensated by GoG by way of FPPPA subsidy. This

15 HP based tariff is levied on the agricultural consumers based on their connected load without reference to their actual consumption as no meters are installed in the premises of such consumers.

16 Applicable for the unmetered consumers having connected load up to 7.5 HP and above 7.5 HP respectively.

subsidy is claimed by GUVNL and released by GoG considering normative consumption of 1,700 units per HP per annum for UAG consumers and actual unit consumption in respect of metered agricultural (MAG) consumers.

Water works consumers in Gram Panchayats are supplied power free of cost since April 1995. The rate chargeable to them as per GERC tariff from time to time is compensated by GoG by way of water works subsidy.

The calculation and claims of the above subsidies is done through e-Urja (in-house revenue billing programme). Accordingly, each DISCOM prepares and sends monthly/bi-monthly claims to GUVNL which in turn submits the consolidated claims of all DISCOMs on quarterly basis for first three quarters and finally yearly claims (including 4th quarter) to GoG. GoG makes budget provision for release of subsidy on the basis of claims submitted by GUVNL for previous years. Accordingly, GoG releases the subsidy in four installments in a year. Accounting of subsidy on accrual basis is done by DISCOMs as soon as claims raised by them are accepted by GUVNL. The figure of subsidy outstanding to be received from GoG appears only in the books of GUVNL. The DISCOMs in turn show it as receivable from GUVNL.

The details of amount claimed, received and outstanding in respect of five subsidies (including the one-time agricultural subsidy) for the period 2009-10 to 2014-15 are given in ***Annexure** 7*. Important aspects of the ***Annexure*** are tabulated below:

Table 4.2: GoG grants for the years 2009-10 to 2014-15

(₹ in crore)

Types of Subsidy	Opening balance	Claimed	Received	Closing balance
HP based subsidy	Nil	6,600.00	6,600.00	Nil
FPPPA subsidy	362.94	8,910.96	6,782.00	2,491.90
GERC tariff subsidy	108.29	5,183.85	4,803.13	489.01
Water works subsidy	144.93	1,910.14	1,829.91	225.16
50 *per cent* tariff subsidy for 2012-13 and 2014-15	NIL	905.74	500.00	405.74
Total	**616.16**	**23,510.69**	**20,515.04**	**3,611.81**

Source: Information provided by GUVNL

Audit findings

4.4.3 The audit findings in relation to non-reconciliation of water works subsidy, increasing trend in the outstanding subsidy claims from GoG leading to loss of interest, and slow progress in metering of agricultural consumers are discussed in the succeeding paragraphs:

Reconciliation of subsidy claim of water works consumption

4.4.3.1 GUVNL while claiming subsidy for water works showed the units assessed and the subsidy claimed for the units assessed. The amount of subsidy claimed ought to have been equivalent to the amount which is arrived at by multiplying the units assessed with per unit rate of energy charges and FPPPA charges. Audit, however, observed that the subsidy to be claimed as worked out based on the above formula did not tally with the year wise subsidy actually claimed for water works consumption relating to all four DISCOMs as tabulated below which needs to be reconciled by GUVNL:

Table 4.3: Reconciliation of water works subsidy

Year	Units assessed (In MUs)	Subsidy claimed (₹ in crore)	Subsidy to be claimed (₹ in crore)	(Excess)/Less claimed (₹ in crore)
2009-10	612.78	189.47	195.77	6.30
2010-11	661.19	201.31	206.47	5.16
2011-12	409.49	254.20	147.92	(106.28)
2012-13	524.37	349.63	213.52	(136.11)
2013-14	1,005.98	434.28	421.60	(12.68)
2014-15	1,107.88	481.25	489.31	8.06

Source: Compiled based on information provided by Company

The Management/Government stated (July/September 2015) that the difference is on account of changes in FPPPA rates and energy rates during the year and certain debit/credit adjustments made in the subsidy account.

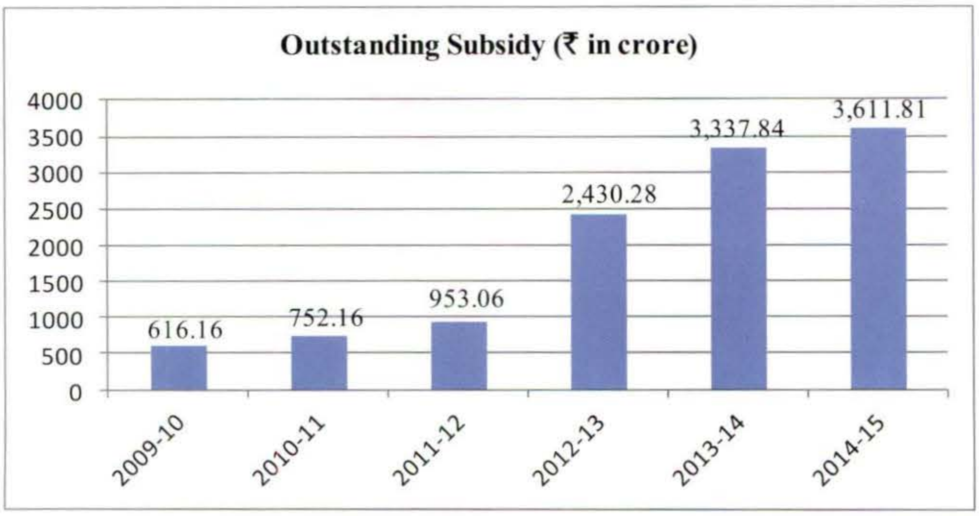
Audit has worked out the difference after considering month wise energy and FPPPA charges hence mid-year change in rates are taken care off. Debit /credit adjustments can lead to differences but not to the extent worked out by Audit.

Interest burden on account of delayed release of subsidy by GoG to GUVNL

Delay in releasing subsidy by GoG during the period 2009-15 resulted in interest burden of ₹ 890.51 crore on GUVNL.

4.4.3.2 In respect of the subsidy claimed by GUVNL from GoG an amount of ₹ 3,611.81 crore was outstanding as on 31 March 2015 (***Annexure*** *7*). The outstanding balance had increased from ₹ 616.16 crore to ₹ 3,611.81 crore during the last six years as given in the graph below:

Chart 4.1: Outstanding subsidy balance



Section 65 of Electricity Act 2003 stipulates that when the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission under Section 62 (Determination of tariff), the State Government shall, pay in advance, and in such manner as may be specified, the amount to compensate the person affected by the grant of subsidy. As may be seen from ***Annexure 7***, the subsidy had neither been released in advance nor given as and when claimed resulting in accumulation of outstanding balances. The delay resulted in interest burden of ₹ 890.51 crore[17] to GUVNL calculated at the average bill discounting rate of GUVNL of 9.31[18] *per cent.* GUVNL had working capital borrowings of ₹ 2,178.11 crore,. ₹ 2,979.52 crore and ₹ 3,272.27 crore during the last three years ended 2013-14, which could have been reduced to the extent of subsidy outstanding had the same been received in time.

Further, each year DISCOMs file petitions before GERC for truing up of previous financial year including expenses incurred. While truing up DISCOMs incorporate "interest on loan" component which includes interest paid on loan taken for working capital. The burden of such interest is ultimately passed on to the consumer. Timely release of subsidy could have avoided this additional burden of interest being passed on to the consumer.

The Management stated (July 2015) that subsidy expenditure being a non-plan revenue expenditure, adequate budget provision is not being made despite GUVNL's representation for clearance of the outstanding subsidies which further cause mismatch in cash flows. To honour the committed liabilities for power purchase and debt servicing the DISCOMs/GUVNL have to raise outside finances for bridging the gap which is adding to the interest burden. Government stated (September 2015) that subsidy was being released as per budget provision based on available resources and keeping in view the requirement of other social sectors.

Slow progress in metering agricultural consumers

4.4.3.3 GERC directed (Tariff order 2004) the DISCOMs to complete *cent per cent* metering of all consumers. GERC reiterated the above directives through the tariff orders issued from time to time. Audit observed that there was no significant improvement in metering of UAG consumers during the last five years as tabulated below:

17 This has been calculated on the year-wise outstanding subsidy balance as depicted in the graph above at the rate of 9.31 *per cent* per annum. Interest: ₹ 57.36 crore + ₹ 70.03 crore + ₹ 88.73 crore + ₹ 137.38 crore + ₹ 226.26 crore + ₹ 310.75 crore for the year 2009-10, 2010-11, 2011-12, 2012-13, 2013-14, 2014-15 respectively.

18 The average cash credit rate of GUVNL is 10.33 *per cent* and bill discounting rate is 9.31 *per cent.* The lower of the rate has been considered for working interest loss.

Table 4.4: Progress of metering agricultural consumers

Particulars	Year	DGVCL	MGVCL	UGVCL	PGVCL
Total Agricultural consumers (In nos)	2009-10	88,612	66,965	2,21,802	4,37,089
	2014-15	1,31,941	1,11,506	2,83,395	6,58,700
MAG consumers (In nos)	2009-10	42,777	40,819	65,924	1,77,560
	2014-15	86,770	85,591	1,29,011	3,99,026
UAG consumers (In nos)	2009-10	45,835	26,146	1,55,878	2,59,529
	2014-15	45,171	25,915	1,54,384	2,59,674
Percentage of metering	2009-10 to 2014-15	1.45	0.88	0.96	Negative

Source: Information provided by DISCOMs

At the end of 2014-15, agricultural consumers of around 34 *per cent* in DGVCL, 23 *per cent* in MGVCL, 54 *per cent* in UGVCL and 39 *per cent* in PGVCL were still unmetered. For the State as a whole 40.92 *per cent* of the consumers were unmetered (March 2015). Progress of metering of UAG consumers during the last five years was very slow, *i.e.* 1.45 *per cent* in DGVCL, 0.88 *per cent* in MGVCL, and 0.96 *per cent* in UGVCL. Further, in PGVCL number of UAG consumers increased from 2,59,529 in 2009-10 to 2,59,674 in 2014-15, for which reasons were not made available to audit. In 2009-10 there were 4,87,388 unmetered agricultural consumers in the State with a connected load of 63,03,906 HP whereas in 2014-15 the number was 4,85,144 consumers with a load of 67,52,295 HP. The non-metering has a direct impact on the subsidy payable as discussed hereunder:

DISCOMs have two types of tariff for agriculture sector, *i.e.* metered and HP based (unmetered). As per HP based tariff, the entire connected load of UAG consumers is currently charged at the rate of ₹ 200 per HP per month *i.e.* ₹ 2,400 per HP p.a. irrespective of the actual consumption. As per GoG policy, out of the aforesaid amount of ₹ 2,400 per HP p.a., the consumer has to pay only ₹ 665 per HP p.a. (having connected load below 7.5 HP) or ₹ 807.50 per HP p.a. (connected load above 7.5 HP) while remaining HP charges are compensated by the GoG in the form of subsidy. Further, the GoG is also extending 100 *per cent* subsidy towards fuel cost adjustment charges (also called FPPPA charges) considering normative consumption of 1,700 units per HP p.a. of connected load. On the other hand, in respect of tariff for MAG consumers, the units consumed are charged at the rate of 50 paise per unit for ordinary connection and 70 paise per unit for Tatkal connection till March 2013 after which these rates have been increased to 60 paise and 80 paise respectively. Besides, a fixed charge of ₹ 10 per HP per month upto March 2013 and thereafter ₹ 20 per HP per month is also charged from the MAG consumers. The subsidy given to MAG consumers is the fixed charge of ₹ 10/20 per HP per month and FPPPA charges on the actual units consumed.

From the above it may be seen that the tariff for MAG consumers has been kept low to encourage UAG consumers to opt for metering. But the metering of UAG consumers has been very nominally achieved as the UAG consumer bears only one third of the HP tariff fixed by GERC and rest is subsidised by the GoG.

The Management/Government stated (July/September 2015) that in spite of several efforts by DISCOMs metering of UAG consumers was not possible because of stiff resistance from farmers.

Conclusion and Recommendations

4.4.4 A review of the calculation and claiming of agricultural and water works subsidy by GUVNL from GoG revealed huge outstanding of subsidy from GoG and non-reconciliation of water works subsidy. There was nominal progress in the metering of unmetered agricultural consumers as GoG continued subsidising the unmetered consumers to the extent of two third of the HP rate fixed by GERC. We recommend that:

- ***GoG may release the subsidy in time to avoid interest burden on GUVNL/DISCOMs arising out of working capital borrowings.***

- ***GUVNL may ensure installation of meters for all unmetered agricultural consumers and implement the GERC directives.***

4.5 Energy loss due to excess consumption of electricity by Unmetered Agricultural Consumers

The excess consumption of electricity by unmetered agricultural consumers as compared to metered agricultural consumers during the period 2009-10 to 2014-15 in the four DISCOMs of GUVNL ranged from 5,822.84 MUs to 7,569.48 MUs every year resulting in an avoidable power purchase cost every year of ₹ 1,775.97 crore to ₹ 2,910.75 crore.

The four power Distribution Companies[19] (DISCOMs) have two types of tariff for agriculture sector, *i.e.* tariff for metered consumers and horse power (HP) based tariff (capacity based) for unmetered consumers which is explained through a *Chart 4.2* as follows.

[19] Dakshin Gujarat Vij Company Limited, Paschim Gujarat Vij Company Limited, Uttar Gujarat Vij Company Limited and Madhya Gujarat Vij Company Limited.

Chart 4.2: Comparison of Tariff structure for UAG and MAG consumers

Tariff structure for agricultural consumers
Unmetered Agricultural Consumers (UAG): HP based fixed tariff irrespective of actual consumption
Metered Agricultural Consumers (MAG): Tariff based on actual consumption

Unmetered Agricultural Consumers (UAG)
No. of consumers (2014-15): 4.85 lakh

Tariff Structure:
- Fixed charges - ₹ 2,400 per HP p.a. (irrespective of consumption)
- FPPPA charges

Payable fixed charges by UAG
- Below 7.5 HP - ₹ 665 per HP p.a.
- Above 7.5 HP - ₹ 807.50 per HP p.a.

Government Subsidy
- Remaining fixed charges subsidy (₹ 1,735 or ₹ 1,592.50 per HP p.a.)
- FPPPA subsidy – 100 *per cent* considering 1,700 units consumption per HP p.a.

Implications: UAG pay fixed amount irrespective of consumption of electricity.

Result:
- Consumption per HP by UAG was 1,833 units as against 719 units by MAG in 2014-15
- Leads to wastage of electricity as well as creates subsidy burden on the Government. Probability for excess consumption of water also exists.

Metered Agricultural Consumers (MAG)
No. of consumers (2014-15): 7.00 lakh

Tariff Structure:
- Energy charges – Paise 60 (normal) / 80 (tatkal) per unit
- Fixed per HP charges - ₹ 20 per HP per month
- FPPPA charges

Payable energy charges by MAG
- Energy charges on actual units consumed

Government Subsidy
- Energy charges subsidy – NIL
- Full Subsidy for fixed per HP charges
- FPPPA subsidy – based on actual units consumed

Implications: MAG pay energy charges based on actual consumption of electricity.

Result:
- Consumption per HP by MAG was only 719 units compared to UAG's at 1,833 units in 2014-15
- As payment is linked to consumption, it leads to judicious usage of electricity (and hence water).

