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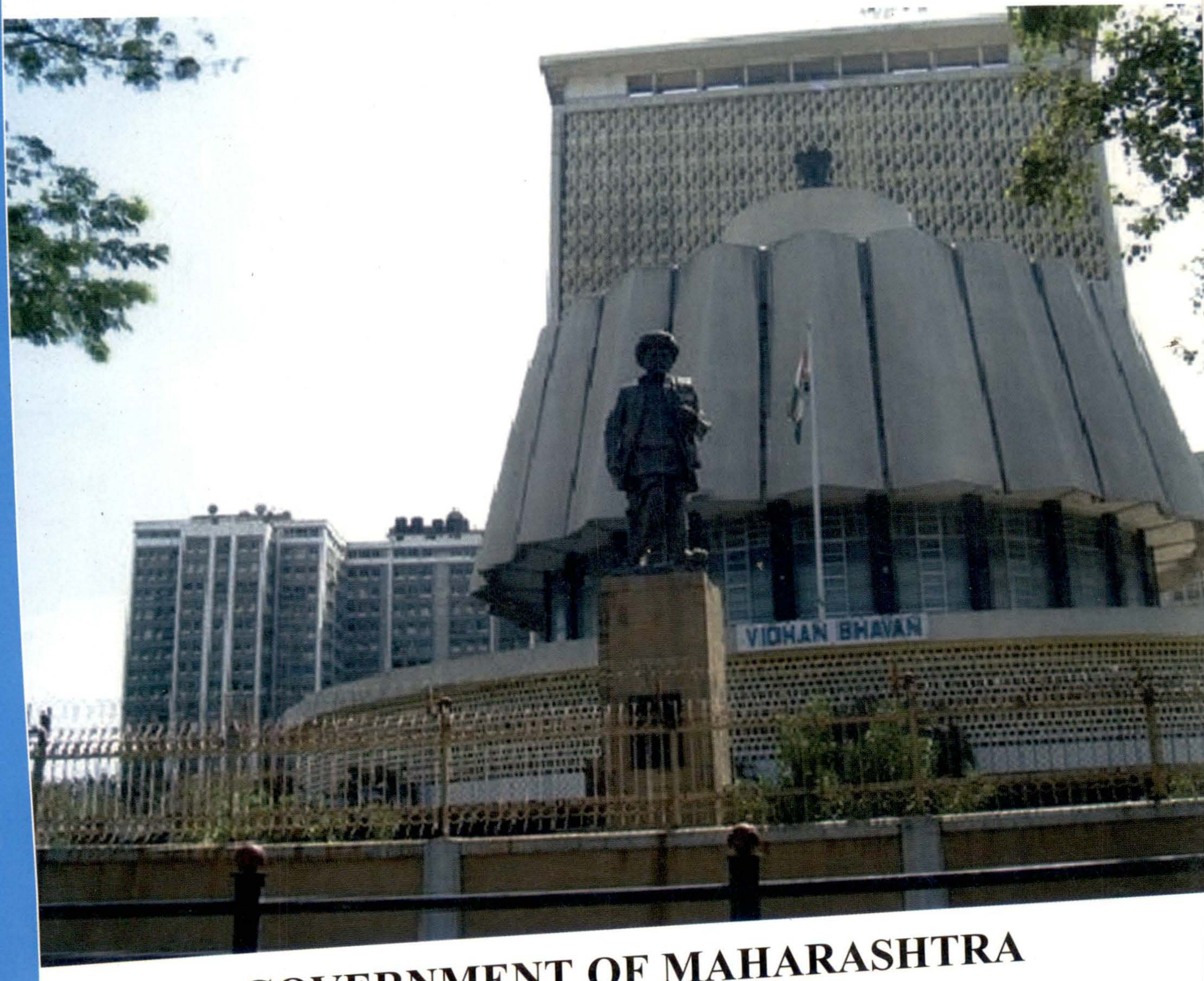
REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA COMMERCIAL

No.4

FOR THE YEAR ENDED 31 MARCH 2010



GOVERNMENT OF MAHARASHTRA

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2010

COMMERCIAL
Report No.4

GOVERNMENT OF MAHARASHTRA

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Preface

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

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

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

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

4. In respect of the Maharashtra State Road Transport Corporation, which is a Statutory corporation, the CAG is the sole auditor. As per the State Financial Corporations (Amendment) Act, 2000, the CAG has the right to conduct the audit of accounts of Maharashtra State Financial Corporation in addition to the audit conducted by the Chartered Accountants, appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. In respect of Maharashtra State Warehousing Corporation, the CAG has the right to conduct the audit of accounts in addition to the audit conducted by the Chartered Accountants, appointed by the State Government in consultation with the CAG. The sole audit of accounts of Maharashtra Industrial Development Corporation is entrusted to the CAG under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. In respect of Maharashtra Electricity Regulatory Commission, the CAG is the sole auditor. The Audit Reports on the annual accounts of the Corporations/Commission are forwarded separately to the State Government.

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2009-10 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2009-10 have also been included, wherever deemed necessary.

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

Overview

1. Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective Legislation. As on 31 March 2010, the State of Maharashtra had 62 working Public Sector Undertakings (PSUs) (58 Companies and four Statutory corporations) and 23 non-working PSUs (all Companies), which employed 1.99 lakh employees. The working PSUs registered a turnover of ₹ 40,872.98 crore in 2009-10 as per their latest finalised accounts. This turnover was equal to 4.91 per cent of the State GDP indicating an important role played by the State PSUs in the economy. The working PSUs incurred overall loss of ₹1,360 crore in 2009-10 and had accumulated losses of ₹7,368.66 crore as on 31 March 2010.

Investments in PSUs

As on 31 March 2010, the investment (Capital and long term loans) in 85 PSUs was ₹ 50,550.20 crore. It grew by 132.08 per cent from ₹ 21,781.64 crore in 2004-05 mainly because of increase in investment in power sector. Power Sector accounted for 80 per cent of the total investment in 2009-10. The Government contributed ₹5,509.86 crore towards equity, loans and grants/subsidies during 2009-10.

Performance of PSUs

During the year 2009-10, out of 62 working PSUs, 36 PSUs earned profit of ₹741.56 crore and 21 PSUs incurred loss of ₹ 2,101.56 crore. Four PSUs prepared their accounts on no profit no loss basis and one PSU was under construction and had not prepared profit and loss account. The major contributors to profit were Maharashtra State Electricity Transmission Company Limited (₹ 368.03 crore), Maharashtra State Road Transport Corporation (₹ 117.98 crore) and Maharashtra State Power Generation Company Limited (₹72.75 crore). Heavy losses were incurred by Maharashtra State Electricity Distribution Company Limited (₹1,351.45 crore), Maharashtra State Road Development Corporation Limited (₹421.58 crore) and MSEB Holding Company Limited (₹297.99 crore).

The losses are attributable to various deficiencies in the functioning of PSUs. A review of three years Audit Reports of CAG shows that the State PSUs losses of ₹ 2,259.25 crore and infructuous investments of ₹ 68.05 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and minimise/ eliminate losses. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. Of the 67 accounts of working companies finalised during October 2009 to September 2010, 49 accounts received qualified certificates and nine accounts received unqualified certificates, adverse certificate for three accounts and disclaimer for six accounts from Statutory auditors. Additionally, there were 68 instances of non-compliance with Accounting Standards in 28 accounts. Of the four accounts finalised during October 2009 to September 2010 by the Statutory corporations, three accounts received qualified certificates and one account received adverse certificate. The Reports of the Statutory auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

Fifty six working PSUs had arrears of 178 accounts as of September 2010. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts. There were 23 non-working companies. As no purpose may be served by keeping these PSUs in existence, Government needs to expedite closing down of the non working PSUs.

2. Performance Audit relating to Government Companies

Performance Audit relating to 'Operational performance' of the **Maharashtra Tourism Development Corporation Limited** and 'Power generation activities of the **Maharashtra State Power Generation Company Limited'** were conducted. Executive Summary of the main Audit findings is given below:

Performance Audit on Operational performance of the Maharashtra Tourism Development Corporation Limited

Maharashtra Tourism Development Corporation Limited (Company) was incorporated in January 1975 as a wholly owned Government Company to promote and develop tourism in the State. The State has a rich cultural heritage and geographical diversity. The Company has six Regional offices and 23 units in various districts of the State. The Company had leased out 79 properties since inception and operated 18 resorts, three restaurants and two water sports complexes as on 31 March 2010. The Company implements various tourist infrastructure developmental projects with the help of grants from the Government of India (GoI) and Government of Maharashtra (GoM). The performance audit of the Company for the period 2005-06 to 2009-10 was conducted to assess the financial management, project management and operational performance relating to tourist activities.

Tourist Inflow

The overall atmosphere in the State is conducive for tourist development. The tourist inflow in the State ranged between 157.80 lakh and 257.38 lakh tourists during 2005-10.

Despite the Company being in existence for more than 35 years in the tourism sector, the number of foreign tourists who had availed the Company's facilities was negligible during 2005-10.

The accounts of the Company have been pending for finalisation since 2006-07. The Company failed to develop proper mechanism to collect statistics of the tourists in the State as envisaged in the Tourism Policy of 2006 of GoM. The Company did not prepare any Corporate Plan or Action Plan to meet the requirements of Tourism Policy 2006.

Receipt and utilisation of grants

The Company executed various infrastructural projects for tourists with the help of grants from GoI and GoM. The utilisation of funds (2005-06 to 2009-10) from grant receipts of ₹ 617.73 crore was very low. Grants to the extent of ₹ 358.66 crore from GoI and GoM remained unutilised as of March 2010. There was lack of monitoring of the progress of the projects and delays were noticed in completion of projects.

Operational performance

Despite having spent ₹ 23.49 crore on its own resorts during 2005-06 to 2009-10, the Company failed to attract adequate number of tourists to its resorts. The number of foreign tourist who availed the facilities continued to be negligible. Though the number of domestic tourists arriving in the State had increased from 143.30 lakh in 2005-06 to 237.39 lakh in 2009-10, the number of tourists availing facilities of the Company declined from 2.30 lakh in 2007-08 to 2.07 lakh in 2009-10.

The Company had leased out land and resorts to private operators but failed to take effective and timely recovery action against the defaulting lessees. The lease rental could not be recovered in 62 cases out of 79 cases and ₹ 20.32 crore outstanding dues accumulated as of March 2010.