We compared in Audit the pattern of consumption of MAG consumers and UAG consumers as brought out in ***Annexure 8.*** In respect of individual DISCOMs, the consumption pattern of UAG consumers to MAG consumers ranged from 1.47:1 to 3.94:1 as brought out in the ***Annexure***. The table below gives the overall picture for the additional cost incurred by all the four DISCOMs due to additional consumption.

Table 4.5: Comparative consumption of agricultural consumers

Sl. No.	Particulars/Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
a	Total UAG consumers	4,87,388	4,86,940	4,86,600	4,86,191	4,80,776	4,85,144
b	HP load of UAG	63,03,906	64,01,752	64,48,045	65,68,566	66,63,847	67,52,295
c	Total MAG consumers	3,27,080	3,59,524	4,16,196	5,04,974	5,88,528	7,00,398
d	HP load of MAG	30,18,781	33,56,961	39,66,283	48,51,386	57,92,602	69,18,616
e	Consumption per HP of UAG[20] consumers (In Units)	1,953.87	1,625.50	1,750.58	1,961.64	1,670.23	1,833.25
f	Consumption per HP of MAG consumers (In Units)	835.58	715.93	755.20	809.26	659.70	719.36
g	Ratio of consumption UAG to MAG	2.34:1	2.27:1	2.32:1	2.43:1	2.53:1	2.55:1
h	Additional consumption by UAG consumers per HP (e – f)	1,118.29	909.57	995.38	1,152.38	1,010.53	1,113.89
i	Total excess consumption by UAG (in MUs) (h x b)	7,049.60	5,822.84	6,418.26	7,569.48	6,734.02	7,521.31
j	Power purchase rate per unit (in ₹)	2.87	3.05	3.36	3.61	3.80	3.87
k	**Additional cost due to additional consumption (₹ in crore) (i x j)**	**2,023.24**	**1,775.97**	**2,156.54**	**2,732.58**	**2,558.93**	**2,910.75**

Source: Compiled from information provided by DISCOMs and GUVNL

As brought out in ***paragraph 4.4.3.3*** there was a very slow progress in metering of unmetered agricultural consumers in the last five years as a result of which the additional consumption continues till date.

Audit observed that due to non-metering of agricultural consumers there was:

- **Excess consumption of energy**: As for each HP of connected load, the average consumption of UAG consumers for the period 2009-10 to 2014-15 was more than twice the average consumption of MAG consumers resulting in avoidable cost towards additional power purchase as shown above.

- **Probable excess consumption of water**: There is an inherent tendency to draw more water when the consumer has to make fixed payment irrespective of the power consumed.

- **Increased subsidy burden on the State Government**: The HP rate payable by UAG consumers is constant at ₹ 665 or ₹ 807.50 per HP p.a. since July 2004 and the differential amount was subsidised by GoG as GERC tariff subsidy. The HP rate fixed by GERC for the UAG consumers since October 2000 was high enough to recover a tariff of 99 paise to 141 paise per unit even if they consumed the normative consumption of 1,700

[20] In absence of meters in UAG consumers their consumption has been arrived at by reducing from the units sent out from each feeder the applicable transmission and distribution losses and the metered units. The consumption so derived has been divided by the total UAG load to arrive at the per HP UAG consumption.

units per HP per annum (₹ 1,680 per HP and ₹ 2,400 per HP/1,700 units). As the UAG consumer bears only one third of the HP tariff he pays only 39 or 48 paise per unit for the normative consumption of 1,700 units (₹ 665 and ₹ 807.50 per HP/1,700 units per HP), leading to a burden on the State Government for subsidy. Also, as the UAG consumer pays lesser amount than the subsidised MAG tariff (60 to 80 paise per unit) there was no incentive for the UAG consumers to opt for metering.

GUVNL/GoG needs to take urgent steps to ensure metering of UAG consumers as directed by GERC in 2004 to avoid wastage of scarce energy resources.

The matter was reported to the Management/Government in October 2015; their replies were awaited (November 2015).

Paschim Gujarat Vij Company Limited

4.6 Avoidable Extra Expenditure

The Company incurred avoidable expenditure of ₹ 1.39 crore due to failing to procure materials at lower cost by invoking the repeat order clause of existing contract.

The Company placed (September/October 2011) purchase orders on Prakash Re-roller Private Limited (PRRPL) for supply of 11,200 MT[21] of steel items at a total cost of ₹ 46.95 crore for meeting the requirement of various electrification schemes, fabrication and network maintenance works. The clause 14 of the purchase order stipulated that the Company reserved the right to place repeat orders/ additional orders up to 25 *per cent* of the original quantity of the order at the same prices, terms and conditions stipulated in the original contract during the contractual delivery period. As per the delivery schedule, the supply was to be completed by 15 May 2012[22]/5 June 2012[23].

The Company initiated (February 2012) the tender process for procurement of 16,025 MT[24] of steel items for similar requirements as stated earlier while the delivery against previous order was in progress. The trend of steel prices was on the rise during the period from April 2011 to February 2012 as evidenced from published market prices. The price bid opened in March 2012 was on the higher side. Considering the rising price trend, a belated proposal was made (April 2012) to the Competent Authority for placing repeat order for procuring additional quantity of 25 *per cent* against the previous order. However, the Competent Authority approved to place repeat order for procuring additional quantity of only 700 MT of MS Angle 65x65x6 mm on PRRPL to meet routine requirement on the plea that the tender process initiated in February 2012 was already over for the placement of orders. Based on the offers

21 MS Angle 65x65x6 mm-9,700 MT, MS Flat 50x6 mm-430 MT, MS Round 16 mm^2-1,070 MT.
22 MS Angle 65x65x6 mm.
23 MS Flat and MS Round Bar.
24 MS Angle 50x50x6 mm-1,725 MT, MS Angle 65x65x6 mm-10,760 MT, MS Flat 50x6 mm-1,450 MT, MS Round Bar 16 mm^2 – 1,460 MT, MS Channel 100x50x5 mm- 630 MT.

received in new tender, orders were placed for 16,025 MTs of steel items on eight firms in May 2012 even while the old order was still in progress.

Audit observed that as per clause 14 of the earlier order, the Company could have purchased 25 *per cent* of the original order quantity for the three items[25] i.e 2,800 MTs through repeat order against which it placed (1 May 2012) repeat order for only 700 MT of MS Angle 65x65x6 mm. The purchase order for new tender was also placed (21 May 2012) with PRRPL itself at higher rates. The difference in the prices of these three items in the new tender was higher by ₹ 6,465 to ₹ 7,380.67 per MT leading to an avoidable expenditure of ₹ 1.39 crore [26].

The Management/Government in their reply stated (June/July 2015) that the Competent Authority decided to procure 700 MT of MS Angle 65x65x6 mm in view of urgent requirement. It also stated that the repeat order clause is generally exercised to procure shortfall of requirement and delay in next tender but it cannot be used for hedging the price.

The reply is not convincing as the spirit of insertion of the clause is to enable the Company to procure more quantity in case requirement arises and an increasing price trend was on record with the Management. Therefore, the contention that the material was not required at that time is not acceptable. The Management is expected to safeguard its financial interests, which in the instant case was not done.

Metro Link Express for Gandhinagar and Ahmedabad Company Limited

4.7 *Infructuous expenditure on metro project undertaken without approval and in violation of procedures*

Introduction

4.7.1 The concept of Metro-Rail connectivity between Ahmedabad and Gandhinagar was under consideration by Government of Gujarat (GoG) from 2005. The project report originally prepared by DMRC[27] (2005) and the proposed route was deliberated at various levels of the GoG and the following route was finalised (June 2012) by the Committee of Ministers.

[25] 2,425 MT of MS Angle 65x65x6 mm, 267.5 MT of MS Round Bar 16 mm and 107.5 MT of MS Flat 50x6 mm.

[26] Difference in price for MS Angle 65x65x6mm X difference in quantity for repeat order which is 25 *per cent* of the original quantity less 700 MT at ₹ 6,465 X 1,725 = ₹ 1,11,52,125; Difference in price for MS Round Bar 16 mm and MS Flat 50x6 mm X 25 *per cent* of the original quantity ₹ 7,380.67 X (267.5+ 107.5) = ₹ 27,67,751. The total difference works out to be ₹ 1.39 crore.

[27] Delhi Metro Rail Corporation.

Table 4.6: Route finalised by the Committee of Ministers

Sl. No.	Section Name	Length (in Km) (Broad Gauge)			No. of Stations
		Elevated	Underground	Total	
1	Line 1A: Ahmedabad Electricity Company (AEC) to Akshardham (Phase I)	23.10	nil	23.10	16
2	Line 1B: AEC to Agricultural Produce Market Committee (APMC) (Phase II)	nil	20.70	20.70	13
3	Line 2: Mahalaxmi to Ranip (Phase II)	8.70	1.30	10.00	8
4	Line 3: Civil Hospital to Jamalpur (Phase II)	13.60	3.80	17.40	9
5	Line 4: AEC to Airport (Phase I)	6.20	nil	6.20	3
6	Line 5: *CH*-3 to Mahatma Mandir (Phase I)	3.63	nil	3.63	2
	Total (Rounded to the nearest decimal)	**55**	**26**	**81**	**51**

Source: Project report of BARSYL

For the purpose of the implementation of the project and effective coordination, Metro Link Express for Gandhinagar and Ahmedabad Company Limited (MEGA Company) was incorporated by the GoG in February 2010 and a High Level Committee[28] was constituted in August 2011 for effective coordination and implementation of the Metro Project. Based on the above route finalised, the new Draft Project Report (DPR) was prepared by BARSYL and six other consultants in August 2012. The DPR was approved by the Board of Directors (BoD) of MEGA Company in December 2012. The estimated cost of the project as per the DPR was ₹ 15,789 crore.

The High Level Committee suggested (July 2013) to revise the above DPR so as to cover areas in and around Ahmedabad city *viz*., Motera-Memco, APMC–Visat Extension and Vadaj–Memco in Phase-I. It was also proposed that Phase I would be completed by 2018 and then metro connectivity to Gandhinagar, GIFT City, Airport and other places would be covered in subsequent phases. In Phase-I GoG approved two corridors *viz*., (i) North South Corridor and (ii) East West Corridor with a total length of 35.2 kms (approx.) including 28.2 kms elevated and 7.0 km underground having 32 stations along the route. The DPR for the revised Phase I was prepared by DMRC with a project cost of ₹ 10,773 crore and approved by GoG and GoI (April 2014 and November 2014 respectively). The BoD accorded (5 March 2015) its approval for conversion of MEGA Company into a Joint Ownership (50:50) Special Purpose Vehicle between GoI and GoG. In the revised Phase I, General Engineering Consultant for Ahmedabad Metro Rail Project, Detailed Design Consultants for other works have been selected and the work has since started (May 2014).

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28 Principal Secretary, UD&UHD as Chairman and 12 members – Chairman (MEGA), Municipal Commissioner (Ahmedabad), Chief Executive Authority (Ahmedabad Urban Development Authority), Chief Executive Authority (Gandhinagar Urban Development Authority), Superintendent of Police, Gandhinagar, Dy. Commissioner of Police (Traffic-Ahmedabad), Municipal Commissioner (Gandhinagar), representatives of DRM (Ahmedabad), representatives from Torrent Power/UGVCL, representatives from BSNL, representatives from GIFT Co. Ltd. and representatives of other utilities *viz* Gas, Telecom etc. stationed in Ahmedabad/Gandhinagar (as may be invited by the Chairman).

Even before the DPR was prepared (August 2012) by BARSYL and approved by the BoD (December 2012), the MEGA Company started issuing purchase/work orders for the same from June 2011. A total of 1,868 orders were issued (June 2011 to September 2013) at a total cost of ₹ 583.89 crore out of which 672 work orders (valuing ₹ 200.68 crore) regarding planning, alignment, designing, consultancy services and material procurement were issued before the approval of DPR by BoD and remaining 1,196 work orders (valuing ₹ 383.21 crore) regarding earth filling materials, casting yard, construction of diaphragm and retaining wall etc., were issued after the approval of DPR by BoD but before approval of project report by GoG and GoI. Except the general orders for planning, alignment and designing, all the other orders were for the depot sites of Motera, Indroda and Chiloda. For this phase, the GoG infused (May 2011 to March 2014) Share Capital of ₹ 1,100 crore in the MEGA Company and the Company further arranged loan aggregating to ₹ 466 crore from Vijaya Bank (₹ 250 crore), Punjab National Bank (₹ 116 crore) and United Bank of India (₹ 100 crore) in March and June 2013.

The above works were stopped in September 2013 as a consequence of the change in routes and the Company had incurred expenditure of ₹ 445.86 crore till March 2015 on the above abandoned phase. We reviewed 811 work orders (earth filling work – 352, labour work – 258, design/planning – 24, material – 142 and retaining wall – 35) valuing ₹ 388.66 crore covering the above areas.

Audit Findings

Purchase procedure

Purchase manual and purchase policy

4.7.2.1 As per the documents available on record, there was no approved purchase manual, purchase procedure or delegation of powers for issue of purchase orders and work orders from June 2011 to September 2012. In September 2012, the BoD of MEGA Company approved adopting the purchase procedure of Gujarat State Petroleum Corporation Limited (GSPC). The procurement manual of GSPC laid down the following procedure for procurement of goods and services:

Table 4.7: Procedure for procurement as per GSPC procurement manual

Value (in $ or ₹ equivalent)	Purchase Method
Less than $ 500	Without any formal enquiries
More than $ 500 but less than $ 50,000	Purchase against Hand Quotations from minimum three suppliers
More than $ 50,000 but less than $ 5,00,000	Limited Tender from pre-qualified suppliers
More than $ 5,00,000	Global Tenders

Source: GSPC Procurement Manual

Out of total 1,868 work orders, 494 work orders (valuing ₹ 170.82 crore) regarding planning, alignment, designing, consultancy services and material procurement were issued before adopting GSPC procurement manual and remaining 1,374 work orders (valuing ₹ 413.07 crore) regarding earth filling materials, casting yard, construction of diaphragm and retaining wall etc., were issued after adopting GSPC procurement manual.

We reviewed 165 orders valuing ₹ 101.72 crore (ranging from ₹ 2.12 lakh to ₹ 738.65 lakh) issued prior to September 2012 and 646 orders valuing ₹ 286.94 crore (ranging from ₹ 1.53 lakh to ₹ 910 lakh) issued after September 2012. We observed that prior to September 2012, 88 orders valuing ₹ 68.17 crore were issued by inviting quotations from local suppliers and 77 orders valuing ₹ 33.55 crore were issued on nomination basis. It was also observed that after September 2012, 201 orders ranging from ₹ 1.53 lakh to ₹ 456.65 lakh were issued on nomination basis though as per the GSPC manual only contracts up to ₹ 30,000 could be issued on nomination basis. Further after September 2012, 445 orders ranging from ₹ 4.20 lakh to ₹ 910 lakh were issued by inviting quotations from local suppliers. As per the GSPC manual only orders up to ₹ 30,00,000 (Approximately) can be issued through hand quotations from three suppliers. However, Audit observed that the Company had issued 343 orders valuing ₹ 242.63 crore (ranging from ₹ 30.17 lakh to ₹ 910 lakh) by inviting quotations from local suppliers.

The Management/Government replied (September 2015/November 2015) that from September 2013 onwards, the new Management of the Company is following the CVC guidelines for all the procurements and the same are based on laid down delegation of powers through a transparent open tendering system. It was further stated that the Company takes care of provisions regarding security deposit/performance guarantee/liquidated damages to ensure timely completion. Further, they had also initiated action against the officials responsible for the issue raised in audit for period prior to September 2013.

Estimation of requirement in work orders

4.7.2.2 The Company had not estimated the total requirement of cement, sand, murrum, rubble, boulder, *grit kapchi*, metal, steel etc., before placing procurement orders nor the work required to be executed before placing orders for labour contracts, earth filling work or other civil works. The orders for material procurement did not specify the site at which the delivery of procured material had to be made or at which site the work was to be executed. The orders other than design contracts which were given on nomination basis were split into orders of varying value; the range of which is tabulated below:

Table 4.8: Orders other than design contracts split into smaller values

Nature of contract	Period of contract	Number of orders issued	Monetary range of orders (₹ in Lakh)	Total order value (₹ in crore)
Material	June 2012 to April 2013	142	4 to 381	120.60
Earth filling	April 2013 to July 2013	352	4.20 to 196.91	176.80
Labour	January 2012 to May 2013	258	1.53 to 9.76	20.34
Total		**752**		**317.74**

Source: Compiled from information provided by the Company

As seen from the table, 752 orders were issued for a total value of

₹ 317.74 crore ranging from ₹ 1.53 lakh to ₹ 381 lakh in respect of individual orders. No justification was on record for such high variation in the orders.

The Management/Government in their reply (September/November 2015) accepted the facts for work done prior to September 2013.

Reasonability of rates for awarded works

4.7.2.3 In absence of proper purchase procedure, the reasonability of the rates at which the above contracts were awarded could not be vouchsafed in Audit. In respect of earth filling contracts and construction of retaining wall, which were awarded by calling limited number of local suppliers, we observed that the contracted rates were higher (31.25 *per cent* to 374.58 *per cent*) than the prevalent schedule of rates (SOR) of the Roads and Building Department. In respect of 371 orders awarded during February 2013 to July 2013 under the above categories, the cost was higher by ₹ 40.16 crore[29]. In respect of material procurement contracts for period prior to January 2013, such comparison could not be made in Audit as the rate was inclusive of loading, transportation and unloading and therefore could not be compared with SOR rates which were only for material.

The Management/Government replied (September/November 2015) that the BoD had constituted (September 2013) a Committee of Approval to review approvals/sanctions and take appropriate decisions. Further, the Management constituted (December 2013) a Technical Unit (TU) headed by a Chief Engineer of the R&B Department to render technical advice. The Company has decided to make recovery according to Reasonable Rates (RR) by applying the rates throughout the contract. Eight agencies engaged by the then management of the Company for retaining wall have filed an arbitration petition in Public Work Contract Dispute Arbitration Tribunal, Ahmedabad.

Distribution of quantity among work orders

4.7.2.4 In absence of a clear cut purchase policy there was no rule/provision for quantity allocation between parties. There was wide variation in quantity distribution among individuals in the same order as well as different orders. The quantity distribution in respect of material procurement is tabulated below:

[29] Earth filling - ₹ 33.52 crore and Construction of retaining wall - ₹ 6.64 crore.

Table 4.9: Quantity distribution in respect of material procurement

Name of Material	Number of Orders	Period of orders	Total Order Quantity	Range of quantity distribution	Total value of orders (₹ in crore)
Boulder	25	June 2012 and September 2012	75,150 Brass[30]	150 to 10,000	20.44
Rubble	11	September 2012 and October 2012	66,200 Brass	500 to 14,000	17.98
Sand	12	July 2012	59,100 Brass	3,800 to 6,300	11.49
Cement	9	July 2012	1,32,500 Bag	2,600 to 40,000	3.38
Matipuran	24	August 2012, September 2012 and January 2013	6,53,750 cu m	7,500 to 1,25,000	17.52
Grit Kapchi	4	July 2012	1,595 Brass	30 to 1,000	2.17
RMC[31]	18	October 2012 to April 2013	51,980 cu m	975 to 4,650	24.36
Steel	38	July 2012 to July 2013	3,182.16 MT	9 to 466	14.16

Source: Compiled from information provided by the Company

No justification was on record for allocation of different quantities among the various parties.

Quantity allocation to ineligible parties

4.7.2.5 We also observed in respect of six[32] parties that the Gujarat Commercial Tax Department had cancelled their Taxpayer Identification Numbers (TIN) during the period March 2012 to April 2013. However, the Company had issued orders of ₹ 24.89 crore to these Companies even after the cancellation of TIN.

As per prevailing practices in Government Companies, purchase orders are not awarded to firms not having TIN as payment of invoice value with tax to a party with registered TIN only can ensure that the tax amount reaches the Government.

The Management/Government in their reply (September/November 2015) accepted the fact.

Execution of orders

4.7.3 The Company did not have a system of maintaining measurement books for works done or stock registers for materials procured other than cement and steel. As the orders placed also did not specify where the material was to be delivered or work to be done, Audit could not vouchsafe the expenditure of ₹ 445.86 crore booked in the accounts up to March 2015 in respect of these contracts. However, the following were observed in respect of the execution of works:

Policy for grant of mobilisation advance

4.7.3.1 Mobilisation advance was mainly given in contracts for fabrication, consultancy, planning & review, retaining wall construction and agency

[30] 1 brass = 4.528 metric tonne.

[31] Ready Mix Concrete

[32] Mahir Mehta Steel Traders Pvt. Ltd., Sinni Steel Pvt. Ltd., Kaizan Technowizard, Strength Construction, Ultra Power Infrastructure and Span Technowizard.

contracts. In the 50 orders that we test-checked in Audit, it was observed that the mobilisation advance given ranged from 10 to 30 *per cent.* Due to stoppage of work, an advance of ₹ 23.12 crore was pending for recovery in case of 39 orders.

For the purpose of executing certain works like casting yard, depots, building works, bridges etc., the Company awarded four agency contracts[33] called engagement mechanism contracts. These agencies could hire sub-contractors for execution of the works and recover the cost of the works along with project management charges from the Company. The agencies were also entitled for mobilisation advance at 10 *per cent* of the works contracts awarded by them. The formal engagement mechanism contracts awarded to HPL, HSWCL, BRCL and WAPCOS were not available on record. In respect of HPL, HSWCL and BRCL adhoc mobilisation advance of ₹ two crore each was released without any work contracts being submitted by them. WAPCOS was released mobilisation advance of ₹ 12.71 crore, based on two works contracts of ₹ 151.99 crore awarded by them. Recovery of the above amount of ₹ 18.71 crore released (March 2013 to August 2013) to the four engagement mechanism contractors was pending for recovery (September 2015).

The Management/Government replied (September/November 2015) that the Company has initiated recovery of advances wherein slight progress has been made. It was further stated that in case of WAPCOS an arbitrator has been appointed and hearing is going on.

Maintenance of stock registers for materials

4.7.3.2 Audit observed that no stock register in respect of sand, *matipuran*, rubble, boulder, *grit kapchi* and metal was maintained in respect of which orders worth ₹ 78.70 crore were placed during the period from June 2012 to January 2013. Further, there was no record of quantity received and/or quantity consumed. During test check in Audit, it was observed that in respect of cement, 1,32,500 bags worth ₹ 3.38 crore were ordered and paid (July 2012) based on certificate of receipt, but details of only 2,650 bags were mentioned in the stock register. No record of the receipt and utilisation of the remaining 1,29,850 bags of cement valuing ₹ 3.22 crore was available.

The Management stated (July 2015) that it is initiating departmental action against the concerned officials in respect of the material items of cement, sand, metal, *matipuran*, rubble, boulder and *grit kapchi* by issuing show cause notice.

In respect of reinforced bars, out of 2,579 MTs certified as received and paid for, 1,783 MTs were shown as consumed in the work and 30 MTs was sold as scrap. However, the details of the remaining quantity of 603 MTs were not available on record. It was also noticed in Audit that the shortage of 603 MT valuing ₹ 2.62 crore was in respect of six vendors[34]. The Company has filed an

[33] Hindustan Prefab Ltd (HPL), Hindustan Steel Works Construction Ltd (HSWCL), Bridge & Roof Company India Ltd (BRCL) and Water & Power Consultancy Services (WAPCOS).

[34] Riddhi Steel Corporation, Mahir Meta Steel Traders Pvt. Ltd., Sinni Steels Pvt. Ltd., Riya Enterprises, Varahi Sales Corporation and Avani Enterprises.

FIR (December 2014) against some officers of the Company for the same. In absence of proper stock records and registers the actual receipt, issue and balance of stock could not be vouchsafed in audit.

The Management/Government (September/November 2015) stated that the show cause notices have been issued to concerned officials and also major penalties were imposed in many of the cases in addition to the criminal actions initiated against many officials.

Adequacy in the terms and conditions of the work orders

4.7.3.3 Audit observed that:

- The material orders issued in respect of cement, sand, rubble, *matipuran*, boulder, rubble *grit kapchi*, steel, and metal did not specify where the material had to be delivered.
- Out of the 811 orders test checked in Audit, 806 orders did not have provision for security deposit or bank guarantee or penalty clause for non-performance.
- In 258 labour contracts awarded for ₹ 20.34 crore during the period July 2012 to May 2013, the orders did not mention where the work had to be done, what was the nature of the work, or how the labour rate was worked out. It was also not clear how the labour contractors were selected.

Thus, the Company had not included even basic terms and conditions like place of delivery, security deposit and bank guarantee clause and place of work in material and labour contracts. To that extent the terms and conditions were inadequate.

The Management replied (July 2015) that it was initiating departmental action against the concerned officials in respect of the above labour work. The Management/Government in their reply (September/November 2015) have also accepted the observation for works done up to August 2013.

Unilateral reduction in credit period for payment

4.7.3.4 Audit observed that:

- In respect of steel procurement worth ₹ 2.41 crore though the approval note stated the terms of payment to be within seven days of delivery, the order issued stated it as payment against delivery. The Company therefore had unilaterally foregone the available credit period of seven days.
- In respect of metal procurement though quotation submitted by the lowest bidder required payment within 15 days from delivery, the order required payment within one or two days of invoice submission. The Company had unilaterally foregone the credit period of 13 days for the amount of ₹ 9.10 crore.
- Similarly in case of rubble, as per the quotation received from the lowest bidder, payment was to be made within 30 days from delivery. This was

changed in the order to payment within seven days of delivery. Resultantly, Company lost credit period of 23 days for the amount of ₹ 12.84 crore.

Thus there was promptness in payment despite inadequacy in terms and conditions of work orders.

Payment Procedures

4.7.4 A total of 700 vouchers relating to planning & review, consultancy, rubble, cement, *matipuran*, sand, *grit kapchi*, TMT bars, boulders, earth filling, labour etc., were test checked in audit.

In respect of material procurement and earth filling contracts, payment was released based on the certificate[35] of quantity receipt and value given by the Sr. Manager Construction. The certificate did not mention the truck number through which the quantity was received or the place where it was received. As per the standard operating procedure prescribed by the Company (March 2012) for payments, even copies of signed measurement books, progressive sheet of payment were not mandatorily required to be attached with the invoices.

Audit further observed that pre audit of invoices was not compulsory and hence was not done in any case. It was also observed that while making payment in respect of labour contracts the Company had not ensured the attachment of abstract sheets showing the place where the work was carried out, name of site and number of labourers engaged in the work. The payments were made on the basis of quantity and rate mentioned by the contractor.

The above deficiencies went unnoticed due to the weak internal controls in the system.

Avoidable drawal of loan

4.7.5 The Company availed (28 March 2013) loan of ₹ 250 crore from Vijaya Bank at the interest rate of 12 *per cent* per annum, ₹ 116 crore from Punjab National Bank (29 June 2013) at 11.50 *per cent* per annum and ₹ 100 crore from United Bank of India (29 June 2013) at 11 *per cent* per annum for financing the Metro project as initially proposed. In view of cancellation (September 2013) of the earlier proposed Phase-I, the said loan was repaid (November 2013). We observed that as on March 2013 the Company was having ₹ 235.82 crore[36] in fixed deposits and ₹ 80.87 crore[37] in current accounts. Further, the loan received from the banks was also deposited in fixed deposit with the same banks at interest rate lower than the interest paid on availed loan. This resulted in avoidable interest loss of ₹ 12.93 crore

35 The standard format of certification was "This is to certify that goods, materials, items mentioned in the invoices are received as per purchase order and as per requirement. Payment claimed in the invoice is in line with the required standards. Hence the invoice is recommended for payment".

36 Central Bank of India, ICICI Bank, Indian Overseas Bank, United Bank of India (₹ 50 crores in each bank), State Bank of India and Bank of India (₹ 35.82 crore).

37 SBI (₹ 61.40 crore), ICICI Bank (₹ 18.83 crore) and Axis Bank (₹ 0.64 crore).

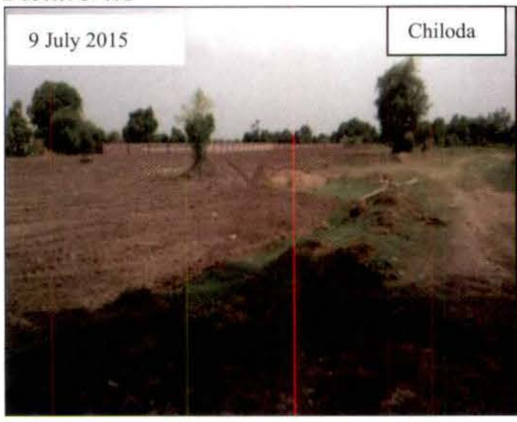
during April 2013 to November 2013 in view of the fact that project was yet to be approved and GoG fund was already available for incurring expenditure.

The Management/Government replied (September/November 2015) that the new management of the Company, upon taking over the charge of the Company, has reviewed the issue and repaid the term loans in November 2013 to discontinue the loss.

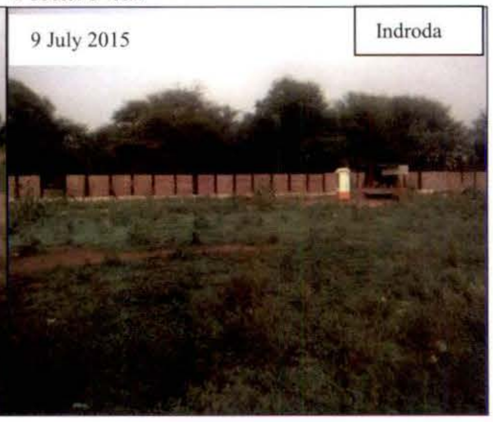
Infructuous expenditure

4.7.6 The Company incurred an expenditure of ₹ 445.86 crore towards alignment & planning expenditure, construction of depots & bridges, casting yard, rolling stock, protection wall and survey & data collection for the old Phase I which was subsequently scrapped. Out of the above expenditure, an amount of ₹ 373.62 crore was incurred towards various kinds of expenditure in the three sites at Motera, Indroda and Chiloda which were to be used as depot, casting yard and test track site. In the new Phase I route, these three depots do not figure in the approved route and for the purpose of depot, casting yard and test track, the sites of Vasna and Apparel Park have been approved. Therefore, the expenditure on the earlier three sites is likely to be infructuous.