The occupancy norms including benchmark occupancy standards were not fixed by the Company. The average occupancy in the resorts of the Company was 37 to 51 per cent against the All India Average occupancy of 59.66 per cent during the review period.

Monitoring and internal control

There was no effective internal control mechanism in the Company. The minimum number of Board meetings were not held by the Company. There was lack of monitoring by the top management. The Internal Audit was not commensurate with requirement.

Conclusions and Recommendations

To assist the Company in rectifying the deficiencies noticed, audit has made eight recommendations. These include introduction of effective project monitoring systems, monitoring of utilisation of grants received from the GoI and GoM, improvement in financial management by timely reporting with greater accountability, evolving a systematic policy for leasing of assets and conducting of impact analysis of its operations.

Performance Audit on power generation activities in Maharashtra State Power Generation Company Limited

Introduction

One of the core objectives of National Electricity Policy has been "Supply of Power for All" by 2012. Maharashtra being a power deficient State, could not meet the peak demand and deficit in the power remained between 25 and 34 per cent of the peak demand during 2005-10. In view of the above it was considered desirable to conduct performance audit of power generation activities in the State in general and the Maharashtra State Power Generation Company Limited (Company) in particular. The performance audit covered capacity addition programmes, optimal utilisation of its resource for generation of power, management of fuel and output efficiency besides environmental aspects. The significant audit findings are discussed below:

Financial position and working results

The borrowings increased from ₹2,413.74 crore in 2005-06 to ₹ 12,987.99 crore in 2009-10 mainly on account of taking up new power projects. The debt equity ratio, therefore, increased from 0.90:1 in 2005-06 to 2.67:1 in 2009-10. The turnover of the Company during 2009-10 was ₹11,083.25 crore.

Planning and capacity additions

Capacity additions planned by the Company were not commensurate with the deficit of power. As against the required capacity additions of 5,210 MW, the actual additions by the Company was only 625 MW during 2005-10. The State Government signed (April 2005) Memorandum of Understanding with eight IPPs (12,168 MW) and provided financial/administrative support to another 24 IPPs (31,590 MW) for setting up power projects. However, 20 IPPs (28,718 MW) had not started their activities due to non acquisition of land. Out of potential of 7,852 MW for renewable energy in the State, sources were tapped up to 2,775 MW only by 2009-10. Thus, the objective of the National Electricity Policy to provide Power for All by 2012 may not be achieved.

Project implementation

The completion of two power projects (Parli Unit-6-250 MW and Paras Unit-3-250 MW) had spilled over from X Five Year Plan to XI Five Year Plan and completed in 2007-08 after a delay of 13-14 months. These projects were commissioned without conducting trial run. Resultantly, Parli Unit-6 remained under forced outage during November 2007 to March 2010 and led to loss of generation of 832 MUs. Out of remaining nine ongoing projects, six projects (2,750 MW) were behind the schedule by five to ten months.

Renovation and Modernisation of existing stations

The Company on the ground of shortfall of power in the State had not taken up any Renovation and Modernisation (R&M) programme of the existing nine thermal units due in the X Five Year Plan and compromised with technical requirements. Moreover, there was no long-term

Corporate Plan (CP) for R&M of old units in a phased manner.

Input and output efficiency

The excess consumption of 333.33 lakh MT of coal (value ₹ 5,515.85 crore) was mainly on account of low calorific value of coal received during 2005-10. The Company had not entered into coal supply agreements with two coal companies up to March 2009 and claims amounting to ₹ 76.10 crore on account of stones and shales and slippage in grade relating to the period 2001-09 were still pending with the two coal companies. The Company had not fixed modalities for ensuring timely submission of coal related claims as per new agreements from April 2009 onwards. There was also loss of generation of 335.88 Mus due to short supply of gas during 2005-10.

The actual Plant Load Factor (PLF) and generation of electricity by majority of thermal units was below the target fixed by MERC during the period of review. The PLF of 27 thermal units was below the target during 2009-10. Auxiliary consumption remained higher than the target resulting in loss of 1,076 Mus valued at ₹246.05 crore during review period.

Environmental issues

The environmental norms were not strictly complied with. The environment impact assessment was also not conducted by the Company for its projects.

Conclusion and Recommendations

The Company had not taken up R&M programme for any of the old units nor had it prepared Corporate Plan for replacement of overaged units in a phased manner. The operational efficiency of power stations was lower as compared to norms relating to consumption of fuel, PLF, forced outages and auxiliary consumption. The review contains eight recommendations which include preparation of comprehensive plan for replacement of overaged units, updatation of Management Information System on coal claims and fixing of power station-wise bench mark for transit loss.

3. Transaction Audit Observations

Transaction audit observations included in this Report highlight deficiencies in the management of Public Sector Undertakings involving significant financial implications. The irregularities pointed out are broadly of the following nature:

Loss of ₹8.80 crore in one case due to non-compliance with rules, directives, procedures, terms and conditions of contract.

(Paragraph 3.2)

Loss of ₹31.25 crore in 13 cases due to non-safeguarding of the financial interests of the organisations.

(Paragraphs 3.1,3.5,3.6,3.8,3.9,3.11,3.14,3.15,3.16,3.17, 3.18, 3.20 and 3.21)

Loss of ₹38.56 crore in four cases due to defective/deficient planning.

(Paragraphs 3.4, 3.7, 3.12 and 3.13)

Loss of ₹2.71 crore in three cases due to lack of fairness, transparency and competitiveness in operations.

(Paragraphs, 3.3, 3.10 and 3.19)

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

Failure of **Maharashtra State Electricity Distribution Company Limited** to avail the complete credit period for payment for energy purchased resulted in avoidable loss of interest of ₹ 8.91 crore on borrowings for payment.

(Paragraph 3.1)

Maharashtra Airport Development Company Limited extended undue favour to an agency due to non cancellation of allotment and non forfeiture of the advance payment of ₹ 8.80 crore.

(Paragraph 3.2)

Lack of proper planning exhibited by **Maharashtra State Road Development Corporation Limited** led to a time overrun of more than five years in commissioning of Rail Under Bridge at RCF Junction, Chembur (Mumbai), unfruitful expenditure of ₹ 4.30 crore and additional liability of ₹ 5.90 crore.

(Paragraph 3.4)

Maharashtra Film, Stage and Cultural Development Corporation Limited suffered revenue loss of ₹ 4.21 crore due to short recovery of upfront cost from BOT operators.

(Paragraph 3.6)

Maharashtra State Electricity Transmission Company Limited failed to obtain prior statutory permission for utilising forest land for construction of transmission line resulting in idle investment of ₹ 33.59 crore.

(Paragraph 3.7)

Shivshahi Punarvasan Prakalp Limited incurred extra expenditure of ₹ 1.45 crore due to undue benefit in award of contract to a private agency without calling for competitive bids and in violation of Government of Maharashtra advertising policy.

(Paragraph 3.10)

Maharashtra State Road Transport Corporation incorrectly availed excess abatement from the charges collected for providing buses on casual contracts resulting in short recovery of service tax of ₹ 1.09 crore

(Paragraph 3.17)

Maharashtra Industrial Development Corporation extended undue benefit of ₹ 1.05 crore due to allotment of land at industrial rates though the allottees agreed for commercial rates. The Corporation executed work valued at ₹ 72.53 lakh not required to be done as per Request for Proposal resulting in undue benefit to the private agency.

(Paragraphs 3.18 and 3.19)

Maharashtra Electricity Regulatory Commission awarded consultancy work at higher rates without undertaking a transparent bidding process resulting in an irregular expenditure of ₹ 9.66 crore on consultancy charges.

(Paragraph 3.21)

Chapter I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Maharashtra, the State PSUs occupy an important place in the State economy. The State working PSUs registered a turnover of ₹ 40,872.98 crore in 2009-10 as per their latest finalised accounts as of September 2010. This turnover was equal to 4.91 *per cent* of State Gross Domestic Product (GDP) for 2009-10. Major activities of Maharashtra State PSUs are concentrated in power and infrastructure sectors. The State working PSUs incurred an overall loss of ₹ 1,360 crore in the aggregate for 2009-10 as per their latest finalised accounts. They had employed 1.99 lakh employees as of 31 March 2010. The State PSUs do not include 49 prominent Departmental Undertakings (Dus), which carry out commercial operations but are a part of Government departments. Audit findings on these Dus are incorporated in the Civil Audit Report for the State.

1.2 As on 31 March 2010, there were 85 PSUs as *per* the details given below. Of these, none of the companies were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs[Ψ]	Total
Government Companies[♦]	58	23	81
Statutory Corporations	4	--	4
Total	**62**	**23**	**85**

1.3 During the year 2006-10 five[¥] PSUs were established without issue of a Government Resolution from the Finance Department. One company *viz.* Textile Corporation of Marathwada Limited was privatised.

Audit Mandate

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

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

[♦] Includes 619-B companies at Sl.No. A-5,17,28 and 47 of **Annexure-1**.

[¥] Sl. No. A-44,45,46,53 and 58 of **Annexure-1**.

companies and corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as *per* Section 619-B of the Companies Act.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

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

Investment in State PSUs

1.7 As on 31 March 2010, the investment (capital and long-term loans) in 85 PSUs (including four 619-B companies) was ₹ 50,550.20 crore as per details given below:

(₹in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	21,048.82	26,865.09	47,913.91*	1,474.72	440.14	1,914.86	49,828.77
Non-working PSUs	321.87	399.56	721.43	--≠	--≠	--≠	721.43
Total	**21,370.69**	**27,264.65**	**48,635.34**	**1,474.72**	**440.14**	**1,914.86**	**50,550.20**

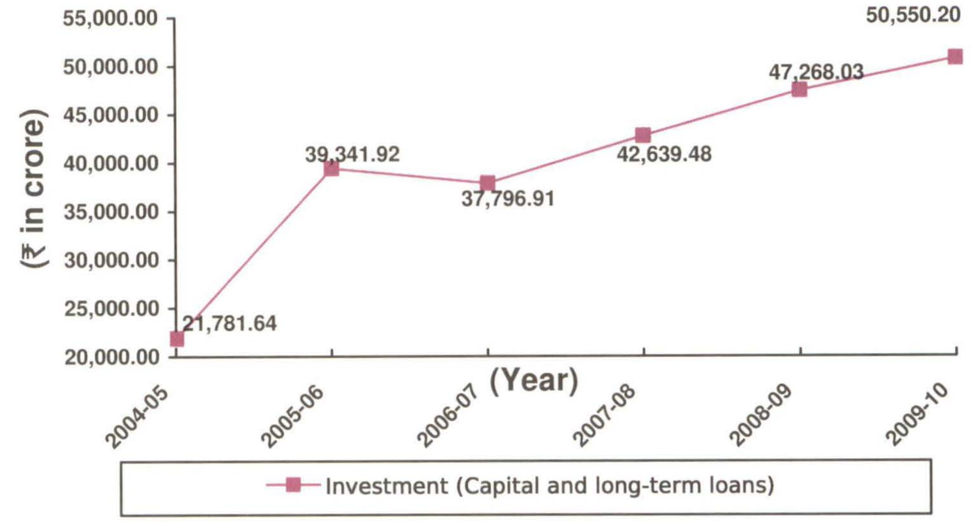
A summarised position of Government investment in State PSUs is detailed in **Annexure-1**.