Picture 4.1



Picture 4.2



Picture 4.3

(Showing works done in three depots)

The Management/Government stated (September/November 2015) that the sites at Motera, Chiloda and Indroda will be used in the subsequent phase when connectivity to Gandhinagar will be given. The land at Motera has been acquired (March 2015) and the same will be utilised for property development. The expenditure incurred on utility shifting and earth filling will not be infructuous as the sites would be used in Phase II.

The reply is not convincing because at Indroda and Chiloda though expenditure has been incurred no land is in the possession of the Company. Further, Audit observed that the BoD in September 2015 has resolved that out of an amount of ₹ 527.88 crore lying under capital work in progress, ₹ 355.80 crore pertaining to the old phase should be taken out of the Balance Sheet by March 2016. This shows that the major expenditure pertaining to the scrapped phase will not remain in the books of accounts after March 2016 and thus would be infructuous.

Conclusion and Recommendation

4.7.7 The Company had awarded 1,868 work orders for the earlier phase of metro project which was subsequently scrapped. The work of earlier phase was stopped in September 2013 due to non receipt of approval from GoI and GoG and expenditure of ₹ 445.86 crore was incurred on the abandoned phase upto March 2015.

The Company incurred an expenditure of ₹ 373.62 crore on the development of Indroda, Motera and Chiloda site under the earlier phase without the approval of DPR. As the earlier phase was scrapped and the expenditure incurred could not be used in the new phase under progress, it resulted in infructuous expenditure of ₹ 373.62 crore.

- ***The Company may ensure that projects are not undertaken without proper approval of DPR as non-approval can render infructuous expenditure incurred on areas not approved.***

Statutory Corporations

Gujarat State Road Transport Corporation

4.8 Public Private Partnership (PPP) projects in GSRTC

Introduction

4.8.1 Gujarat State Road Transport Corporation (Corporation) was incorporated on 01 May 1960, under Road Transport Corporation Act, 1950 to provide adequate, safe, efficient, economical, comfortable and properly co-ordinated road transport facilities to the travelling public all over the State. The Corporation is under the administrative control of the Ports and Transport (P&T) Department of the Government of Gujarat (GoG). GoG authorised (October 2005) Gujarat Industrial Development Board (GIDB) along with P&T Department and Infrastructure Leasing & Financial Services Limited (IL&FS) to finalise the terms of proposal for adoption of Public Private Partnership (PPP) mode to modernise its transport infrastructure by improving existing bus terminals/constructing new bus terminals subject to approval by the Board of GIDB. Based on the proposal submitted by IL&FS, GIDB approved (December 2005) undertaking studies for development of seven bus terminals[38] as identified by the Corporation in the first phase. The Corporation appointed (February 2006) IL&FS as the consultant for conducting the survey in these seven bus-stations, preparing the request for proposal (RFP) documents, carrying out the tenderisation process and scrutiny and evaluation of the tender documents.

PPP model and the cost benefit envisaged

- The PPP mode approved and adopted envisaged granting of rights to selected private developer (Concessionaire) to develop two distinct facilities, *viz.,* the Bus Terminal Facility (BTF) and the Commercial Facility (CF) on build, operate and transfer (BOT) basis at the Corporation's existing bus stations premises against the payment of one time lump sum concession fee to the Corporation.
- The concession period for BTF would be 31.5 years during which the Concessionaire should construct BTF within a period of 18 months as per the specifications of tender conditions and would operate and maintain BTF for the remaining period.
- Further, the Concessionaire would construct CF within the BTF area and the CF would be given on lease for commercial purpose by the Corporation through entering into lease agreements with lessees in which the Concessionaire would be confirming party. The period of lease of CF would be 90 years against consideration consisting of one time lump lease premium payable to the Concessionaire and nominal annual lease rent payable to the Corporation by the lessees.

[38] Central Bus Stand (Vadodara), Makarpura (Vadodara), Geeta Mandir (Ahmedabad), Subhash Bridge (Ahmedabad), Adajan (Surat). Lambe Hanuman (HQ premises - Surat) and Modhera Cross Road (Mehsana).

- In addition to the receipt of lump lease premium from the developed CF, during the concession period, the Concessionaire would get revenue from advertisement, parking fees and users charges for the various facilities developed within the BTF area.
- The Corporation would also get the financial benefit in the form of receipts of lump sum concession fee, annual lease rents and saving in the cost of construction of modern BTF and operation and maintenance (O&M) of BTF during the O&M period.

The bidders for the project were selected based on the evaluation of their technical and financial capabilities, project proposal[39] and the maximum concession fee offered to the Corporation. During August 2010 to May 2011, the Corporation entered into Concession Agreements (CAs) with two selected bidders for six out of the seven bus stations. The construction of two BTFs at Central Bus Stand (Vadodara) and Makarpura (Vadodara) was completed (February 2014). Construction of four BTFs at Geeta Mandir (Ahmedabad), Subhash Bridge (Ahmedabad), Adajan (Surat) and Modhera Cross Road (Mehsana) was in progress and one project at Lambe Hanuman (Surat) was not been taken up (March 2015). Details of all the six projects taken up in the first phase under PPP are given in ***Table 4.10*** of ***paragraph 4.8.3***. The Corporation had also identified (March 2012) 14[40] more Bus Terminals which were under bidding process (March 2015).

Under the PPP structure envisaged by the Corporation, in return for giving commercial right to private developers on its existing land it got a modern bus terminal facility with free maintenance for a period of 30 years and also a lumpsum concession fee. The photographs of two completed bus stations are shown below:

Picture 4.4 Showing the completed Central Bus Station at Vadodara

39 Showing conceptual layout, quality assurance plan, innovation in design, project implementation schedule and operation & maintenance plan.

40 Bhavnagar, Amreli, Rajkot, Surendranagar, Bharuch, Bhuj, Patan, Junagadh, Jamnagar, Kadodara, Navsari, Nadiad, Porbandar and Anand.

Picture 4.5 Showing the completed Makarpura Bus Station at Vadodara

Audit scope and objectives

4.8.2 Audit was conducted to assess whether the selection of projects for PPP in the first phase was based on proper assessment of requirements and existing conditions; the tendering process was transparent; the project execution was timely and effective and the contracts entered into safeguarded public/Government interest. Implementation of the two projects *viz.,* Geeta Mandir (Ahmedabad) and Subhash Bridge (Ahmedabad) which were in progress, and two projects *viz.,* Central Bus Stand (Vadodara) and Makarpura (Vadodara), which were completed, were examined in detail in audit.

Audit Findings

Tender Process

4.8.3 For selection of bidders, the Corporation had issued Expression of Interest (EOI) advertisement in leading newspapers (May and June 2006) to select bidder based on their experience and net-worth. Total 37 out of 56 parties who submitted their EOI document qualified. Request for proposal (RFP) was issued (February 2007) to 37 bidders. Pre proposal conference was held in the same month. Only four bidders submitted the technical and financial bid (September 2007). The Technical proposal was opened (September 2007) and the same was evaluated by technical committee[41] formed by the Corporation by assigning marks for technical/financial capability and project proposal as laid down in the RFP. Three[42] out of four bidders qualified and their financial proposals were opened in the same month. The bidders who offered to pay highest amount of concession fees were selected. Accordingly, two parties were selected and the Letters of Intent (LOI) were issued from November 2009 to May 2010 for award of all the six bus stations. The Concession Agreements (CAs) were entered into between

[41] The technical committee consisted of three members from the Corporation viz., 1) General Manager (G) – Chairman 2) Chief Accounts Officer & Financial Advisor – Member 3) Chief Civil Engineer – Member. Besides officials from IL&FS, IDC, experts from CEPT University and GIDB Officials also assisted the technical evaluation committee.

[42] Aakruti Nirman Limited, Mumbai **(Akruti)**, Parshavnath Developers Limited, New Delhi **(Parshavnath)** and Consortium of SREI-Kolkata, Cube Construction Engineering Limited, Vadodara and Shristi Infrastructure Development Corporation Limited, New Delhi **(Cube consortium).**

the Corporation and the Special Purpose Vehicles (SPV) constituted by the bidders for each of the projects between August 2010 and May 2011. Each and every stage stated above had the approval of GIDB and the GoG. Further details in this regard are given below:

Table 4.10: Details of the Concession Agreements

Particulars	Geeta Mandir (Ahmedabad)	Subhash Bridge (Ahmedabad)	Central Bus Station (Vadodara)	Makarpura (Vadodara)	Adajan (Surat)	Modhera Cross Roads (Mehsana)
Name of bidder	Aakruti Nirman Limited Mumbai	Consortium of CCEL, SREI & Shristi	Consortium of CCEL, SREI & Shristi	Aakruti Nirman Limited Mumbai	Aakruti Nirman Limited Mumbai	Aakruti Nirman Limited Mumbai
Name of SPVs	M/s Hubtown Bus[43] Terminal (Ahmedabad) Pvt. Ltd	M/s Sancube Infra Projects Pvt. Ltd.	M/s Sancube Infra Projects Pvt Ltd.	M/s Hubtown Bus Terminal (Vadodara) Pvt. Ltd	M/s Hubtown Bus Terminal (Adajan) Pvt. Ltd	M/s Hubtown Bus Terminal (Mehsana) Pvt. Ltd
Project Area in Sqm as per CA	60,159	22,000 plus 3,000	20,309	25,362	26,473	87,410
Built up area of BTF in sqm as per CA	20,800	12,200	5,700	5,800	6,000	13,200
Floor space index as per CA	1.8	1.8	2.0	1.6	1.8	1.2
BTF total project cost (₹ in crore)	28.56	22.58	9.33	8.73	8.60	15.94
Concession fee (₹ in crore)	41.00	22.96	10.51	8.00	19.00	25.00
LOA issued	18-05-10	18-05-10	13-11-09	13-11-09	13-11-09	13-11-09
Master plan approval	10-05-11	07-12-10	11-01-11	22-06-10	22-06-10	22-06-10
Date of CA	12-05-11	07-12-10	26-08-10	26-08-10	26-08-10	26-08-10
Schedule Completion date of the project	08-06-13	06-01-13	28-12-12	15-01-13	06-12-12	02-01-13
Date of commissioning	---	---	14-02-14	14-02-14	---	---

Source: Compiled by Audit from documents provided by the Company

On scrutiny of tender process audit observed the following deficiencies:

Deficiency in the terms of RFP

4.8.3.1 As per Clause 2.2 of the Model Concession Agreement (MCA), the Concession Period for BTF would be 31.5 years from Compliance Date including construction period of 18 months. Audit is of the opinion that the Clause is not in the interest of the Corporation because considering the concession period from the Compliance Date instead of from the actual construction completion date of BTF, the period of O&M of BTF would be reduced for the period from Compliance Date to actual date of completion of BTF. To quote an example the scheduled date of completion of Makarpura (Vadodara) bus terminal was 15 January 2013, however, it was completed on 14 February 2014. Consequently, the concessionaire will have to operate and maintain the BTF for only 28 years and 11 months. This would reduce envisaged O&M benefits to the Corporation for all the six projects for the

43 Previously known as M/s Aakruti City Bus Terminal (Ahmedabad) Pvt. Ltd.

delayed period to the extent of ₹ 83.50 lakh[44] till August 2015.

The Management stated (August 2015) that the Corporation has liberty to extend the construction period with terms and conditions it deems fit, which means it can (a) ask for 30 years of operations period as envisaged and (b) get compensation from concessionaire for any delay in completion which may affect Corporation's operation.

The reply is not acceptable as Clause 9.5 of CA which deals with construction period and Liquidated Damages does not make any reference to operation period which is covered under Clause 2.2 of the MCA. The liberty given under Clause 9.5 can be applied only with reference to provisions in that Clause and not be linked with provisions of Clause 2.2 wherein operation period is clearly defined as 31.5 years from the Compliance Date. Further, there is no precedent of the Corporation having used its liberty as stated in the reply.

Undue favour due to post tender change in conditions

4.8.3.2 Transparent tender procedures require that conditions offered to the bidders at the time of bidding should not be subsequently changed at the time of awarding the contract as it goes against the principle of giving a fair level playing ground to all bidders. We observed that certain important conditions of the MCA were changed prior to awarding of contract as discussed below and some of them were conditions which the Corporation had refused to change at the pre-proposal conference.

- As per Clause 10.5(a) of the MCA read with Form L of instructions to bidders, the concessionaire was to pay 25 *per cent* of Concession Fees (₹ 31.62 crore) within 21 days after issue of Letter of Acceptance (LOA). This was modified during negotiation with successful bidders after they refused to accept the LOI issued in February 2009. As per the CA, the Concessionaire was to pay five per cent of concession fees within 21 days from the date of LOA issue and balance 20 *per cent* within 21 days from the date of finalisation of Conceptual Master Plan[45] (CMP) by the Corporation. The change in condition led to interest loss of ₹ 2.15 crore[46] to the Corporation on initial payments of 25 *per cent* of Concession Fees.

  The Management stated (August 2015) that the PIC decided to form a Technical Evaluation Committee to review the Master Plan prepared by the bidders due to representation made by various bidders. The bidders were obliged to comply observations by Technical Evaluation Committee. Since this was not part of RFP and Master Plan was not finalised during

44 The above calculation has been done based on the NPV of the yearly O&M cost as worked out by IL&FS multiplied by the period of delay till August 2015.

45 Conceptual Master Plan is the foundation that translates the vision into a graphic footprint for the entire project. It defines the concept, establishes a base-line for development potential and creates a base map illustrating the limiting factors and opportunities in the chosen site and surrounding areas. It includes site inventory, constraint and opportunity mapping, parking concepts, phasing concepts, character sketches, project programming, aerial rendering of site etc.

46 Difference of days between due date as per RFP and due date as per CA x SBI PLR (12.50) x 20 *per cent* of the concession fees.

issuance of LOA, appropriate changes were made in payment of Concession Fees.

The reply is not acceptable as there was no Technical Evaluation Committee formed by PIC as per records of the Corporation. As per records of the Corporation, based on representation received from selected bidders, PIC decided on the issue with the approval of GoG.

- Further as per the above Clause, the balance 75 *per cent* of concession fees (₹ 94.85 crore) was to be paid in three equal instalments within 18 months from the signing of CA. This Clause was also modified at the request of the successful bidders to 18 months from approval of Conceptual Master Plan. Further, this could be extended up to 36 months upon request from bidders. The RFP had a scheduled date (i.e., 21 days from issue of LOI) for signing of CA to be entered into but there was no time limit for approval of CMP thereby giving an undue benefit to the successful bidders.

  The Management stated (August 2015) that due to economic conditions prevailing at that point of time, various bidders had represented to allow extension of time period for payment of concession fee. The Corporation represented the case to GoG and PIC, having representative from various Departments of Government, who decided to allow extension for payment of concession fees with provision to pay interest.

  The reply is not convincing as the time extension was given to only selected bidders instead of all participating bidders resulting in an undue benefit to selected bidders when compared to the provisions of RFP based on which price quotation was given.

- In the RFP (Volume III – schedules) total project area (i.e. land area) was designated as 58,370 sqm for Geeta Mandir, 24,077 sqm for Makarpura, 21,160 sqm for Adajan and 86,280 sqm for Modhera Cross Road. On the basis of the same the developers had quoted the concession fees. However, at the time of signing of CA, the total project areas were increased to 60,159 sqm for Geeta Mandir; 25,362 sqm for Makarpura; 26,473 sqm for Adajan and 87,410 sqm for Modhera Cross Road but the BTF area was kept the same as per the RFP schedules. This resulted in increase in the commercial facility area to the Concessionaire in the range of 1,356 sqm to 9,563 sqm.

  In the case of Subhash bridge, on providing excess built up area to the Concessionaire, the premium was calculated (approved by Project Implementation Committee) by considering the total benefit to the Corporation as the total of concession fees, BTF cost and Operation and Maintenance expenditure during the CA. This benefit was then divided by the Built Up Area (BUA) available in the CF to arrive at the per sqm FSI valuation. Based on this valuation, the premium for additional CF area was calculated. On the same formula the Corporation had lost premium of

₹ 13.14 crore[47] on the four bus stations mentioned above due to allowing additional area in the CA, not envisaged in RFP.

The Management stated (August 2015) that corrigendum was issued to all bidders and the same was clarified during the pre-bid meeting (February 2007) and was finalised in the Concession Agreement.

The reply is not tenable as no records were available which showed corrigendum having been issued to all bidders. Minutes of pre-bid meeting contained no such clarification of changes in area in respect of the four projects. The Corporation has furnished copy of corrigendum issued to M/s Akruti Nirman Limited which shows area as per Corporation's record and as per survey. Even the fact that the area given in RFP would now be substituted by the area mentioned in the corrigendum was not mentioned. Thus, it is concluded that due to non-clarification about the area either at pre-bid meeting or in corrigendum, the Corporation could not get benefits of concession fees for the additional area. Further DLF Limited, one of the four bidders, who had quoted for all the six projects had issued a Power of Attorney (September 2007) in connection with the bid mentioning the area of all the six projects as per RFP which evidences the fact the corrigendum of changed area was not issued prior to price bid.

- As per Clause 10.4 of the MCA, the parties had to open an Escrow Account (A/c) with the bank by the Compliance Date and all inflows and outflows of cash and receivables on account of capital, revenue, expenditure or otherwise that arise in connection with the implementation of the project; other than concession fees payable to the Corporation and the income and expenditure of the Corporation from running of bus services had to be credited/debited to this account. This Clause was objected to in the pre-bid conference; however, the same was not deleted. This Clause was, however, diluted at the request of the successful bidders in November 2009/May 2010.

  The Management stated (August 2015) that the condition for Escrow Account had since been deleted as it was illogical and unnecessary.

  It could be seen that the Corporation deleted the condition for requirement of Escrow Account after issue of LOI and not at the RFP stage thereby denying a level playing ground to all bidders.

Violation of Clauses of Concession Agreement

4.8.4 The CA is the contract between the Corporation and the Special Purpose Vehicle created for each project by the developer in which the terms and conditions to be followed by both parties are laid down for the particular projects. Audit observed the following violations of conditions in the implementation of CA:

47 Geeta Mandir (₹ 8,576.41 x 3,220 = ₹ 2.76 crore) + Makarpura (₹ 5,460.99 x 2,056 = ₹ 1.12 crore) + Adajan (₹ 8,994.02 x 9,563 = ₹ 8.60 crore) + Modhera road (₹ 4,850.78 x 1,356 = ₹ 0.66 crore) = ₹ 13.14 crore.

Recovery of Concession fees and interest

4.8.4.1 The delay in the payment of initial 25 *per cent* of concession fees has been commented in ***paragraph 4.8.3.2***. The balance 75 *per cent* of concession fees was to be paid in three equal installments within 18 months from the date of finalisation of CMP and this could be extended up to 36 months upon request from bidders. Accordingly, concession fees of ₹ 126.47 crore was receivable in respect of the six projects implemented in the first phase. Out of this 25 *per cent* (₹ 31.62 crore) was receivable as per time schedule prescribed in Clause 10.5(a), which was duly received. Remaining 75 *per cent* (₹ 94.85 crore) was receivable within 18 months of the finalisation of the Conceptual Master Plan as per Clause 10.5(d). However, an amount of ₹ 74.35 crore was received from six projects. An amount of ₹ 23.25 crore[48] was not received from 'Akruti' for Geeta Mandir project (August 2015). The Corporation neither recovered this amount nor invoked the bank guarantee of ₹ 23.25 crore given for the purpose.

Recovery of damages for delay in construction of BTF

4.8.4.2 As per Clause 9.5(c) of the CA, if the construction of the BTF is not completed within 18 months of the Compliance Date, then Liquidated Damages (LD) at the rate of ₹ 50,000 per day of delay subject to a maximum of 10 *per cent* of the BTF cost were recoverable from the concessionaire. Audit observed (31 August 2015) that in the four projects, which were in progress, the construction progress was not as per schedule and the delay ranged from 814 to 998 days. However, the completed two projects were commissioned with a delay of 394 to 413 days. The amount of LD to be recovered was ₹ 9.37 crore[49] in respect of all the six projects (₹ 1.80 crore for completed bus stand and ₹ 7.57 crore for under progress project). The Corporation had neither recovered the amount nor raised the demand.

The Management stated (August 2015) that the Corporation had in all cases issued notices for delay and was having enough securities against the recovery of damages. But the fact remains that the Corporation has not encashed any bank guarantee to recover the damages neither had it raised any demand for liquidated damages. The securities available were against the construction performance and not against LD alone and four of the projects were still under construction.

Implementation of O&M Clause of Concession Agreement

4.8.4.3 On scrutiny of records relating to implementation of O&M Clause both of CA in respect of BTFs at CBS and Makarpura (Vadodara) both of which were operationalised on 14 February 2014, audit observed the non-implementation of the following clauses of CA so far:

[48] It includes interest amount of ₹ 2.75 crore. The interest amount was calculated at the rate 14.45 *per cent* compounding interest on the amount of outstanding concession fess. The interest period was taken from due date to 31.08.15.

[49] In the case of Geeta Mandir the delay was 814 days as on 31.08.15, so the damages would be ₹ 4.07 crore but the BTF cost was ₹ 28.56 crore therefore the damages will be ₹ 2.86 crore. Similar calculation was done in the other five projects.

- Creating and maintaining of Corpus Fund since operation date in form of fixed deposit of ₹ 2.10 crore (10 *per cent* of BTF cost) by the developers as per Clause 4.7(a) and (c) of CA. If the Concessionaire fails in the operation and maintenance of the BTF, then the Corporation can carry out the Operation & Maintenance and recover the amount from the Corpus Fund.
- Establishment of Maintenance Board[50] as per Clause 9.9(b)(i), which was supposed to oversee the O&M of the entire project. In absence of the Maintenance Board the required monitoring of the O&M of the BTF was not there.
- Establishment of Escrow Account by the operation date as per Clause 10.4(a). In absence of Escrow Account, the Corporation was unable to identify expenditure incurred by the Concessionaire on the O&M of BTF and advertising revenue received from the BTF.
- Submission of O&M Manual as per Clause 9.7(a) of CA. In absence of O&M manual, the Corporation could not ensure operation and maintenance as per the prescribed specification and standard.
- Submission of Maintenance Programme as per Clause 9.7(b) of CA. In absence of maintenance programme the Corporation could not ensure whether the O&M was being done properly or not.
- Levy of higher parking charges than prescribed in schedule I of CA in respect of BTF at CBS Vadodara. As per complaint received from the passengers, it was noticed that the developer recovers parking charges of ₹ 10 in respect of two wheelers for just 5/10/15 minutes as against the prescribed rate of ₹ two per four hours with a maximum of ₹ six per day. Due to non following of the prescribed rate of schedule I, the passengers had to pay higher parking charges to the Concessionaire.

The Management stated (August 2015) that the establishment of Maintenance Board, opening of Escrow Account, submission of O&M Manual and Maintenance Programme are under progress. Further, in case of Corpus Fund, the Corporation has enough bank guarantees against this and in case of parking charges the instruction had been given to Divisional Controller to supervise the operation of bus terminal.

Execution of projects in progress

4.8.5 In respect of implementation of projects, it was observed that out of the seven projects tendered in the first phase, one project at Lambe Hanuman, Surat was not taken up as GoG decided to re-invite bids based on fresh valuation of land. Projects at CBS, Vadodara & Makarpura, Vadodara were completed with a delay of 413 days and 394 days respectively due to delay in mobilisation of manpower and plant & machinery by the developer/ Concessionaire. The projects at Modhera Cross Road (Mehsana), Adajan

[50] Comprising one person nominated by the GSRTC, one person nominated by the GoG, being- either the concerned District Collector or Municipal Commissioner, and one person nominated by the Concessionaire.

(Surat) and Subhash Bridge (Ahmedabad) were in progress even after 971 days, 998 days and 967 days respectively from scheduled date of completion.

The Management stated (August 2015) that the delay occurred due to negotiation at GoG level. This delay was beyond the control of Corporation.

The reply is not acceptable as the delay commented in the paragraph is delay from the scheduled date of completion. The negotiation with GoG was prior to the award of the contract and has no bearing on the delay commented above. Further, the Independent Engineer had mentioned the inadequacy of manpower and plant & machinery in his Report.

Further in the case of Geeta Mandir project, South Block has been inaugurated on 06 August 2015 though the completion certificate of the said block is pending. The North block has not been started till date.

The reasons for not taking up of North Block and other cases of undue favour noticed in the execution of the above projects are discussed below:

Execution of the project in North Block of Geeta Mandir Bus Terminal, Ahmedabad

4.8.5.1 The Corporation had entered into CA (May 2011) with Akruti City Bus Terminal Limited for the development of Geeta Mandir BTF, Ahmedabad. The BTF was to be developed in two blocks (North & South). However, the construction activity for the North Block was not started and even transition plan (detailed step by step action plan) was not submitted by the Concessionaire.

It was observed that the Master Plan had considered the development of the North Block project near the vicinity of Astodia Gate, a centrally protected monument. The master plan envisaged the construction of the project within 200 metres of the gate; hence, prior approval of Archaeological Survey of India (ASI) was required. However, the same was received in June 2012 with the validity for three years. The period of three years had already lapsed without commencement of project. Hence, the Concessionaire will have to apply for fresh permission which will further delay the project.

The Management stated (August 2015) that they had followed up for the ASI permission for North Block and pending the receipt of ASI permission for North Block, the South Block had been started.

Valuation of additional built up area in Subhash Bridge Bus Terminal

4.8.5.2 As per the RFP documents, the land area for Subhash Bridge Bus Terminal Project was 22,000 sqm having Built Up Area (BUA) of 39,600 sqm. The Concessionaire was required to provide 7,200 sqm of BUA for BTF and 5,000 sqm of BUA (Plot area 1,200 sqm) for Central Administrative Office of the Corporation. The balance BUA of 27,400 sqm available as per existing local bye-laws could be utilised by the Concessionaire for Commercial Facilities.

Subsequently, an adjoining plot admeasuring 3,000 sqm over and above the 22,000 sqm already available for the bus terminal was made available to the Corporation by GoG. The Corporation decided (April 2010) to get the Central Administrative Office constructed by the Concessionaire on this additional plot instead of constructing it in the aforesaid 1,200 sqm of land consisting of 5,000 sqm of BUA. Hence, this 5,000 sqm of BUA would now be available to the Concessionaire for CF. Therefore, the Corporation had appointed a valuer, Muzoomdar Associates Private Limited for valuing the same.

On scrutiny of Valuation Report it was observed that the valuer had estimated the Concession Fees of ₹ 7.96 crore considering saleable area of 4,320 sqm instead of 5,000 sqm BUA. However, we observed that Concessionaire was selling plots based on BUA and not saleable area. Hence, valuation should have been done considering BUA of 5,000 sqm. This resulted in less receipt of concession fees of ₹ 1.25 crore[51] by the Corporation.

The Management stated (August 2015) that the above subject has been referred to the valuer M/s Muzoomdar Associates to review the valuation. Upon receipt of the opinion from the valuer it will be submitted to the Competent Authority for the final order and it will be implemented accordingly. The Management has not offered any comment on valuation.

Advantage to developer by approving extra Built up area for Commercial Facility in Master Plan

4.8.5.3 As per the CA for Subhash Bridge Bus Terminal, the total project site area was 22,000 sqm. An additional land of 3,000 sqm (5,000 sqm BUA) was made available by GoG for the project as discussed in ***paragraph 4.8.5.2***. The Built Up Area (BUA) was 44,600 sqm[52] for the site area of 25,000 sqm. Out of this, the BUA of 12,200 sqm was provided for Bus Terminal Facility and Administrative Building of GSRTC and remaining 32,400 sqm BUA was available for CF. However, in final Master Plan the developer had shown BUA of 56,363 sqm as per bye laws of Municipal Corporation (considering FSI of 1.8 + 25 *per cent* FSI for 22,000 sqm plus 5,000 sqm BUA) for the total site area of 25,000 sqm. Out of this, the BUA of 44,163 sqm could be used by the developer for CF after excluding 12,200 sqm for the BTF and Administrative Building. This resulted in extra BUA of 11,763 sqm (44,163 sqm-32,400 sqm) used by the developer for the CF. Based on FSI valuation derived from the total benefit to the Corporation, the benefit not passed on to the Corporation for the additional CF worked out to ₹ 17.23 crore[53].

The Management stated (August 2015) that Concessionaire has got approved from local authority an FSI area of 38,883.42 sqm for a plot of 21,603 sqm utilising 1.79 FSI. The reply is not acceptable as the BUA as per approved plan was 68,884 sqm. The same was higher than the extra BUA worked out in paragraph. The figure of 38,883.42 sqm stated in the reply is the carpet area and not the BUA based on which plot was sold.

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51 5,000 sqm x 7.96/4320 = ₹ 9.21 crore - ₹ 7.96 crore = ₹ 1.25 crore.

52 22,000 x 1.8 = 39,600 sqm BUA plus 5,000 sqm BUA = 44,600 sqm BUA.

53 Total benefit received by the Corporation for Subhas bridge being ₹ 47.47 crore divided by total area for which benefit was given (32,400 sqm) multiplied by additional CF given (11,763 sqm).

Conclusion and Recommendations

4.8.6 With a view to modernise its existing bus-stations and construct new ones, the Corporation entered into Public Private Partnership in six out of the seven bus-stands identified for Phase I. Two out of the six stations have been completed and commissioned with state of art facility and four are in progress. The PPP model adopted has been successful notwithstanding the delays in execution and deficiencies in the tender process. Our main observations in relation to these six projects are summarised below:

- Post tender changes resulted in monetary loss of ₹ 15.29 crore to the Corporation and denied a level playing ground to the bidders.
  - ***The Corporation should not dilute or undo tender conditions after the opening of bids.***
- The Corporation did not ensure compliance to certain Clauses of the Concession Agreements resulting in non-recovery of concession fees (including interest) and Liquidated Damages of ₹ 32.62 crore and did not take required action against Concessionaires for delayed execution.
  - ***The Corporation should ensure adherence to Concession Agreement Clauses and undertake regular monitoring to prevent avoidable delays.***

The matter was reported to the Government in May 2015; their replies were awaited (November 2015).