1.8 As on 31 March 2010, of the total investment in State PSUs, 98.57 *per cent* was in working PSUs and the remaining 1.43 *per cent* in non-working PSUs. This total investment consisted of 45.19 *per cent* towards capital and 54.81 *per cent* in long-term loans. The investment has grown by 132.08 *per cent* from ₹ 21,781.64 crore in 2004-05 to ₹ 50,550.20 crore in 2009-10 as shown in the graph below. There was an increase of ₹ 17,560.28 crore in the investments during 2005-06 mainly because of increase in the investments by ₹ 16,603.45 crore in Power Sector companies by way of Equity (₹ 12,939.52 crore) and Loans (₹ 3,663.93 crore). The total investment in PSUs has increased by ₹ 3,282.17 crore during 2009-10 from

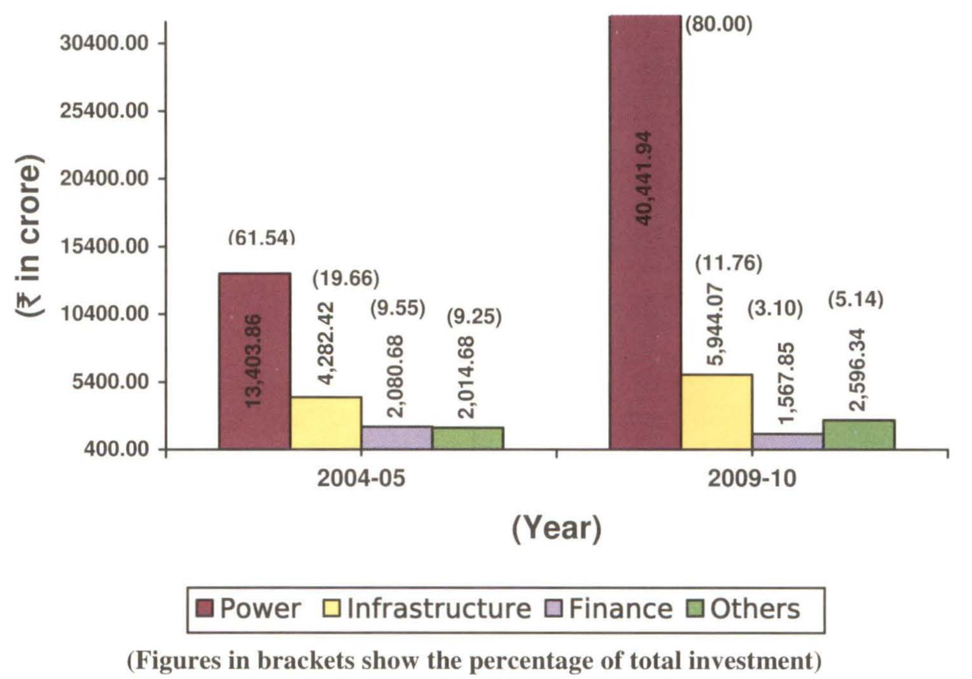
* Information in respect of five working PSUs viz. Sl. No. A-10,19,44,51 and 55 of **Annexure-1** is as per previous Audit report.

≠ No Non-working Statutory corporation.

2008-09 which was mainly due to increase in long term loans to the Power Sector PSUs.



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar chart. The thrust of PSU investment was mainly in the Power sector during the six years period which has seen its percentage share rising from 61.54 to 80 *per cent*.



(Figures in brackets show the percentage of total investment)

Budgetary outgo, grants/subsidies, guarantees and loans

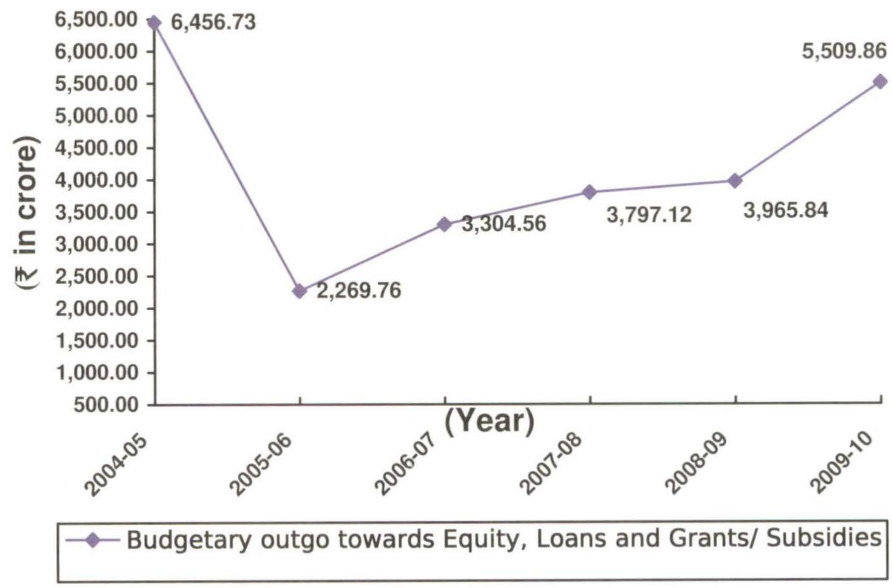
1.10 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure-3.**

The summarised details are given below for three years ended 2009-10.

(Amount ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	9	327.75	9	862.42	11	1,415.52
2.	Loans given from budget	2	86.59	4	113.78	4	65.40
3.	Grants/Subsidy received	13	3,382.78	17	2,989.64	17	4,028.94
4.	Total Outgo (1+2+3)	18[∇]	3,797.12	22[∇]	3,965.84	25[∇]	5,509.86
5.	Loans written off	--[≈]	--≈	--≈	--≈	1	7.72
6.	Interest/Penal interest waived	--≈	--≈	--≈	--≈	1	1.95
7.	Total waiver (5+6)	--≈	--≈	--≈	--≈	1[Ψ]	9.67
8.	Guarantees issued	3	106.72	3	557.50	3	870.00
9.	Guarantee Commitment	11	8,774.53	14	4,042.99	16	5,798.56

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



The budgetary outgo in the form of equity, loans, grants/subsidies, *etc.* during 2004-05 was at an all time high of ₹ 6,456.73 crore during the six years ended 2009-10. After decline in the budgetary outgo to ₹ 2,269.76 crore in 2005-06, it increased gradually and stood at ₹ 5,509.86 crore in 2009-10. During the

[∇] Actual number of PSUs which received budgetary support in the form of equity, loans, Grants/subsidy from State Government.

[≈] This indicates 'nil'.

[Ψ] Actual number of PSUs in which loans were written off and penal interest waived by the State Government.

year 2009-10, the State Government waived loans and interest/penal interest of ₹ 9.67 crore due from one PSU as against no waiver during the previous year.

1.12 The amount of Guarantee commitment as on 31 March 2009 was at ₹ 4,042.99 crore (14 PSUs) which increased significantly to ₹ 5,798.56 crore (16 PSUs) during 2009-10. During the year 2009-10, the State Government had guaranteed loans aggregating ₹ 870 crore obtained by three working Government companies. The Government charges fees for guarantees given at the rate of two *per cent* per annum. During the year 2009-10, 10 PSUs paid guarantee fees of ₹ 518.43 crore out of ₹ 838.08 crore payable leaving an unpaid balance of ₹ 319.65 crore from nine[Ξ] PSUs as on 31 March 2010.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2010 is stated below.

(₹in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	6,843.24	14,187.41	7,344.17
Loans	6,146.79	4,358.93	1,787.86
Guarantees	19,584.19	5,798.56	13,785.63

1.14 Audit observed that the differences occurred in respect of 49 PSUs and some of the differences were pending reconciliation for more than three years. The matter was brought to the notice of the Chief Secretary/Principal Secretary (Finance) repeatedly through demi-official correspondence, in August, September, October and November 2010. The matter was also discussed with the Principal Secretary (Finance) on 2 November 2010. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexures-2, 5 and 6** respectively. A *ratio* of PSU turnover to State GDP shows the extent of PSU

[Ξ] Sl.No. A-2,4,11,15,16,20,30,50 and B-2 of **Annexure-2.**

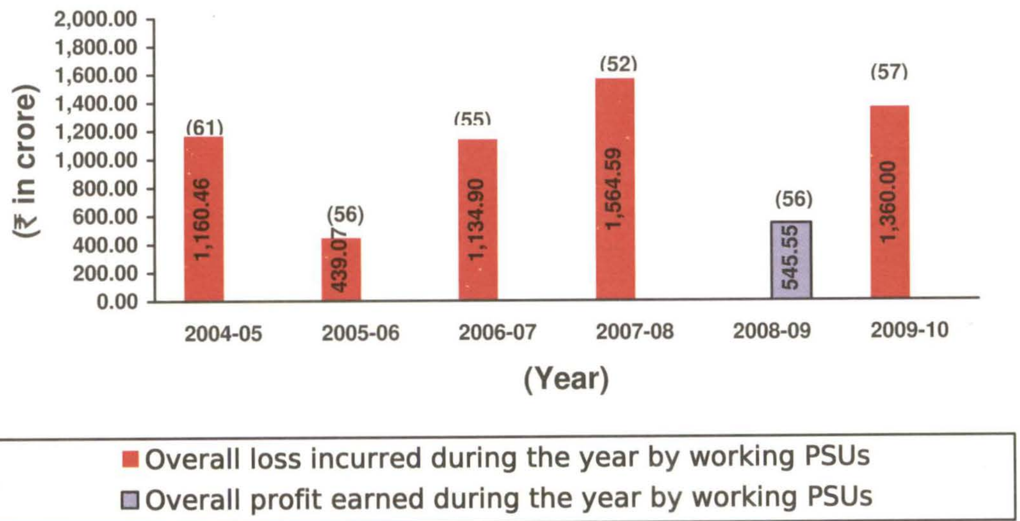
activities in the State economy. Table below provides the details of working PSUs' turnover and State GDP for the period 2004-05 to 2009-10.