(Y. N. THAKARE)
Principal Accountant General
(Economic & Revenue Sector Audit) Gujarat

Ahmedabad
The 08 MAR 2016

Countersigned

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

New Delhi
The 14 MAR 2016

Annexures

Annexure 1

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

(Referred to in paragraph 1.11)

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

Sl. No.	Name of the Public Sector Undertaking	Year up to which accounts finalised	Paid up capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrear		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A	**Working Government Companies**						
1	Gujarat Agro Industries Corporation Limited	2013-14	8.08	2014-15	0.00	0.00	638.10
2	Gujarat State Land Development Corporation Limited	2012-13	5.89	2014-15	0.00	0.00	104.21
				2013-14	0.00	0.00	456.43
3	Gujarat Sheep and Wool Development Corporation Limited	2012-13	4.31	2014-15	0.00	0.00	9.28
				2013-14	0.00	0.00	6.60
4	Gujarat Minorities Finance and Development Corporation Limited	2013-14	10.00	2014-15	0.00	1.50	0.50
5	Gujarat Gopalak Development Corporation Limited	2011-12	5.50	2014-15	0.00	0.00	0.45
				2013-14	1.00	0.00	0.43
				2012-13	1.00	0.00	0.73
6	Gujarat Livelihood Promotion Company Limited	2012-13	0.05	2014-15	0.00	0.00	30.71
				2013-14	0.00	0.00	108.36
7	Gujarat State Police Housing Corporation Limited	2013-14	50.00	2014-15	0.00	0.00	369.75
8	Gujarat State Aviation Infrastructure Company Limited	2013-14	0.05	2014-15	0.00	0.00	6.00
9	GSPC LNG Limited	2013-14	142.13	2014-15	150.00	0.00	0.00
10	Gujarat Power Corporation Limited	2013-14	382.08	2014-15	30.00	0.00	27.00
11	Gujarat Urja Vikas Nigam Limited	2013-14	7,057.80	2014-15	1,872.54	0.00	1.80
12	Gujarat Water Resource Development Corporation Limited	2012-13	31.49	2014-15	0.00	0.00	49.00
				2013-14	0.00	0.00	51.16
13	Tourism Corporation of Gujarat Limited	2013-14	20.00	2014-15	0.00	0.00	251.32
14	Gujarat Informatics Limited	2013-14	18.51	2014-15	0.00	0.00	157.42
15	Sardar Sarovar Narmada Nigam Limited	2013-14	40,016.83	2014-15	4,112.70	0.00	0.00
	Total A (Working Government Companies)		**47,752.72**		**6,167.24**	**1.50**	**2,269.25**
B	**Working Statutory Corporations**						
1	Gujarat State Road Transport Corporation	2011-12	734.34	2014-15	386.62	200.00	713.89
				2013-14	600.00	250.00	600.00
				2012-13	25.00	590.00	600.00
	Total B (Working Statutory Corporations)		**734.34**		**1,011.62**	**1,040.00**	**1,913.89**
	Grand Total (A + B)		**48,487.06**		**7,178.86**	**1,041.50**	**4,183.14**

Information was not furnished by twelve working Companies - Gujarat Industrial Investment Corporation Limited, Gujarat State Handloom and Handicrafts Development Corporation Limited, Gujarat Women Economic Development Corporation Limited, Infrastructure Finance Company Gujarat Limited, Gujarat Safai Kamdar Vikas Nigam Limited, Gujarat Thakor and Koli Vikas Nigam Limited, Gujarat State Rural Development Corporation Limited, GSPC (JPDA) Limited, Gujarat State Mining Resource Corporation Limited, Gujarat Foundation for Mental Health and Allied Sciences, BISAG Satellite Communication, Gujarat Rural Industries Marketing Corporation Limited which have arrears of accounts in 2014-15.

Annexure 2

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

(Referred to in paragraph 1.15)

(Figures in columns 5 to 12 are ₹ in Crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital#	Long term Loans outstanding at the end of the year	Accumulated Profit (+)/ Loss(-) (A)	Turnover (B)	Net Profit/ Loss (C)	Net Impact of Accounts Comments (D)	Capital employed (E)	Return on capital employed (F)	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
A	**Working Government Companies**												
Agriculture & Allied													
1	Gujarat Agro Industries Corporation Limited	2013-14	2014-15	8.08	20.00	38.57	360.84	21.04	--	114.63	22.00	19.19	148
2	Gujarat State Seeds Corporation Limited	2014-15	2015-16	3.93	0.00	0.00	147.34	30.78	--	148.65	30.78	20.71	138
3	Gujarat State Land Development Corporation Limited	2012-13	2014-15	5.89	56.22	-111.18	578.01	-0.31	0.00	-47.15	1.61	NA	658
4	Gujarat Sheep and Wool Development Corporation Limited	2012-13	2014-15	4.31	0.00	0.45	4.54	0.38	0.00	11.33	0.38	3.35	135
Sector wise Total				**22.21**	**76.22**	**-72.16**	**1,090.73**	**51.89**	**0.00**	**227.46**	**54.77**	**24.08**	**1,079**
Finance													
5	Gujarat Industrial Investment Corporation Limited	2013-14	2014-15	256.98	80.13	-125.66	12.20	21.41	--	268.54	21.41	7.97	56
6	Gujarat State Handloom and Handicrafts Development Corporation Limited	2012-13	2015-16	12.06	8.21	-53.27	24.77	-2.06	0.00	-33.00	0.38	NA	139
7	Gujarat State Investments Limited	2014-15	2015-16	1,042.77	825.00	599.57	86.13	109.33	0.00	2,519.34	109.33	4.34	5
8	Gujarat Women Economic Development Corporation Limited	2010-11	2013-14	7.02	0.00	--	0.00	0.00	--	7.02	--	--	20
9	Gujarat State Financial Services Limited	2014-15	2015-16	86.28	702.00	592.30	2,105.31	368.96	--	1,407.66	2,103.57	149.44	21
10	Gujarat Minorities Finance and Development Corporation Limited	2013-14	2015-16	10.00	42.81	-15.21	4.08	0.58	--	37.73	2.26	5.99	15
11	Infrastructure Finance Company Gujarat limited	2009-10	2010-11	2.50	0.00	-0.75	--	0.19	--	2.50	0.19	7.60	-

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital#	Long term Loans outstanding at the end of the year	Accumulated Profit (+)/ Loss(-) (A)	Turnover (B)	Net Profit/ Loss (C)	Net Impact of Accounts Comments (D)	Capital employed (E)	Return on capital employed (F)	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
12	Gujarat Gopalak Development Corporation Limited	2011-12	2012-13	5.50	13.66	1.89	0.51	1.09	--	20.87	1.30	6.23	12
13	Gujarat Safai Kamdar Vikas Nigam Limited	2013-14	2014-15	5.00	90.00	0.00	4.69	3.64	--	117.40	5.19	4.42	64
14	Gujarat Thakor and Koli Vikas Nigam Limited	2012-13	2014-15	5.05	17.65	2.99	0.74	0.87	--	25.77	1.11	4.31	14
15	Gujarat Livelihood Promotion Company Limited	2012-13	2014-15	0.05	0.00	-0.08	0.00	0.25	--	-0.03	0.25	NA	1,607
16	Gujarat Scheduled Caste Most Backward Development Corporation£	£	£	£	£	£	£	£	£	£	£	£	-
Sector wise Total				1,433.21	1,779.46	1,001.78	2,238.43	504.26	0.00	4,373.80	2,244.99	51.33	1,953
Infrastructure													
17	Gujarat State Rural Development Corporation Limited	2013-14	2014-15	0.58	0.00	-1.33	0.00	0.21	0.00	-0.74	0.21	NA	116
18	Gujarat Ports Infrastructure and Development Company Limited	2014-15	2015-16	18.00	0.00	7.87	0.00	1.73	--	25.87	1.73	6.69	6
19	Gujarat State Police Housing Corporation Limited	2013-14	2014-15	50.00	0.00	--	0.00	0.00	--	50.00	--	--	344
20	Gujarat Growth Centres Development Corporation Limited	2010-11	2014-15	36.35	0.00	-0.23	0.00	-0.01	0.00	36.12	-0.01	NA	0
21	Gujarat State Road Development Corporation Limited	2014-15	2015-16	5.00	48.37	7.38	42.38	0.22	0.00	60.75	7.50	12.35	26
22	Gujarat Urban Development Company Limited	2013-14	2014-15	26.00	0.00	24.44	5.93	5.63	--	50.44	5.63	11.16	61
23	Gujarat Industrial Corridor Corporation Limited	2014-15	2015-16	10.00	0.00	-0.50	0.00	-0.40	--	9.50	-0.40	NA	1
24	Metro Link Express for Gandhinagar and Ahmedabad (MEGA) Company Limited	2014-15	2015-16	1,250.00	0.00	-7.73	0.00	42.21	0.00	1,092.27	42.24	3.87	76
25	Gujarat State Aviation Infrastructure Company Limited	2013-14	2014-15	0.05	0.00	0.08	0.00	0.08	0.00	21.46	0.08	0.37	16
26	Dholera International Airport Company Limited	2014-15	2015-16	54.40	0.00	3.96	0.00	3.81	0.00	53.85	3.81	7.08	0
Sector wise Total				1,450.38	48.37	33.94	48.31	53.48	0.00	1,399.52	60.79	4.34	646

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital[#]	Long term Loans outstanding at the end of the year	Accumulated Profit (+)/ Loss(-) (A)	Turnover (B)	Net Profit/ Loss (C)	Net Impact of Accounts Comments (D)	Capital employed (E)	Return on capital employed (F)	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Manufacture													
27	Gujarat Mineral Development Corporation Limited	2014-15	2015-16	63.60	0.00	458.68	1,418.88	635.87	0.00	3,241.57	635.87	19.62	1,696
28	Gujarat State Petroleum Corporation Limited	2014-15	2015-16	252.45	13,396.96	267.51	10,929.89	31.71	--	20,814.48	70.82	0.34	442
29	Alcock Ashdown (Gujarat) Limited	2013-14	2014-15	51.00	106.80	-422.22	0.00	-73.61	19.59	-262.00	-16.35	NA	113
30	GSPC (JPDA) Limited	2013-14	2014-15	97.39	0.00	-1.29	0.00	-0.20	--	130.07	-0.20	NA	0
31	GSPC LNG Limited	2013-14	2014-15	142.13	0.00	--	0.00	0.00	0.00	91.38	--		38
32	Naini Coal Company Limited	2011-12	2013-14	0.05	0.00	0.05	0.00	0.10	--	0.10	0.10	100.00	0
33	Gujarat State Mining and Resources Corporation Limited	2013-14	2014-15	0.05	0.00	-0.02	0.00	-0.01	--	-0.03	-0.01	NA	0
Sector wise Total				**606.67**	**13,503.76**	**302.71**	**12,348.77**	**593.86**	**19.59**	**24,015.57**	**690.23**	**2.87**	**2,289**
Power													
34	Gujarat Power Corporation Limited	2013-14	2014-15	382.08	185.30	418.58	75.00	33.76	0.00	986.33	58.23	5.90	43
35	Gujarat State Electricity Corporation Limited	2014-15	2015-16	1,692.28	6,985.93	1,409.09	8,316.73	212.37	0.00	12,096.39	853.42	7.06	7,702
36	Gujarat State Energy Generation Limited	2014-15	2015-16	348.38	433.22	-512.77	122.61	-130.03	0.00	315.06	-45.23	NA	14
37	Gujarat Energy Transmission Corporation Limited	2014-15	2015-16	566.44	6,384.87	1,424.61	2,250.70	412.65	--	11,567.52	1,121.79	9.70	12,257
38	Dakshin Gujarat Vij Company Limited	2014-15	2015-16	273.03	161.65	323.64	10,304.84	71.23	--	2,336.61	176.23	7.54	6,363
39	Madhya Gujarat Vij Company Limited	2014-15	2015-16	267.49	254.38	188.21	4,828.87	37.10	--	2,007.41	121.96	6.08	6,903
40	Paschim Gujarat Vij Company Limited	2014-15	2015-16	1,798.05	791.47	94.75	10,755.14	19.62	--	5,247.05	380.44	7.25	12,743
41	Uttar Gujarat Vij Company Limited	2014-15	2015-16	316.53	275.02	79.74	8,037.56	21.92	--	2,303.21	222.79	9.67	7,448
42	Gujarat Urja Vikas Nigam Limited	2013-14	2014-15	7,057.80	269.03	-429.69	29,242.13	34.49	--	7,147.15	75.76	1.06	277
43	GSPC Pipavav Power Company Limited	2014-15	2015-16	861.84	1,453.00	-351.98	338.20	-35.54	--	1,962.86	181.33	9.24	22
44	Bhavnagar Energy Company Limited	2014-15	2015-16	707.79	2,714.80	-6.41	0.00	-1.25	--	3,416.18	-1.25	NA	64
Sector wise Total				**14,271.71**	**19,908.67**	**2,637.77**	**74,271.78**	**676.32**	**0.00**	**49,385.77**	**3,145.47**	**6.37**	**53,836**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital#	Long term Loans outstanding at the end of the year	Accumulated Profit (+)/ Loss(-) (A)	Turnover (B)	Net Profit/ Loss (C)	Net Impact of Accounts Comments (D)	Capital employed (E)	Return on capital employed (F)	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Service													
45	Gujarat Water Resources Development Corporation Limited	2012-13	2013-14	31.49	0.00	-28.53	54.00	0.17	3.64	247.33	0.17	0.07	2349
46	Tourism Corporation of Gujarat Limited	2013-14	2014-15	20.00	7.50	97.48	6.65	50.83	0.04	522.44	50.83	9.73	260
47	Gujarat State Forest Development Corporation Limited	2013-14	2014-15	6.32	0.00	29.34	25.53	3.90	0.00	48.95	3.90	7.97	173
48	Gujarat Industrial and Technical Consultancy Limited	2014-15	2015-16	0.20	0.00	1.28	5.06	0.28	0.00	1.48	0.28	18.92	31
49	Gujarat State Civil Supplies Corporation Limited	2014-15	2015-16	10.00	0.00	7.10	2,352.20	5.63	--	17.10	9.21	53.86	1,167
50	Gujarat State Petronet Limited	2014-15	2015-16	562.98	887.88	2,647.24	1,064.60	660.32	0.00	4,510.93	777.65	17.24	236
51	Gujarat Informatics Limited	2013-14	2014-15	18.51	8.59	88.49	11.27	32.23	0.19	131.57	35.95	27.32	98
52	Guj Info Petro Limited	2014-15	2015-16	0.05	0.00	11.45	35.49	8.82	0.00	38.07	8.82	23.17	120
53	Gujarat Foundation for Mental Health and Allied Sciences	2010-11	2013-14	0.02		0.00	0.00	0.00	--		0.00	.	1
54	Dahej SEZ Limited	2013-14	2014-15	46.05	0.00	71.65	42.63	28.03	0.00	121.11	30.50	25.18	28
55	Sabarmati Gas Limited	2014-15	2015-16	20.00	89.22	121.12	929.80	115.99	0.00	376.01	131.53	34.98	112
56	Guj-Tour Development Company Limited	2014-15	2015-16	18.40	0.00	2.77	0.00	1.71	0.00	21.17	1.71	8.08	0
57	GSPL India Gasnet Limited	2014-15	2015-16	187.02	0.00	3.53	0.00	1.89	0.00	190.55	1.89	0.99	55
58	GSPL India Transco Limited	2014-15	2015-16	140.00	0.00	4.00	0.00	2.17	0.00	144.00	2.17	1.51	60
59	BISAG Satellite Communication	2013-14	2014-15	38.08	0.27	2.92	0.00	3.20	--	3.24	3.20	98.77	1
60	Gujarat Medical Services Corporation Limited	2014-15	2015-16	2.50	0.00	2.20	0.00	0.73	0.00	4.70	0.73	15.53	63
61	Gujarat Gas Limited	2014-15	2015-16	137.68	1,490.78	204.38	8,935.54	641.44	0.00	3,481.69	971.90	27.91	1,053
Sector wise Total				**1,239.30**	**2,484.24**	**3,266.42**	**13,462.77**	**1,557.34**	**3.87**	**9,860.34**	**2,030.44**	**20.59**	**5,807**
Miscellaneous													
62	Gujarat Rural Industries Marketing Corporation Limited	2013-14	2014-15	9.17	6.44	7.72	92.14	7.21	--	24.49	7.21	29.44	50
63	Sardar Sarovar Narmada Nigam Limited	2013-14	2014-15	40,016.83	2,042.88	0.00	0.00	0.00	0.00	41,636.81	NA	NA	3,598