(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover∝	19,520.04	19,468.21	26,397.23	34,684.97	35,495.23	40,872.98
State GDP	3,71,878.00	4,32,413.00	5,09,356.00	5,90,995.00	6,97,683.00	8,31,971.24♦
Percentage of Turnover to State GDP	5.25	4.50	5.18	5.87	5.09	4.91

The percentage of turnover to State GDP increased from 5.25 in 2004-05 to 5.87 in 2007-08 and again declined to 4.91 in 2009-10 as the turnover of PSUs did not increase in proportion to the corresponding increase in GDP.

1.16 Profit/(losses) earned/(incurred) by State working PSUs during 2004-05 to 2009-10 are given below in a bar chart.



(Figures in brackets show the number of working PSUs excluding PSUs working on no profit no loss basis and/or that have not started commercial activities in respective years)

As against loss of ₹ 1,160.46 crore incurred during 2004-05, the working PSUs incurred an overall loss of ₹ 1,360 crore in 2009-10. During the year 2009-10, out of 62 working PSUs, 36 PSUs earned profit of ₹ 741.56 crore and 21 PSUs incurred loss of ₹ 2,101.56 crore. Four working PSUs∇ prepared their accounts on 'no profit no loss basis' and one PSU** was under construction and had not prepared profit and loss account. The major contributors to profit were Maharashtra State Electricity Transmission Company Limited (₹ 368.03 crore), Maharashtra State Road Transport Corporation (₹ 117.98 crore) and Maharashtra State Power Generation Company Limited (₹ 72.75 crore). Heavy losses were incurred by Maharashtra

∝ Turnover as per the latest finalised accounts as of 30 September 2010.

♦ Advance estimates as furnished by Directorate of Economics and Statistics, Government of Maharashtra.

∇ Sl.No.A 12,17,29and 55 **Annexure-2**

** Sl. No.A-**45** of **Annexure-2.**

State Electricity Distribution Company Limited (₹ 1,351.45 crore), Maharashtra State Road Development Corporation Limited (₹ 421.58 crore) and MSEB Holding Company Limited (₹ 297.99 crore).

1.17 The losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of the latest Audit Reports of CAG shows that the State working PSUs incurred losses to the tune of ₹ 2,259.25 crore and infructuous investment of ₹ 68.05 crore, which were controllable with better management. Year wise details from Audit Reports are stated below.

(₹in crore)

Particulars	2007-08	2008-09	2009-10	Total
Net Profit (loss)	(1,564.59)	545.55	(1,360.00)	**(2,379.04)**
Controllable losses as per CAG's Audit Report	699.99	1,479.75	79.51	**2,259.25**
Infructuous Investment	14.69	16.30	37.06	**68.05**

1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses can be minimised (or eliminated or the profits can be enhanced substantially). The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.19 Some other key parameters pertaining to State PSUs are given below.

(₹in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed (*Per cent*)	2.55	1.93	--•	0.89	7.52	2.61♣
Debt	16,421.43	20,812.25	18,827.73	27,035.20	25,834.25	27,704.79
Turnover^ϒ	19,520.04	19,468.21	26,397.23	34,684.91	35,495.23	40,872.98
Debt/ Turnover Ratio	0.84:1	1.07:1	0.71:1	0.78:1	0.73:1	0.68:1
Interest Payments	1,737.91	626.74	1,182.61	2,355.14	2,197.56	2,509.77
Accumulated Profits (losses)	(4,577.82)	(3,907.81)	(4,739.23)	(6,639.08)	(7,006.90)	(8,539.13)

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

• Return on capital employed was negative during the year.

♣Return on capital for the year has been computed by considering profit before tax after prior period adjustment.

ϒTurnover of working PSUs as per the latest finalised accounts as of 30 September 2010.

1.20 The percentage of consolidated return on all PSUs varied from 2.55 in 2004-05 to 7.52 in 2008-09 and 2.61 during 2009-10. The accumulated losses of the PSUs have increased by 86.53 per cent from ₹ 4,577.82 crore in 2004-05 to ₹ 8,539.13 crore in 2009-10 thus indicating deteriorating financial position of the PSUs.

The debt turnover *ratio*, which was at 0.84:1 during 2004-05 has improved and stood at 0.68:1 during 2009-10.

1.21 The State Government formulated (June 2010) dividend policy under which all profit earning State PSUs are required to declare dividend. However, minimum return rate was not fixed by the State Government. As per their latest finalised accounts, 36 working PSUs earned an aggregate profit of ₹ 741.56 crore however, only two PSU *viz.* Maharashtra State Warehousing Corporation and Maharashtra Film, Stage and Cultural Development Corporation Limited declared a dividend of lump sum of ₹ one crore and ₹ 10.04 lakh (at the rate of 2.17 *per cent*) respectively.

Arrears in finalisation of accounts

1.22 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in 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 PSUs in finalisation of accounts as of 30 September 2010.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Number of working PSUs	60	59	57	61	62
2.	Number of accounts finalised during the year	37	51	42	57	71[π]
3.	Number of accounts in arrears	183	177	175	185	178
4.	Average arrears per PSU (3/1)	3.05	3.00	3.07	3.03	2.87
5.	Number of Working PSUs with arrears in accounts	53	50	52	55	56
6.	Extent of arrears	1 to 15 years	1 to 15 years	1 to 13 years	1 to 13 years.	1 to 13 years.

1.23 The average arrears per PSU had decreased from 3.05 in 2005-06 to 2.87 in 2009-10. The performance of finalisation of accounts during the year 2009-10 has considerably improved compared to the previous year. During 2009-10, ten[*] working PSUs did not finalise even a single

[π]The above includes two accounts (2007-08 and 2008-09) of the Company at Sl. No.53 (of **Annexure-2**) incorporated in September 2007 which was included in the chapter this year.

[*] Sl. No. A-8,10,13,15,19,26,34,35,44 and 54 of **Annexure-2.**

account which contributed to the accumulation of arrears in accounts. The PSUs should ensure that at least one year's account are finalised each year so as to restrict further accumulation of arrears. The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and ensure that the accounts are up to date. The overall position of clearance of arrears of accounts of Government PSUs did not show significant improvement. The age-wise analysis of arrears for last five years is as under.

Position of arrears as on	Number of working Government PSUs whose accounts were in arrears	Number of years for which accounts were in arrears					
		1	2	3	4	5	Above five years
30 September 2006	53	28	6	1	1	7	10
30 September 2007	50	25	5	3	1	7	9
30 September 2008	52	22	11	3	5	3	8
30 September 2009	55	24	9	6	4	3	9
30 September 2010	**56**	**26**	**7**	**4**	**7**	**4**	**8**

From the above table, it can be seen that the Companies whose accounts were in arrears for more than five years marginally decreased from 10 Companies in 2006 to eight in 2010. This indicated that no effective action had been taken to liquidate the arrears of accounts of the Companies whose accounts were in arrears for more than five years.

The reasons for delay as stated by some of these Companies were:

- Absence of qualified professionals in the Accounts Department.
- Shortage of manpower.
- Manual system of maintaining accounts.
- Delay in availability of accounting information due to lack of co-ordination between different departments of the company

1.24 In addition to above, there were also arrears in finalisation of accounts by non-working PSUs. Out of 23 non-working PSUs, three♦ had gone into liquidation process. Of the remaining 20 non-working PSUs, five PSUs finalised their accounts and 15 PSUs had arrears of accounts for one to 12 years.

1.25 The State Government had invested ₹ 6206.23 crore (Equity: ₹ 1778.56 crore, Loans: ₹ 52.08 crore, Grants: ₹ 4,375.59 crore) in 27 PSUs during the years for which accounts have not been finalised as detailed in **Annexure-4**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been

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

properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.26 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was repeatedly taken up at the level of Chief Secretary and Principal Secretary (Finance), the latest requests being made in August, September, October and November 2010. In the latest meeting held on 2 November 2010 with Principal Secretary (Finance), the steps to liquidate arrears of accounts *etc.*, was discussed. A High Powered Committee meeting was convened in July 2010, where Accountant General appraised the Chief Secretary and concerned Secretaries of Administrative Department of Government of Maharashtra about the pendency of accounts and to expedite the backlog of arrears in accounts in a time bound manner.

1.27 In view of above state of arrears, it is recommended that:

- **The State Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**

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

- **Responsibility of Managing Directors/Chief Executives and Chief Finance Officers of the companies in default should be fixed.**

- **The State Government should take up the matter with the Registrar of Companies for invoking penal provisions of the Act in appropriate cases to act as a deterrent.**

- **The State Government should pursue for suitable modification/relaxation in the simplified exit scheme for closed/defunct companies as well as extension of benefits of the scheme to non-working PSUs.**

Winding up of non-working PSUs

1.28 There were 23 non-working PSUs (all Companies) as on 31 March 2010. Of these, three PSUs have commenced liquidation process. The numbers of non-working Companies at the end of each year during past five years are given below.

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
No. of non-working Companies	20	22	27	24	23

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. Five non-working PSUs whose accounts were finalised for the year 2009-10, incurred expenditure of ₹ 3.26 crore towards salary and establishment. This expenditure was financed through interest from fixed deposit and miscellaneous income of these PSUs.

1.29 The stages of closure in respect of non-working PSUs (all Companies) are given below.

Sl. No.	Particulars	Companies
1.	Total No. of non-working PSUs	23
2.	Of (1) above, the No. under liquidation	3•
3.	Closure, *i.e.* closing orders/instructions issued but liquidation process not yet started	10
4.	Decision not yet taken	10

1.30 During the year 2009-10, none of the Companies were finally wound up, though the liquidation process was on for periods ranging from 17 to 24 years. The Government may make a decision regarding winding up of 10 non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working. The Government may consider setting up a cell to expedite closing down its non-working Companies.

Accounts Comments and Internal Audit

1.31 Forty five working companies forwarded their audited 67 accounts to Accountant General during the year 2009-10. Of these, 48 accounts were selected for supplementary audit and 19 accounts were issued Non Review Certificates. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of

• The nature of winding up not known. Information has been sought from Finance and Administrative Departments (Sl.No. C-3,18, and 22 of **Annexure-1**).

accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	11	234.05	6	87.32	20	98.98
2.	Increase in loss	4	21.53	8	52.49	10	59.59
3.	Non-disclosure of material facts	4	19.97	8	683.55	17	454.59
4.	Errors of classification	--≈	--≈	3	44.00	4	7.08
	Total		**275.55**		**867.36**		**620.24**

As seen from the above table the comments of Statutory Auditors and CAG on decrease in profit and increase in loss were on the increasing trend.

1.32 During the year, the statutory auditors had given unqualified certificates for nine accounts and qualified certificates for 49 accounts, adverse certificates (which means that accounts do not reflect a true and fair position) for three accounts and disclaimers (meaning the auditors are unable to form an opinion on accounts) for six accounts. The compliance of companies with the Accounting Standards remained poor as there were 68 instances of non-compliance in 28 accounts during the year.

1.33 Some of the important comments in respect of accounts of companies are stated below.

Maharashtra State Electricity Distribution Company Limited (2008-09)

- Revenue from sale of power was overstated by ₹ 7.75 crore due to non-accountal of power factor incentives and other credit payable to High Tension (HT) consumers correspondingly resulting in understatement of loss by ₹ 7.75 crore.

- Non provision of credit for power generated by HT consumers, resulted in understatement of loss and overstatement of receivable by ₹ 11.42 crore.

- Non-provision of ₹ 1.59 crore towards rates and taxes, repairs and maintenance, legal charges, water charges and other administrative charges resulted in understatement of loss and current liabilities to the same extent.

≈ This indicates 'Nil' accounts and amount.

- Understatement of depreciation due to applying rates lower than that prescribed in schedule XIV of Companies Act, 1956 resulted in corresponding understatement of loss by ₹ 2.49 crore.

- Short provision of ₹ 1.72 crore towards discount to consumers for timely payment of bills and interest on consumers security deposits resulting in understatement of loss as well as liabilities by ₹ 1.72 crore.

Maharashtra State Power Generation Company Limited (2008-09)

- Revenue for sale of power was overstated by ₹ 32.24 crore due to accountal of disputed revenue billed on Maharashtra State Electricity Distribution Company Limited which resulted in overstatement of debtors and profit by ₹ 32.24 crore.

- Non provision of ₹ 8.21 crore towards freight charges payable to the South Central Railway, resulted in understatement of Current liabilities and overstatement of profit by ₹ 8.21 crore.

- Wrong capitalisation of expenses of revenue nature resulted in overstatement of fixed asset and profit by ₹ 3.42 crore.

Maharashtra State Electricity Transmission Company Limited (2008-09)

- Non provision for arrears of gratuity payable to employees/retired employees resulted in understatement of provisions and overstatement of profit by ₹ 6.85 crore.

- Short provision of ₹ 1.04 crore towards rent payable to MSEB Holding Company Limited resulted in overstatement of profit and understatement of current liabilities by ₹ 1.04 crore.

Maharashtra Agro Industries Development Corporation Limited (2008-09)

- Non provision of ₹ 3.86 crore towards diminution in the value of investment in Alliance Agro India Limited in accordance with AS-13 resulted in overstatement of profit to the same extent.

Maharashtra Film, Stage and Cultural Development Corporation Limited (2007-08)

- Short provision of interest payable to Mumbai Metropolitan Region Development Authority by ₹ 1.50 crore resulted in overstatement of profit to the same extent.

- Non provision of ₹ 1.70 crore towards doubtful debts resulted in overstatement of debtors and profit to the same extent.

Mahatma Phule Backward Class Development Corporation Limited (2000-01)

- Non provision of ₹ 2.97 crore towards fees/penalty payable to the Registrar of Companies for increase in the authorized share capital resulted in overstatement of profit and understatement of current liabilities by ₹ 2.97 crore.

Maharashtra State Mining Corporation Limited (2008-09)

- Interest received/receivable on Fixed Deposits made out of capital Grant-in-aid received from Government of Maharashtra was accounted for as its income which resulted in overstatement of profit by ₹ 1.79 crore.

Forest Development Corporation of Maharashtra Limited (2008-09)

- Profit was overstated by ₹ 5.63 crore due to non provision of long pending claims correspondingly resulting in overstatement of current asset to the same extent.

1.34 Similarly, four working Statutory corporations forwarded their four accounts to the Accountant General during the year 2009-10. Of these, two accounts of two Statutory Corporations were audited by CAG. The remaining two accounts were selected for supplementary audit. The audit reports of statutory auditors and the sole/supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given below.

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	6.08	3	22.35	4	264.54
2.	Increase in loss	1	171.35	1	217.35	--[≈]	--[≈]
3.	Non-disclosure of material facts	2	88.70	3	1,141.89	3	158.48
4.	Errors of classification	--[≈]	0.08	--[≈]	--[≈]	1	0.13
	Total		**266.21**		**1,381.59**		**423.15**

As seen from the above table, the net impact per account on the working results of PSUs as a result of the audit observations has increased from ₹ 59.93 crore (2008-09) to ₹ 66.14 crore (2009-10).

1.35 During the year, out of four accounts of four Statutory corporations, three accounts of three corporations received qualified certificates and balance

[≈] This indicates 'Nil' accounts and money value.

one[π] account received adverse certificate. The compliance of one statutory corporation with the Accounting Standards remained poor as there were nine instances of non-compliance in one year.

1.36 Some of the important comments in respect of accounts of Statutory corporations are stated below.

Maharashtra State Road Transport Corporation (2008-09)

- Non provision of doubtful recovery of license fee recoverable from licencees of Commercial Establishments which were outstanding from the year 1980-81 resulted in overstatement of Sundry Debtors and profit by ₹ 2.37 crore.

- Profit was overstated by ₹ 1.06 crore due to inclusion of receivables from Government of Maharashtra towards expenditure of ₹ 1.06 crore incurred by the Corporation on providing buses for Agro Advantage 1998. The receivable had not acknowledged by the Government.

Maharashtra Industrial Development Corporation (2008-09)

- Profit was overstated by ₹ 1.27 crore due to inclusion of Service and Fire Charges levied on Khatau Makanji Spinning and Weaving Company Limited which was notified for closure from 26 February 2007 by Board for Industrial and Financial Reconstruction.

Maharashtra State Warehousing Corporation (2008-09)

- Profit was overstated by ₹ 0.98 crore due to non provision for debts receivable from Food Corporation of India, Rastriya Chemicals and Fertilisers Limited and Indian Farmers Fertiliser Co-operative Limited, which were outstanding from the year 1977-78.

1.37 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued to them by the CAG under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the

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[π] Maharashtra State Financial Corporation.

internal audit/internal control system in respect of 20 Companies[£] for the year 2008-09 and 28 Companies[µ] for the year 2009-10 are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as *per* Annexure-2
1.	Non-fixation of minimum/ maximum limits of store and spares	11	A : 3,5,6,11,16,39,43, 48,49,50 and 54
2.	Absence of internal audit system commensurate with the nature and size of business of the Company	23	A : 3,4,5,6,7,8,9,11,12, 16,21,22,29,30,41,43, 48,49,50,54,55,57 and 58
3.	Non maintenance of cost record	4	A : 5,6,16 and 54
4.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	15	A : 6,7,9,16,18,29,30, 37,39,41,48,49,52, 54 and 55
5.	Non-formation of Audit committee	6	A : 11,18,21,41,54 and,55
6.	Delegation of powers and duties and responsibilities not adequately defined	9	A : 3,7,11,21,22,23,39, 47 and 57
7.	System of accounts and financial control	14	A : 5,6,8,9,11,16,18,21, 22,23,30,49,54 and 55
8.	System of monitoring timely recovery of outstanding dues.	15	A :5,7,9,10,11,18,21, 22,29,30,39,43,54,56 and 57
9.	Existence of investment policy	21	A : 3,4,5,6,7,9,10,11, 16,20,21,22,,30,37,47, 48,49,50,55,56 and 57

Recoveries at the instance of audit

1.38 During the course of propriety audit in 2009-10, recoveries of ₹ 32.71 crore were pointed out to the Management of various PSUs, of which, recoveries of ₹ 11.61 crore were admitted by PSUs. An amount of ₹ 4.67 crore was recovered during the year 2009-10.

£ Sl. No. 1,3,4,5,6,9,10,11,16,23,28,30,41,48,49,50,52,54,55 and 58 in **Annexure-2.**

µ Sl. No. 3,4,5,6,7,8,9,11,12,16,18,20,21,22,23,29,30,37,39,41,43,47,48,49,50,52,56 and 57 in **Annexure-2.**

Status of placement of Separate Audit Reports

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

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	Reasons for delay in placement in Legislature
1.	Maharashtra Industrial Development Corporation	2007-08	2008-09	27 July 2010	Awaited
2.	Maharashtra State Warehousing Corporation	2007-08	2008-09	29 January 2010	Delay in placement of SAR is at Government level.
3.	Maharashtra State Financial Corporation	2007-08	2008-09	12 February 2010	Delay in placement of SAR is at Government level.

Delay in placement of SARs weakens the legislative control over Statutory Corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the legislature.

Reforms in Power Sector

1.40 The State has formed Maharashtra Electricity Regulatory Commission (MERC) in August 1999 under the Electricity Regulatory Commission Act, 1998• with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2009-10, MERC issued seven orders on annual revenue requirements and 91 on others.

1.41 Memorandum of Understanding (MoU) was signed in March 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in the power sector

• Replaced by Electricity Act, 2003.

with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl. No.	Milestone	Achievement as at March 2010
Generation		
1.	Government of Maharashtra will take action to improve availability of Thermal Generating plants from 80 to 85 *per cent* by 2005	Government of Maharashtra achieved the milestone during 2009-10
Transmission and Distribution		
1.	Reduction in transmission and distribution losses to 18 *per cent.*	Distribution loss was 20.60[Δ] *per cent* and Transmission loss was 4.59 *per cent.*
2.	100 *per cent* electrification of all villages	3,814 villages remained to be electrified.
3.	100 *per cent* metering of all distribution feeders	100 *per cent* metering of distribution feeders completed.
4.	100 *per cent* metering of all consumers	All Consumers are metered except 14.08 lakh Agriculture Consumers.
5.	Securitise outstanding dues of Central Public Sector Undertakings	Since done
6.	Implementation of tariff orders issued by SERC during the year.	Implemented the latest tariff orders issued by MERC in August 2009.