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital#	Long term Loans outstanding at the end of the year	Accumulated Profit (+)/ Loss(-) (A)	Turnover (B)	Net Profit/ Loss (C)	Net Impact of Accounts Comments (D)	Capital employed (E)	Return on capital employed (F)	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
64	Gujarat Water Infrastructure Limited	2014-15	2015-16	145.02	0.00	-131.34	224.52	-91.37	0.00	3,655.93	-60.39	NA	355
Sector wise Total				**40,171.02**	**2,049.32**	**-123.62**	**316.66**	**-84.16**	**0.00**	**45,317.23**	**-53.18**	**NA**	**4,003**
Total A (All sector wise working Government Companies)				**59,194.50**	**39,850.04**	**7,046.84**	**1,03,777.45**	**3,352.99**	**23.46**	**1,34,579.69**	**8,173.51**	**6.07**	**69,613**
B	**Working Statutory Corporations**												
Agriculture & Allied													
1	Gujarat State Warehousing Corporation	2012-13	2014-15	4.00	0.00	1.42	5.14	3.10	--	8.48	3.10	36.56	100
Sector wise Total				**4.00**	**0.00**	**1.42**	**5.14**	**3.10**	**0.00**	**8.48**	**3.10**	**36.56**	**100**
Finance													
2	Gujarat State Financial Corporation	2014-15	2015-16	89.11	661.68	-2234.73	7.97	-94.81	20.40	-1,205.96	23.45	NA	89
Sector wise Total				**89.11**	**661.68**	**-2,234.73**	**7.97**	**-94.81**	**20.40**	**-1,205.96**	**23.45**	**NA**	**89**
Infrastructure													
3	Gujarat Industrial Development Corporation*	2014-15	2015-16	0.00	0.00	1,416.06	425.66	34.75	--	10,366.01	34.75	0.34	1,130
Sector wise Total				**0.00**	**0.00**	**1,416.06**	**425.66**	**34.75**	**0.00**	**10,366.01**	**34.75**	**0.34**	**1,130**
Service													
4	Gujarat State Road Transport Corporation	2011-12	2015-16	734.34	1,864.50	-2,161.89	2,337.32	-183.58	--	465.46	-177.48	NA	39,257
Sector wise Total				**734.34**	**1,864.50**	**-2,161.89**	**2,337.32**	**-183.58**	**0.00**	**465.46**	**-177.48**	**NA**	**39,257**
Total B (All sector wise working Statutory Corporations)				**827.45**	**2,526.18**	**-2,979.14**	**2,776.09**	**-240.54**	**20.40**	**9,633.99**	**-116.18**	**NA**	**40,576**
Grand Total (A + B)				**60,021.95**	**42,376.22**	**4,067.70**	**1,06,553.54**	**3,112.45**	**43.86**	**1,44,213.68**	**8,057.33**	**5.59**	**1,10,189**
C	**Non working Government Companies**												
Agriculture & Allied													
1	Gujarat Fisheries Development Corporation Limited	1998-99	2002-03	1.94	µ	4.01	28.13	-1.05	--	0.87	-0.90	NA	0
2	Gujarat Dairy Development Corporation Limited	2014-15	2015-16	10.46	74.05	-122.40	0.00	-0.50	0.00	-2.07	-0.50	NA	3
Sector wise Total				**12.40**	**74.05**	**-118.39**	**28.13**	**-1.55**	**0.00**	**-1.20**	**-1.40**	**NA**	**3**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital#	Long term Loans outstanding at the end of the year	Accumulated Profit (+)/ Loss(-) (A)	Turnover (B)	Net Profit/ Loss (C)	Net Impact of Accounts Comments (D)	Capital employed (E)	Return on capital employed (F)	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Finance													
3	Gujarat Small Industries Corporation Limited (under liquidation)	2006-07	2007-08	4.00	µ	-74.93	0.00	-3.62	--	3.21	-0.31	NA	0
4	Gujarat Leather Industries Limited (under liquidation)	2001-02	2002-03	1.50	µ	-6.67	0.00	0.00	--	0.00	0.00	--	0
5	GSFS Capital and Securities Limited	2013-14	2014-15	5.00	0.00	9.05	1.18	0.98	0.00	15.01	0.98	6.53	0
Sector wise Total				**10.50**	**0.00**	**-72.55**	**1.18**	**-2.64**	**0.00**	**18.22**	**0.67**	**3.68**	**0**
Infrastructure													
6	Gujarat State Construction Corporation Limited	2014-15	2015-16	5.00	52.62	-48.11	0.00	-1.00	0.00	10.71	0.04	0.37	0
Sector wise Total				**5.00**	**52.62**	**-48.11**	**0.00**	**-1.00**	**0.00**	**10.71**	**0.04**	**0.37**	**0**
Manufacture													
7	Gujarat State Textile Corporation Limited (under liquidation)	1996-97	1997-98	46.46	µ	0.00	0.00	0.00	--	0.00	0.00	--	0
8	Gujarat State Machine Tools Limited	2013-14	2014-15	0.54	2.59	-2.90	0.00	-0.06	0.00	0.22	-0.06	NA	0
9	Gujarat Communications and Electronics Limited (under liquidation)	2000-01	2001-02	12.45	µ	-104.74	5.57	-34.13	--	0.00	-34.13	--	0
10	Gujarat Trans-Receivers Limited	2013-14	2014-15	0.29	3.57	-6.05	0.00	0.00	--	-2.17	0.00	--	0
11	Gujarat Fintex Limited (under liquidation, subsidiary of GSTC)	1994-95	1995-96	₹ 200 only	µ	0.00	0.00	0.00	--	0.00	0.00	--	0
12	Gujarat Siltex Limited (under liquidation, subsidiary of GSTC)	1994-95	1995-96	₹ 200 only	µ	0.00	0.00	0.00	--	0.00	0.00	--	0
13	Gujarat Texfeb Limited (under liquidation, subsidiary of GSTC)	1994-95	1995-96	₹ 200 only	µ	6.04	0.00	0.00	--	0.00	0.00	--	0
Sector wise Total				**59.74**	**6.16**	**-107.65**	**5.57**	**-34.19**	**0.00**	**-1.95**	**-34.19**	**NA**	**0**
Total C (All sector wise non working Government Companies)				**87.64**	**132.83**	**-346.70**	**34.88**	**-39.38**	**0.00**	**25.78**	**-34.88**	**NA**	**3**
Grand Total (A + B + C)				**60,109.59**	**42,509.05**	**3,721.00**	**1,06,588.42**	**3,073.07**	**43.86**	**1,44,239.46**	**8,022.45**	**5.56**	**1,10,192**

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

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

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

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

(D) Impact of accounts comments include the comments of Statutory Auditors and CAG indicating decrease in profit/ increase in losses for the year for which final comments of CAG have been issued upto 30 Sept 2015

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

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

Sl. No. A-5, A-8, A-11, A-12, A-14, A-15, A-16, A-20, A-22,A-30, A-31, A-32, A-33, A-42, A-45, A-47, A-53, A-59, C-1, C-3, C-5, C-7, C-8, C-9, C-10, C-11, C-12 and C-13 did not submit any accounts during 1st October 2014 to 30 September 2015. Hence, figures as per last year report have been incorporated.

\# Paid-up Capital includes Share Application Money

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

£ Date of incorporation to 31 March 2015, first accounts not finalised.

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

*** Indicates PSU under construction

β Expenditure incurred set off from grants income taken to Statement of Profit and Loss

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

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

Annexure 3

Glossary of important terms used in the Performance Audit of GSPC

(Referred to at paragraph no. 2.6)

Sl. No.	Terminology	Description
1.	**Appraisal well**	Appraisal well means a well drilled pursuant to an Appraisal Programme. Appraisal programme means a programme carried out following a discovery for the purpose of appraising the discovery and delineating the Petroleum Reservoirs to which the discovery relates in terms of thickness and lateral extent, determining the characteristics thereof and the quantity of recoverable Petroleum therein.
2.	**Block**	The contract area where exploration activities are carried out is identified as a block.
3.	**Cash Call Contribution**	Cash call contribution means payments made against request for payment of cash made by the operator in accordance with the approved work programme and approved budget to the parties in connection with joint operations.
4.	**Development Area**	Development area means part of the contract area which encompasses one or more Commercial Discovery(ies) and any additional area that may be required for proper development of such Commercial Discovery(ies) and established as such in accordance with the provisions of contract.
5.	**Development well**	Development well means a well drilled, deepened or completed after the date of approval of the development plan pursuant to development operations or production operations for the purpose of producing petroleum, increasing production, sustaining production or accelerating extraction of petroleum.
6.	**Discovery**	Discovery means the finding, during petroleum operations, of a deposit of petroleum not previously known to have existed, which can be recovered at the surface in a flow measurable by conventional petroleum industry testing methods.
7.	**Exploratory well**	Exploratory or exploration well means a well drilled for the purpose of searching for undiscovered petroleum accumulation on any geological entity to a depth or level specified in the work programme.
8.	**Field Development Plan (FDP)**	Field development plan means a plan submitted by the contractor for the development of a Commercial Discovery which has been approved by the Management Committee or Government of India.

Sl. No.	Terminology	Description
9.	High Pressure and High Temperature (HPHT) field	HPHT field is characterized by high pressure which could reach or exceed 705 kg per square cm (10000 pounds per square inch) and temperature exceeding 150° C.
10.	Hydraulic Fracturing	Hydraulic fracturing is the process of pumping fluid into a well to improve productivity in a low permeability reservoir.
11.	Jack up rig	Jack up rig is a drilling rig which can be moved from one location to another by towing. Once a jack-up rig is towed to the drilling site, three or four 'legs' are lowered until they rest on the sea bottom. This allows the working platform to rest above the surface of the water.
12.	Joint interest billing (JIB)	Joint interest billing means a billing statement prepared by the Operator showing costs and expenditures incurred during previous month, indicating by appropriate classification and the nature thereof and portion of such costs to each of the member of joint venture.
13.	Joint Operating Agreement (JOA)	Joint operating agreement is an agreement among the partners in joint venture for conduct of petroleum operations which provides the framework of relationship, rights and obligations of the partners.
14.	Management Committee (MC)	Management Committee is constituted as per production sharing contract having members nominated by contractor and Government of India for overseeing the petroleum operations of the block. The MC has advisory functions over the exploration operations and approval functions over the development and production operations in a block.
15.	Minimum Work Programme (MWP)	Minimum work programme means the mandatory work programme to be carried out by the contractor with respect to each exploration phase.
16.	New Exploration Licensing Policy (NELP)	NELP was notified by Government of India in 1999 with the objective of attracting private investment in oil and gas sector. NELP envisaged award of blocks for exploration through competitive bidding.
17.	Non-Operator	Non operator is such member of joint venture who is not an operator.
18.	Onshore Gas Terminal (OGT)	This is the onshore plant of DDW project where the gas would be processed by dehydration and removal of sulphur for transportation and the condensates recovered.
19.	Operating Committee (OC)	Operating Committee is the coordinating body for the direction, control and supervision of the joint operations relating to exploration, development and production of petroleum and has representatives of each JV partner as its members.

Sl. No.	Terminology	Description
20.	**Operator**	Operator is the member of the joint venture who on behalf of other members conducts all the functional operations and activities relating to exploration, development and production of petroleum.
21.	**Participating interest**	Participating interest means in respect of each party constituting the contractor, the undivided share expressed in terms of percentage of such party's participation in the rights and obligation under the contract.
22.	**Permeability**	Permeability determines the ease with which the reservoir fluid can move out or flow within the rock into the well.
23.	**Platform rig**	Platform rig is a drilling rig operated from a fixed offshore production platform.
24.	**Process cum Living Quarter Platform (PLQP)**	PLQP is an offshore central processing platform designed for DDW located near the Well Head Platform where the fluids produced at well head are brought and processing activities like water separation, cooling and dehydration carried out before sending to the shore. Facilities for living quarters are also integrated in this platform.
25.	**Production Sharing Contract (PSC)/ Concession Agreement (CA)**	Production Sharing Contract or Concession Agreement is an agreement between Government/regulator and the members of joint venture for exploration, development and production of petroleum products and the sharing of revenue thereof among them.
26.	**Proved and probable (2P) reserves**	Proved reserves of petroleum are reserves which on the basis of available evidence are virtually certain to be technically and economically producible (i.e having a better than 90 *per cent* chance of being produced) and probable reserves are those, which are not yet proven but which are estimated to have a better than 50 *per cent* change of being technically and economically producible.
27.	**Standby charges**	Standby charges means the charges paid to keep the barges/machinery/equipments at standby due to reasons not attributable to such contractor.
28.	**Subsea Pipeline (SP)**	Subsea pipeline for DDW project is the pipeline for transportation of the gas/condensates from PLQP to the Onshore Gas Terminal.
29.	**Well Head Platform (WHP)**	Well Head Platform is the fixed offshore platform designed for DDW from which well completion, extraction, and production can occur.

Annexure 4

Stages involved in exploration and development

(Referred to at paragraph no. 2.7)

- Signing of the PSC/CA upon award of a block.
- Completing the Minimum Work Programme (MWP) as per PSC/CA which involves acquisition, processing and interpretation of 2D and/or 3D seismic data, geological surveys and drilling of exploratory wells as per schedule.
- Notification of discovery -When a petroleum deposit is discovered in the contract area, it is informed in Format-A to the Management Committee (MC) and the Government.
- On discovery, the contractor conducts tests to determine whether it is of commercial interest and based on analysis and interpretation of such tests, submits a notification (in Format B) of potential commercial interest to MC.
- After notification of Format B, the contractor submits to the MC a proposed appraisal programme with the objective of determining whether it is a Commercial Discovery and to determine the area to be delineated as Development Area.
- The contractor after appraisal makes a proposal to the MC for declaring discovery as a commercial discovery and the Declaration of Commerciality (DOC) is done as per the advice of the MC.
- After the DOC, a Field Development Plan (FDP) indicating the development of a commercial discovery for one or more wells is submitted by the contractor. It includes plan for drilling development wells and establishing required infrastructure for recovery, storage and transportation from development area up to delivery point. It also includes the financial viability of the project.
- Once the FDP is approved by MC, the contractor undertakes the implementation of the FDP with the end view of starting commercial production.