[Δ]As the activities of transmission and distribution of electricity are undertaken by two separate Companies, the percentage of losses there against is depicted separately.

Chapter II

2. Performance Audit relating to Government Companies

2.1 Operational performance of Maharashtra Tourism Development Corporation Limited

Executive Summary

Maharashtra Tourism Development Corporation Limited (Company) was incorporated in January 1975 as a wholly owned Government Company to promote and develop tourism in the State. The State has a rich cultural heritage and geographical diversity. The Company has six Regional offices and 23 units in various districts of the State. The Company had leased out 79 properties since inception and operated 18 resorts, three restaurants and two water sports complexes as on 31 March 2010. The Company implements various tourist infrastructure developmental projects with the help of grants from the Government of India (GoI) and Government of Maharashtra (GoM). The performance audit of the Company for the period 2005-06 to 2009-10 was conducted to assess the financial management, project management and operational performance relating to tourist activities.

Tourist Inflow

The overall atmosphere in the State is conducive for tourist development. The tourist inflow in the State ranged between 157.80 lakh and 257.38 lakh tourists during 2005-10.

Despite the Company being in existence for more than 35 years in the tourism sector, the number of foreign tourists who had availed the Company's facilities was negligible during 2005-10.

The accounts of the Company have been pending for finalisation since 2006-07. The Company failed to develop proper mechanism to collect statistics of the tourists in the State as envisaged in the Tourism Policy of 2006 of GoM. The Company did not prepare any Corporate Plan or Action Plan to meet the requirements of Tourism Policy 2006.

Receipt and utilisation of grants

The Company executed various infrastructural projects for tourists with the help of grants from GoI and GoM. The utilisation of funds (2005-06 to 2009-10) from grant receipts of ₹ 617.73 crore was very low. Grants to the extent of ₹ 358.66 crore from GoI and GoM remained unutilised as of March 2010. There was lack of monitoring of the progress of the projects and delays were noticed in completion of projects.

Operational performance

Despite having spent ₹ 23.49 crore on its own resorts during 2005-06 to 2009-10, the Company failed to attract adequate number of tourists to its resorts. The number of foreign tourist who availed the facilities continued to be negligible. Though the number of domestic tourists arriving in the State had increased from 143.30 lakh in 2005-06 to 237.39 lakh in 2009-10, the number of tourists availing facilities of the Company declined from 2.30 lakh in 2007-08 to 2.07 lakh in 2009-10.

The Company had leased out land and resorts to private operators but failed to take effective and timely recovery action against the defaulting lessees. The lease rental could not be recovered in 62 cases out of 79 cases and ₹ 20.32 crore outstanding dues accumulated as of March 2010.

The occupancy norms including benchmark occupancy standards were not fixed by the Company. The average occupancy in the resorts of the Company was 37 to 51 per cent against the All India

Average occupancy of 59.66 per cent during the review period. **Monitoring and internal control** *There was no effective internal control mechanism in the Company. The minimum number of Board meetings were not held by the Company. There was lack of monitoring by the top management. The Internal Audit was not commensurate with requirement.*	**Conclusions and Recommendations** *To assist the Company in rectifying the deficiencies noticed, audit has made eight recommendations. These include introduction of effective project monitoring systems, monitoring of utilisation of grants received from the GoI and GoM, improvement in financial management by timely reporting with greater accountability, evolving a systematic policy for leasing of assets and conducting of impact analysis of its operations.*

Introduction

2.1.1 The Maharashtra Tourism Development Corporation Limited (Company) was incorporated in January 1975 as a wholly owned Government Company to promote and develop domestic as well as international tourism in the State of Maharashtra. All promotional and commercial activities related to tourism, formerly carried out by the Tourism Department of the Government of Maharashtra (GoM) were transferred to the Company.

The Company is under the administrative control of the Tourism and Cultural Department of the GoM. The Management of the Company is vested with the Board of Directors (BoD) comprising the Chairman, Vice-Chairman, Managing Director and Principal Secretary (Tourism) as additional director. The day-to-day operations were carried out by the Managing Director with the assistance of the Joint Managing Director, General Manager, Deputy General Manager, Chief Accounts Officer, Executive Engineer and Regional Managers at Regional level and Senior Managers at unit level.

The Company had six[∝] Regional offices and 23[∇] units comprising of 18 resorts, three restaurants and two water sports complexes in various districts of the State as of March 2010. The Company since inception leased out 79 properties comprising of 51 resorts, six open lands, 12 restaurants and nine other properties to private operators and one to India Tourism (under Ministry of Tourism, GoI). Out of the 79 properties, 10 resorts, one catamaran and three open land plots were leased out during the review period (2005-10).

[∝] Aurangabad, Mumbai, Nagpur, Nashik, Pune and Ratnagiri

[∇] **Resorts**-Ajanta Shopping Plaza-T Point, Bhandardara, Bordi, Chikhaldara, Elephanta, Fardapur, Ganpatipule, Harihareshwar, Karla, Lonar, Mahabaleshwar, Malshej Ghat, Matheran, Shirdi, Tadoba, Tarkarli (including Tarkarli Boat House), Titwala, Velneshwar. **Restaurants**-Ajanta, Ellora, Karla. **Water sports complexes**-Katraj, Karla.

Scope of Audit

2.1.2 The present review conducted between February and May 2010 covers operational performance of the Company mainly relating to tourism development, project management, financial management and monitoring by the top management of the Company during 2005-06 to 2009-10. The audit examination involved scrutiny of records maintained at the Head office, three[©] out of six Regional offices and 10 units[α] out of 23 units of the Company, selected for test check on the basis of occupancy and income.

The working of the Company was last reviewed and included in the Report of the Comptroller and Auditor General of India for the year 1998-99 (Commercial), GoM. The Report was discussed by the Committee on Public Undertakings (COPU) in July 2001 and recommendations were included in its fifth Report (2001-02). The important recommendations were as under:

- The State Government should give specific amount every year from the budget for development of the infrastructural facilities to bring them to international level.
- The civil works should be evaluated and completed within the prescribed time-limit.
- The Company should effectively implement various tourism schemes of the Central Government keeping in view the commercial attitude.
- The Company should take proper measures while leasing out properties to avoid irregularities.

Action Taken Notes on the recommendations of COPU from the State Government and the Company were discussed by COPU in September 2005. The implementation of COPU recommendations have been included in the present review wherever necessary.

Audit objectives

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

- the Company had prepared a strategic plan for implementation of the State Tourism Policy, 2006;
- the funds received from the Government of India (GoI)/GoM were utilised economically, effectively and efficiently for the purpose for which they were granted;
- the resorts/hotels were able to achieve the targets of occupancy;

[©] Aurangabad, Nashik and Pune.

[α] **Resorts**-Ajanta T-Point, Chikhaldara, Elephanta, Fardapur, Karla, Lonar, Shirdi, Titwala, **Water sports complexes**-Katraj and Karla.

- adequate infrastructural facilities, amenities and manpower were available in the units;
- there was a well-defined marketing policy to tap prospective tourists; and
- the internal control mechanism was effective.

Audit criteria

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

- Tourism policy of GoM;
- Instructions of GoI, GoM and other relevant rules and regulations;
- Guidelines issued by the Ministry of Tourism of GoI/GoM for sponsored schemes;
- All India Average figures of hotel occupancy and fixation/existence of occupancy norms in the Company; and
- Monitoring of targets and achievements by the top management.

Audit methodology

2.1.5 Audit used a mix of the following methodologies:

- examination of agenda papers and minutes of meetings of the BoD and other records/documents maintained by the head office/units;
- examination of budgets, targets fixed and monthly achievement reports submitted by the units;
- analysis of the statistical data compiled by the Ministry of Tourism (GoI) regarding arrivals of tourists; and
- Inter-action with the Management.

Audit findings

2.1.6 Audit explained the audit objectives to the Company during an Entry Conference held on 15 February 2010. The audit findings were reported to the Company and the Government in June 2010 and discussed in an Exit Conference held on 6 October 2010 which was attended by the Managing Director, Joint Managing Director and Chief Accounts Officer of the Company. The Deputy Secretary, Tourism and Cultural Department of GoM also attended the Exit Conference. The views expressed by the Management have been considered while finalising the review. The audit findings are discussed below:

State Tourism Policy

2.1.7 The overall atmosphere in the State is conducive for tourism development. Domestic and foreign tourist visiting the State more than doubled during the last decade which indicate growing tourism in the State .

In order to have planned efforts for tourism development, GoM approved Tourism Policy 2006 (TP) which became operative from 1st November 2006 for ten years or until substituted by a new policy. The scope of the TP included tourism projects in the private sector, State public sector and the co-operative sector. TP had provided for a 23 point Action plan to be implemented in the next five years with a long-term vision for 2025.

The main features of the Policy were as under:

- Development of infrastructure at tourist destinations in the State by giving preference to weekend destinations. In addition, strengthening the rail linkage and air connectivity of the important tourist destinations in coordination with concerned Departments and Ministries.
- Strengthening of Bed and Breakfast scheme and Incentive scheme to boost rural tourism.
- Development of cultural tourism, agricultural and wine tourism, pilgrimage circuits and fort circuits.
- Creating awareness among people about the importance of tourism and safety/environmental awareness.
- Formation of a committee by the State Government comprising of Department of Tourism, MTDC and others to play a co-ordinating role along with organisational review of tourist activities.
- Development of a mechanism for collecting Tourism Survey Statistics in the State. The Company was to tie up with related institutions in the State and collect monthly data.
- Conducting periodic tourism survey and impact analysis of tourism projects.

2.1.8 The implementation of the Tourism Policy revealed the following deficiencies:

- The Company being the State's Public Undertaking in the tourism sector, incorporated specifically to promote and develop the tourism in the State, should have made great strides in developing tourist facilities in the State. However, we noticed that the Company had neither identified critical/nodal areas for effecting micro-level planning to augment tourism nor evolved clear milestones which were overall or destination-specific for development of tourism in the State.

- The Company had not prepared a concrete Corporate Plan or five years Action Plan keeping in view the requirements of the TP.

- The Company had no system of collecting tourist statistics as per the TP. Ministry of Tourism (MoT), GoI, with the consent of the State Government, appointed (December 2008) A C Nielsen, as consultant for collecting tourist survey statistics.[∝] It was noticed that the consultant had furnished only the data relating to the number of tourists who had arrived in the State. The Company had also not insisted for other details necessary for analysing the scope for further tourism development. Thus, no structured mechanism of collecting tourist statistics was developed in the State by the Company even after expiry of the first four years of the operationalising of TP.

The Management admitted (August 2010) its failure to collect tourist data, but stated that tourist inflow to the Company's unit was not at all poor and was at par with the best in the industry at similar places.

The reply of the Company was not based on facts as the percentage of tourists availing of the Company's infrastructural facilities was just around one *per cent* during the review period (refer **paragraph 2.1.9** *infra)* and the fact that tourist inflow was at par with the best in the industry could not be verified by audit in absence of documentary evidence.

Company's share in tourist traffic

2.1.9 The tourist inflow in the State during the last decade (2001-2009) increased by more than double. The inflow of domestic tourists which was 84.80 lakh in 2001 increased to 133.92 lakh in 2004 and was 237.39 lakh up to 2009. Similarly, the inflow of foreign tourists (FT) which was 9.15 lakh in 2001 increased to 12.18 lakh up to 2004 and to 19.99 lakh up to 2009.

[∝] The Consultant was to collect apart from tourist arrival data, the month-wise expenditure on tourism by the State government, employment in accommodating units, estimated direct employment generation, profile of visitors, their expenditure patterns, purpose of visit and occupancy rates.

The details of tourist inflow in the State and the tourists who availed accommodation facilities of the Company's resorts/hotels for the five years ending 2009-10 were as under:

(Numbers in lakh)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
No. of foreign tourists who visited India•	99.50	117.48	132.67	141.13	137.18
Tourists who visited Maharashtra					
Domestic•	143.30	168.80	192.27	205.53	237.39
Foreign•	14.50	17.12	19.33	20.57	19.99
Total	**157.80**	**185.92**	**211.60**	**226.10**	**257.38**
Percentage of foreign tourists visiting the State to total tourists	9.19	9.21	9.14	9.10	7.77
Percentage increase of total tourists based on previous year inflow	--	17.82	13.81	6.85	13.83
No. of tourists who availed accommodation in the Company's resorts/hotels*					
Domestic	1.83	2.07	2.29	2.06	2.05
Foreign	0.05	0.05	0.01	0.02	0.02
Total	**1.88**	**2.12**	**2.30**	**2.08**	**2.07**
Percentage of tourists (both domestic and foreign) who availed the Company's facilities	1.19	1.14	1.09	0.92	0.80

(Source: India Tourism Statistics, Government of India for calendar years 2006 and 2009)
**Data furnished by the Company*

The following observation are made:

The number of foreign tourists availing the Company's infrastructural facilities was negligible.

- Though the tourists visiting the State indicated an increasing trend during the period 2005-06 to 2009-10, the arrival of foreign tourists to the State was less than 10 *per cent* of the total number of tourists visiting the State and the number of foreign tourists who availed the Company's facilities was negligible during the period. The number of foreign tourists who availed the Company facilities was 4,678 in 2005-06 which dropped to 2,008 in 2009-10. This indicated the inability to attract international tourists and therefore did not fulfil the objective of the TP to attract this category of tourists.

No regional delineation of tourist inflow and segregation of tourist arrivals data was maintained by the Company.

- The percentage increase compared to previous year tourist inflow which was 17.82 *per cent* in 2006-07 came down to 6.85 *per cent* in 2008-09 and again increased to 13.83 *per cent* in 2009-10.
- In order to ascertain the regional delineation of the growth in tourist traffic to the State, the percentage break-up of inflow to Mumbai Metropolitan Region and the rest of the State was necessary. However, the Company did not maintain such details.

• Tourist data for the years are from January to December.

- We noticed that lack of aggressive marketing, providing of basic essential amenities in the hotels such as full back up of power, internet facilities, good furnishing of the rooms *etc*., and failure to undertake periodic up-gradation and renovation of the resorts to compete with the private operators in the State were the main reasons for poor performance.

- The Company failed to conduct impact analysis/tourism survey as required by the TP, 2006 to ascertain the impact of its tourist development activities on the tourism industry in the State.

- The Company had incurred ₹ 23.49 crore on development of own resorts during the period under review. Despite this, in five resorts, no significant increase in the tourist arrival to the Company's resorts was noticed as detailed below:

(Number of tourists)

Name of the resort	2005-06	2006-07	2007-08	2008-09	2009-10
Elephanta	636	581	632	663	196
Karla	22,966	32,574	36,961	30,293	29,351
Titwala	1,185	1,530	1,542	1,426	1,405
Matheran	11,613	13,009	14,711	3,067	824
Harihareshwar	8,821	8,465	8,840	7,860	7,704

(Source: Information furnished by the Company)

The Management stated (August 2010) that the Company had implemented various tourism development projects with the help of Government grants in the State. It was further stated that it had a proper mechanism for redressing of customer feedback and complaints.

We noticed that the Company despite incurring huge expenditure on development failed to attract adequate number of tourists to its resorts. The reply regarding having proper mechanism for redressing the customers' grievances and complaints was also not based on facts as there was no Management Information System format prescribed for giving a feedback summary to the Headquarters of the Company from its resorts. There was no mechanism for taking remedial measures on the consumer complaints though consumer satisfaction plays an important role in the service industry. Therefore, action needs to be taken to build tourist confidence and interest. The consumer dissatisfaction and deficiencies in feedback mechanism are discussed in **paragraph 2.1.11** *infra*.

Operational performance

2.1.10 In the beginning of the review period (2005-06), the Company was operating 34 units comprising 28 resorts, three restaurants, two water sports complexes and one catamaran. During the review period, the Company had leased out 10 resorts and one catamaran and the Company was operating 23 units comprising of 18 resorts, three restaurants and two water sports complexes only as on 31 March 2010. The operational performance of these units have been discussed in the succeeding paragraphs.

Performance of Resorts

2.1.11 The performance details indicating number of units operated, occupancy percentage achieved by these units during the period 2005-06 to 2009-10 is given in the following table.

Year	2005-06	2006-07	2007-08	2008-09	2009-10
No. of resorts operated	28	22	20	20	18
No of room days	2,52,741	2,37,786	2,13,278	2,12,622	2,09,833
Overall occupancy (In percentage)	37	43	50	51	50
No. of resorts having occupancy below 20 *per cent*	10	4	2	1	2
No. of resorts having occupancy ranging from 20 to 55 *per cent*	16	16	13	15	11
No. of resorts having occupancy over 55 *per cent*	2	2	5	4	5

(Source: Information compiled from the records of the Company)

Audit analysis of the performance of resorts revealed the following:

- The number of room days declined from 2,52,741 in 2005-06 to 2,09,833 in 2009-10 mainly due to leasing of ten resorts to private operators. We noticed that in Matheran resort there was a decrease in availability of room days ranging between 18 and 89 *per cent* during 2007-08 to 2009-10 due to delay in completion of repair of rooms. The resort at Elephanta had to be closed down from August 2009 in the absence of timely repair and renovation works.

- The Company had neither fixed any break-even point nor target for occupancy in its resorts though it was a vital parameter to judge its profitability and performance. The absence of targets for occupancy, break-even occupancy as well as long-term planning to improve the occupancy indicates the lackadaisical approach of Management in improving the business and its monitoring.

- Reasonably good and economically attractive and efficient tourist friendly services are the basic requirements of the hospitality industry. Hence, resorts/hotels need to maintain complaints/feedback mechanism to ensure prompt redressal of client complaints and improvement in services. A test check of customer feedback as made available to audit and prevailing in the Company revealed that there was dissatisfaction about maintenance of rooms, services rendered, availability of basic amenities and quality of food served in the resorts.

- The Company website had a provision to register the online complaints. However, it was noticed that the customer feedback provision on the website had not been activated thereby defeating the purpose for which it was created.

- The system of receiving complaints and taking corrective action was not monitored by the Head office either through periodic Review meetings or through linking receipt of customer feedback on every room occupied at the time of checkout. More systematic approach for redressal of customers' complaints was required to improve the occupancy in the Company resorts.

The Company had not fixed the occupancy norms and the occupancy was lower than the All India average.

- As against the All India Average (AIA) occupancy norms of 59.66 *per cent* during the review period in the hotel industry, the overall percentage of occupancy achieved by the Company, however, ranged between 37 and 51 *per cent.* The occupancy achieved during 2005-06 to 2009-10 was below 20 *per cent* in one to 10 resorts, 20 to 55 *per cent* in 11 to 16 resorts and occupancy achieved was more than 55 *per cent* in only two to five resorts.

- The occupancy percentage was low and ranged between 38 and 47, 29 and 39 and 11 and 39 at Mahabaleshwar, Chikhaldara and Tadoba resorts respectively which were located at prime tourist places. Lack of infrastructure facilities /amenities was the main reason for low occupancy. The reasons for the same were not analysed periodically by the top Management for taking timely remedial measures to improve the occupancy.

- Occupancy in Titwala and Lonar resorts during the five years ending 31 March 2010 ranged between 38 and 56 *per cent* and 20 and 24 *per cent* respectively.

The Management stated (August 2010) that there was increase in occupancy percentage as the number of resorts having occupancy below 20 *per cent* decreased from 10 in 2005-06 to two in 2009-10 and the overall occupancy in the Company's resorts was at par with any other similarly placed budget hotels. However, the reply does not address the issue as to why the Company's occupancy percentage was less than the AIA occupancy levels and the continued operation of its loss-making resorts.

The comparative table of occupancy percentages achieved by the Company, for 2005-06 to 2009-10 is given below:

(In percentage)

Year	All India Average occupancy	Maharashtra (Company)
2005-06	67.70	37
2006-07	60.40	43
2007-08	59.60	50
2008-09	55.30	51
2009-10	55.30*	50

(Source: Information compiled from the data furnished by the Company)

*As AIA occupancy for 2009-10 of MoT, GoI was not available so far, the previous years occupancy percentage has been considered for comparison.

Though the occupancy percentage of the Company registered an increasing trend over the review period, there was still scope for improvement of its performance to attain AIA occupancy levels.

Fixation of tariff

2.1.12 The Company had not evolved a policy for fixation/revision of resort and hotel tariff. The Company applied different tariff rates for different periods of the year categorised as 'seasonal' and 'non seasonal'. The tariff was revised based on proposals received from its resorts managers, which in turn were based on local survey, salaries and operational overheads.