Annexure 5

Financial position of Gujarat State Warehousing Corporation

(Referred to in Paragraph 3.8)

(₹ in lakh)

Particulars/ Year	2009-10	2010-11	2011-12	2012-13
Capital & Liabilities				
Share Capital	400.00	400.00	400.00	400.00
Reserves and Surplus	157.90	159.90	161.90	163.90
Reserve u/s 30(1)	230.84	230.84	230.84	273.43
Bad and Doubtful Fund	10.89	15.24	10.89	10.89
Deferred Tax Liability (Net)	56.92	58.19	61.40	80.41
Current Liabilities	42.84	50.53	40.47	43.65
Provisions	63.05	83.29	60.51	242.61
Profit and Loss Account	87.40	19.95	101.51	141.57
Total Capital & Liabilities	**1,049.84**	**1,017.94**	**1,067.52**	**1,356.46**
Property & Assets				
Cash & Bank Balances	58.97	39.23	99.98	165.24
Investments	283.90	259.44	226.81	331.58
Fixed Assets	419.92	404.49	389.84	383.32
Value of dead stock	7.52	6.69	5.82	4.93
Sundry debtors	78.79	98.92	94.05	151.50
Loans, Advances & Deposits	200.74	209.17	251.02	319.89
Total Property & Assets	**1,049.84**	**1,017.94**	**1,067.52**	**1,356.46**

Financial performance Gujarat State Warehousing Corporation

(₹ in Lakh)

Particulars/ Year	2009-10	2010-11	2011-12	2012-13
Income				
Warehouse Charges	407.69	247.11	373.21	514.13
Rent Income	104.02	124.55	147.88	168.53
Interest Income	21.55	18.93	19.86	28.40
Other Income	2.87	0.23	5.43	39.82
Prior Period Income/ Provision Written off	1.72	0.65	0.00	0.00
Total Income	**537.85**	**391.47**	**546.38**	**750.88**
Expenditure				
Establishment Expenses	317.08	377.50	363.01	357.01
Rent, Rates and Taxes	106.57	9.59	7.26	5.81
Maintenance & Repairs	14.32	11.22	5.81	19.68
Depreciation	17.59	16.63	15.68	14.81
Others	55.19	41.99	71.06	153.17
Total Expenditure	**510.75**	**456.93**	**462.82**	**550.48**
Profit/ (Loss)	**27.10**	**(65.46)**	**83.56**	**200.40**

Note: The annual accounts for 2013-14 are in arrears and 2014-15 have not yet been prepared.

Annexure 6

Loss of revenue due to hiring godowns at ICD/CFS Dashrath at less than prevailing tariff rate

(Referred to in paragraph 3.8.3)

Sl. No.	Period	Months	Area (in sq. ft.) of 8 godowns and open area	Warehouse charges per month as per agreement effective from 1-5-2010 (In ₹)	Derived rate per sq.ft. (Col.5/ Col.4) (In ₹)	Warehouse charges paid by CWC for the period in Col.(2) (In ₹)	Per sq.ft. rate of warehouse charges as per GSWC tariff of 1-8-2007 and 1-3-2012 (In ₹)	Warehouse charges per month to be paid as per GSWC tariff (In ₹)	Warehouse charges to be paid by CWC for the period in Col.(2) (In ₹)	Difference (Col 10 – Col 7) (In ₹)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	01-05-2010 to 30.04.2011	12	2,83,246	9,02,944	3.19	1,08,35,328	6.41	18,15,607	2,17,87,282	1,09,51,954
2	01.05.2011 to 28.02.2012	10	2,83,246	9,93,238	3.51	99,32,384	6.41	18,15,607	1,81,56,069	82,23,685
3	01.03.2012 to 30.04.2012	2	2,83,246	9,93,238	3.51	19,86,476	9.00	25,49,214	50,98,428	31,11,952
4	01.05.2012 to 30.04.2013	12	2,83,246	10,92,562	3.86	1,31,10,742	9.00	25,49,214	3,05,90,568	1,74,79,826
5	01.05.2013 to 30.04.2014	12	2,83,246	12,01,818	4.24	1,44,21,816	9.00	25,49,214	3,05,90,568	1,61,68,752
6	01.05.2014 to 30.04.2015	12	2,83,246	13,22,000	4.67	1,58,63,997	9.00	25,49,214	3,05,90,568	1,47,26,571
7	01.05.2015 to 30.04.2016	12	2,83,246	14,54,200	5.13	1,74,50,397	9.00	25,49,214	3,05,90,568	1,31,40,171
8	01.05.2016 to 30.04.2017	12	2,83,246	15,99,620	5.65	1,91,95,437	9.00	25,49,214	3,05,90,568	1,13,95,131
9	01.05.2017 to 30.04.2018	12	2,83,246	17,59,582	6.21	2,11,14,980	9.00	25,49,214	3,05,90,568	94,75,588
10	01.05.2018 to 30.04.2019	12	2,83,246	19,35,540	6.83	2,32,26,478	9.00	25,49,214	3,05,90,568	73,64,090
11	01.05.2019 to 30.04.2020	12	2,83,246	21,29,094	7.52	2,55,49,126	9.00	25,49,214	3,05,90,568	50,41,442
				Total						11,70,79,162

Annexure 7

Statement of subsidy claimed and received by GUVNL during the period 2009-10 to 2014-15

(Referred to in Paragraph 4.4.2.1 and 4.4.3.2)

(₹ in crore)

Subsidy	Year	Opening Balance	Claim Amount	Subsidy Received	Outstanding Subsidy
GERC Tariff Subsidy	2009-10	108.29	558.7	583.04	83.95
	2010-11	83.95	739.72	530	293.67
	2011-12	293.67	812.8	830	276.47
	2012-13	276.47	871.81	884	264.28
	2013-14	264.28	1,094.56	800	558.84
	2014-15	558.84	1,106.26	1,176.09	489.01
	Total	**108.29**	**5,183.85**	**4,803.13**	**489.01**
Subsidy	**Year**	**Opening Balance**	**Claim Amount**	**Subsidy Received**	**Outstanding Subsidy**
FPPPA Subsidy	2009-10	362.94	982.87	900	445.81
	2010-11	445.81	821.87	920	347.68
	2011-12	347.68	1,383.51	962	769.19
	2012-13	769.19	1,843.20	1,200	1,412.39
	2013-14	1,412.39	1,678.72	1,300	1,791.11
	2014-15	1,791.11	2,200.79	1,500	2,491.90
	Total	**362.94**	**8,910.96**	**6,782**	**2,491.90**
Subsidy	**Year**	**Opening Balance**	**Claim Amount**	**Subsidy Received**	**Outstanding subsidy**
Water Works Subsidy	2009-10	144.93	189.47	112	222.40
	2010-11	222.40	201.31	112	311.71
	2011-12	311.71	254.20	136	429.91
	2012-13	429.91	349.63	422	357.54
	2013-14	357.54	434.28	200	591.82
	2014-15	591.82	481.25	847.91	225.16
	Total	**144.93**	**1,910.14**	**1,829.91**	**225.16**
Subsidy	**Year**	**Opening Balance**	**Claim Amount**	**Subsidy Received**	**Outstanding Subsidy**
50% relief subsidy	2009-10	0.00	0.00	0.00	0.00
	2010-11	0.00	0.00	0.00	0.00
	2011-12	0.00	0.00	0.00	0.00
	2012-13	0.00	396.07	0.00	396.07
	2013-14	396.07	0.00	0.00	396.07
	2014-15	396.07	509.67	500.00	405.74
	Total	**Nil**	**905.74**	**500.00**	**405.74**

Subsidy	Year	Opening Balance	Claim Amount	Subsidy Received	Outstanding Subsidy
HP based tariff subsidy	2009-10	0.00	1,100.00	1,100.00	0.00
	2010-11	0.00	1,100.00	1,100.00	0.00
	2011-12	0.00	1,100.00	1,100.00	0.00
	2012-13	0.00	1,100.00	1,100.00	0.00
	2013-14	0.00	1,100.00	1,100.00	0.00
	2014-15	0.00	1,100.00	1,100.00	0.00
	Total	Nil	6,600.00	6,600.00	0.00
Grand Total		616.16	23,510.69	20,515.04	3,611.81

Annexure 8

Consumption pattern of Agricultural consumers DISCOMs wise

(Referred to in paragraph 4.5)

MGVCL							
Sl. No	**Particulars**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
1	Units sent out from Agricultural feeders (In Mus)	1,180.02	1,037.92	1,128.97	1,215.27	1,008.12	1,233.35
2	Distribution losses as per GERC based on percentage of approved T&D losses (In Mus)	165.20	134.93	143.94	151.91	125.11	148.00
3	Units billed to metered consumers (In Mus)	427.52	390.64	442.70	495.29	453.74	577.93
4	Units billed to others (In Mus)	36.10	30.03	45.11	53.59	33.99	41.28
5	Units billed (In Mus)	463.62	420.67	487.81	548.88	487.73	619.21
6	Consumption of UAG consumers (In Mus) (1-2-5)	551.20	482.32	497.22	514.48	395.28	466.14
7	HP load of UAG consumers	2,78,620	2,78,517	2,79,249	2,79,147	2,78,845	2,77,805
8	Per HP consumption of UAG consumers (In units) (6/7)	1,978.31	1,731.74	1,780.55	1,843.05	1,417.57	1,677.94
9	HP load of MAG consumers	4,01,961	3,30,950	4,70,090	5,32,106	6,21,474	7,67,046
10	Per HP consumption of MAG consumers (In units) (3/9)	1,063.59	1,180.36	941.73	930.81	730.10	753.45
11	Per HP excess consumption by UAG (In units) (8-10)	914.72	551.39	838.81	912.24	687.47	924.49
12	Excess consumption by UAG (In Mus) (11*7)	254.86	153.57	234.24	254.65	191.70	256.83
13	Ratio of per HP of UAG and MAG (8/10)	1.86:1	1.47:1	1.89:1	1.98:1	1.94:1	2.23:1

DGVCL							
Sl. No.	**Particulars**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
1	Units sent out from Agricultural feeders (In Mus)	666.47	575.57	626.98	729.75	601.31	857.22
2	Distribution losses as per GERC based on percentage of approved T&D losses (In Mus)	89.64	71.66	77.43	87.57	54.30	98.58
3	Units billed to metered consumers (In Mus)	141.54	140.00	156.00	203.95	194.00	317.53
4	Units billed to others (In Mus)	2.23	1.30	1.01	66.45	70.60	55.52
5	Units billed (In Mus)	143.77	141.30	157.01	270.40	264.60	373.05
6	Consumption of UAG consumers (In Mus) (1-2-5)	433.05	362.61	392.54	371.78	282.41	385.59
7	HP load of UAG consumers	2,49,180	2,48,532	2,48,511	2,47,986	2,20,879	2,47,510
8	Per HP consumption of UAG consumers (In units) (6/7)	1,737.90	1,459.01	1,579.57	1,499.20	1,278.57	1,557.88
9	HP load of MAG consumers	1,34,904	2,90,024	3,01,928	3,52,868	4,17,140	5,23,121
10	Per HP consumption of MAG consumers (In units) (3/9)	1,082.25	482.72	516.68	577.98	465.07	606.99
11	Per HP excess consumption per HP by UAG (In units) (8-10)	655.66	976.30	1,062.89	921.22	813.49	950.89
12	Excess consumption by UAG (In Mus) (11*7)	163.38	242.64	264.14	228.45	179.68	235.35
13	Ratio of per HP of UAG and MAG (8/10)	1.61:1	3.02:1	3.06:1	2.59:1	2.75:1	2.57:1

PGVCL							
Sl. No.	**Particulars**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
1	Units sent out from Agricultural feeders (In Mus)	8,259.27	6,972.17	8,164.31	9,971.38	8,319.38	10,134.04
2	Distribution losses as per GERC based on percentage of approved T&D losses (In Mus)	2,312.60	1,812.77	2,367.65	2,692.27	1,930.10	2,432.17
3	Units billed to metered consumers (In Mus)	782	832	1186	1789	1764	2210
4	Units billed to others (In Mus)	37.87	24.3	39.34	146.32	65.02	43.73
5	Units billed (In Mus)	819.87	856.30	1,225.34	1,935.32	1,829.02	2,253.73
6	Consumption of UAG consumers (In Mus) (1-2-5)	5,126.80	4,303.11	4,571.32	5,343.79	4,560.26	5,448.14
7	HP load of UAG consumers	22,83,935	23,32,711	23,64,827	24,33,986	25,31,295	25,83,618
8	Per HP consumption of UAG consumers (In units) (6/7)	2,244.72	1,844.68	1,933.05	2,195.49	1,801.55	2,108.73
9	HP of MAG consumers	13,71,174	15,69,279	19,47,090	25,14,478	29,76,643	35,57,527
10	Per HP consumption of MAG consumers (In units) (3/9)	570.31	530.18	609.11	711.48	592.61	621.22
11	Per HP excess consumption by UAG (In units) (8-10)	1,674.41	1,314.50	1,323.93	1,484.01	1,208.94	1,487.51
12	Excess consumption by UAG (In Mus) (11*7)	3,824.24	3,066.35	3,130.88	3,612.06	3,060.18	3,843.16
13	Ratio of per HP of UAG and MAG (8/10)	3.94:1	3.48:1	3.17:1	3.09:1	3.04:1	3.39:1

UGVCL							
Sl. No	**Particulars**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
1	Units sent out from Agricultural feeders (In Mus)	8,716.11	7,384.55	8,226.61	9,391.51	7,864.92	9,221.51
2	Distribution losses as per GERC based on percentage of approved T&D losses (In Mus)	1,307.42	1,033.84	1,110.59	1,220.90	514.37	1,244.90
3	Units billed to metered consumers (In Mus)	1,166.90	1,040.71	1,210.62	1,437.81	1,409.66	1,871.54
4	Units billed to others (In Mus)	35.83	51.97	78.67	77.67	48.66	72.40
5	Units billed (In Mus)	1,202.73	1,092.68	1,289.29	1,515.48	1,458.32	1,943.94
6	Consumption of UAG consumers (In Mus) (1-2-5)	6,205.96	5,258.04	5,826.73	6,655.14	5,892.23	6,032.67
7	HP load of UAG consumers	34,92,171	35,41,992	35,55,458	36,07,447	36,32,828	36,43,363
8	Per HP consumption of UAG consumers (In units) (6/7)	1,777.11	1,484.49	1,638.81	1,844.83	1,621.94	1,655.80
9	HP load of MAG consumers	11,10,742	11,66,708	12,47,175	14,51,934	17,77,345	20,70,923
10	Per HP consumption of MAG consumers (In units) (3/9)	1,050.56	892.01	970.69	990.27	793.13	903.72
11	Per HP excess consumption by UAG (In units) (8-10)	726.55	592.48	668.12	854.56	828.81	752.08
12	Excess consumption by UAG (In Mus) (11*7)	2,537.23	2,098.56	2,375.48	3,082.78	3,010.93	2,740.10
13	Ratio of per HP of UAG and MAG (8/10)	1.69:1	1.66:1	1.69:1	1.86:1	2.04:1	1.83:1