It was noticed in audit that:

- The tariff fixation was done without any impact study in view of the low occupancy rate and a comparison with private operator service/food tariff rates. We observed that higher tariffs of the Company were a considerable disincentive to customers.
- No systematic variance analysis of unit-wise tariff fixation was attempted. The feedback on tariff from local unit managers did not indicate whether comparison with private operator tariffs in the area was done.
- The Chief Accounts Officer of the Company with the approval of the Managing Director recommended (2004-05) to appoint a Committee of professionals to rationalise the tariff. However, no action had been taken by the Company on the recommendation so far (December 2010).
- The menu rates were fixed for restaurants/resorts based on availability of raw materials and local market conditions on *ad-hoc* basis (December 2010). The Company was following norms fixed in 1987 which had not been revised till date (December 2010).

Leasing of assets

Land measuring 75.19 lakh square metres was lying unused.

2.1.13 The Company possessed unused land of 75.19 lakh square metres details of which are indicated in **Annexure-7**; out of which 11 *per cent* land (8.19 lakh square metres) was encroached by the local people and 86 *per cent* land (64.80 lakh square metres) was under Coastal Regulation Zone (CRZ) The balance three *per cent* (2.20 lakh square metre) was lying idle with the Company. The Company should have taken effective measures for development of the land by taking steps to remove the encroachments on land and obtaining the statutory permission of Union and State government authorities for development of CRZ land by exploring environmentally sustainable eco-tourism projects.

The Company was leasing out from time to time its resorts to private operators. In addition, the Company was also entrusted (1990) by the State Government with the task of leasing out land transferred to it for development of Holiday Resorts. The Company had not formulated a systematic leasing policy for leasing out its units and decision to lease out resorts was taken on case to case basis. Since inception, the Company had leased out 55 properties for short-term period (five to 10 years) and 24 properties for long-term period (30 years and above) as detailed below:

Particulars	Resorts	Open land	Restaurants	Shops and others	Total
Short-term lease	30	3	12	10	55
Long-term lease	21	3	-	-	24
Total	**51**	**6**	**12**	**10**	**79**

During the period 2005-06 to 2009-10, the Company had leased out 10 resorts and land plots measuring 20,69,060 square metres, of which lease agreements in respect of lease of 7,20,000 square metres had not been executed till date (December 2010). Out of 10 resorts privatised, six resorts were incurring losses and four resorts were earning profits at the time of leasing out. The reasons/justifications for leasing out the profitable resorts were not on record. In the absence of definitive and structured policy for leasing, the Company had not worked out the viability analysis for running the resorts.

COPU, while discussing the earlier review of the Company (Audit Report 1998-99), instructed the GoM/Company to avoid irregularities and protect the financial interest of the Company in leasing out its properties. However, no remedial measures were taken by the Company and irregularities still persisted which are discussed below:

- Though the leasing of assets was being done by inviting tenders, the Company had not fixed upset price systematically and percentage increases in lease rentals were not predetermined while renewing the lease period.
- Although, there was a clause to monitor the performance of leased assets in the lease agreements, the Company did not monitor their performance.
- The Company had not worked out the amount payable to the Government on the Government land leased out to private operators. The Company also did not ensure the development of land as envisaged in lease agreements. As a result, the leased out land to private operators remained undeveloped.

The lease rental amounting to ₹ 20.32 crore could not be recovered in 62 cases.

Failure of the Company in taking immediate action for recovery of outstanding dues of lease rentals resulted in accumulation of dues. The outstanding dues of lease rentals (including interest for delayed payment) as of March 2010 against short-term leases was ₹ 1.01 crore in 42 cases and ₹ 19.31 crore in respect of long-term leases in 20 cases.

As per the directives of the GoM and clause in the lease agreements entered into for long-term leases, lease rental stipulated at a percentage of turnover of the business carried out or a minimum guarantee amount prescribed whichever is higher was payable by the lessee from the fourth year onwards of the lease period. However, the Company did not ensure the receipt of certified Financial Accounts from the lessees in 19 long-term leases for assessing the lease rentals payable based on turnover. It continued to collect only the minimum guarantee amount.

- On examination of 32 out of 79 lease cases, deficiencies in leasing of the properties such as non-execution of lease agreements, defective agreements, non-payment of lease rent and other statutory dues, non-development of land leased out, *etc* were noticed in five cases as detailed in **Annexure-8**.

Implementation of GoM schemes

2.1.14 The Company implemented (1997 and 1999) two schemes *viz.* Bed and Breakfast (B&B) scheme and Incentive scheme on behalf of GoM. The performance under these two schemes by the Company was as under:

Bed and Breakfast Scheme

2.1.15 The B&B scheme was intended to create facilities for travellers at remote destinations where hotel accommodation is not available and to provide income to the local people and generate employment through tourism development. Under this scheme, houses with two to 10 beds were required to be registered with the Company by paying processing fee. During the period 2005-06 to 2009-10 the Company had received 476 applications for registration out of which 426 applications were registered after collection of the processing fee of ₹ 26.89 lakh. Audit observed that no system was evolved for monitoring the progress of the scheme. No mechanism for analysing the customer feedback on the registered operators of the B&B scheme was in existence.

Incentive scheme

2.1.16 As per the TP 2006, under incentive scheme, new eligible units were exempted from payment of luxury tax, entertainment tax and stamp duty. In addition, electricity charges of the unit would be calculated as per industrial tariff rate which was lower than the commercial rate and 75 *per cent* exemption from registration charges and 50 *per cent* concession from payment of permit charges for sight seeing buses were also given.

The Company was appointed as the nodal agency by the Government for issuing Eligibility Certificate (EC) to eligible units in the State to boost tourism industry. Under the Scheme, the Company had issued 97 ECs and received processing fees and service charges of ₹ 29 lakh. A test check of fifteen cases revealed that the Company had issued ECs to three units which had not fulfilled the required criteria as indicated below:

- As per the eligibility criteria stipulated in the TP, hotel projects, *inter alia*, should have facilities in the 1 to 5 star categories. The unit should also obtain category certificate from the concerned authority. However, the

Company issued (November 2009) EC to Akruti Hospitality Private Limited, Pune for availing the concession of ₹ 8.44 crore without ensuring the availability of star category certificate for the unit.

- As per the eligibility criteria, the unit should be in possession of required land with clear title. However, Provisional EC was issued (September 2007) to Kings Constructions for availing concession amounting to ₹ 4.25 crore without clear title to the land which was under dispute.

- According to TP 2006, for setting up of a children's amusement park possession of minimum 20,000 square metre land was the eligibility criteria. However, the Company issued provisional EC (April 2008) to Konkan Ratna Holiday Resorts, Satara though the agency had not fulfilled the eligibility criteria and possessed only 18,000 square metre of land with an assurance to procure additional land in future. However, the agency did not procure additional land. Despite this, the concession of ₹ 10.78 crore was afforded to the agency.

Issue of eligibility certificate to three ineligible units resulted in revenue loss of ₹ 23.47 crore.

Thus, the Company issued ECs without fulfilment of the required criteria by the above units causing revenue loss to GoM amounting to ₹ 23.47 crore.

Marketing strategy

2.1.17 Advertisement and publicity is necessary for business promotion and competition. The press and electronic media provide an easy mode of publicity for attracting tourists from abroad and different parts of the country. In order to target various segments of customers it was necessary that resorts provide facilities expected by the tourists of all the categories. Resorts/Hotels were required to be classified/graded so that prospective tourists can select the resorts of their choice. We noticed the following deficiencies:

- The Company did not have a well-defined marketing strategy of its own to tap prospective tourists to its resorts/hotels.

- The Company had not taken adequate and aggressive steps to promote its resorts and other facilities to attract tourists though it was required to gear up in the face of stiff competition from the private operators.

- The Company did not have a policy of grading its resorts/hotels on the basis of customer feedback/assessment. This had the potential of discouraging tourists to opt for the Company's resorts.

- The Company had entered into agreements with travelling agents/tour operators to attract more tourists to its resorts without fixing any target for minimum business expected from them. In the absence of the enabling clause of minimum business in the agreement, the Company could not get any benefit from the tour operators.

- The Company's facility of online booking through a networking of the Reservation Centre at Head Office with unit level Resorts/Hotels was not available.

Receipt and utilisation of grants

Publicity revenue grants

2.1.18 In order to accelerate tourism development/growth in the State, GoM had disbursed publicity grants amounting to ₹ 40.11 crore as revenue grants to the Company during the period 2005-06 to 2009-10. GoM while sanctioning the grants specifically stated that the Company should furnish its plan for spending the amounts to the Government for approval and the amount spent should not exceed the amount sanctioned. Amount spent in excess of the sanction was not reimbursable by the Government.

The Company carried out publicity through advertisements in print and visual media, exhibitions, fairs and festivals *etc.*, to showcase Maharashtra and to attract more tourists to the State. The utilisation of grant received by the Company towards advertisement during the period 2005-06 to 2009-10 was as follows:

(₹ in crore)

Year	Receipt	Expenditure	Balance
2005-06	3.24	3.24	---
2006-07	15.00	5.29	9.71
2007-08	15.00	18.61	(3.61)
2008-09	5.00	2.46	2.54
2009-10	1.87	3.18	(1.31)
Total	**40.11**	**32.78**	**7.33**

(Source: Information furnished by the Company)

The deficiencies noticed in utilisation of grants by the Company were as under:

- The Company without evolving any advertisement policy and formulating a meaningful media plan after taking into account the circulation of newspapers and magazines, released advertisements on *ad-hoc* basis. This ad-hocism in the placement of advertisements did not have any positive impact on tourist arrivals to the Company's resorts which declined during the period.

- The Company had not fixed criterion for empanelment of advertising agencies. Agencies were short-listed on inviting the leading advertising agencies to present their concept and media plan. However, the Company did not call for the rates from the agencies to ascertain the reasonability and competitiveness of rates at the time of short-listing. Thus, there was lack of transparency in the process. No agency was empanelled from 2008-09 onwards.

Unfruitful expenditure on publicity campaign

2.1.19 In order to promote tourism in the State, the Company entered into a Memorandum of Undertaking (MoU) in July 2009 with Kuoni Travels India Private Limited (SOTC). As per the MoU, Joint Promotion campaign was to be implemented with equal share of estimated expenditure of ₹ two crore through a media plan.

We noticed that:

- The brochure or advertisement published by SOTC did not mention that it was a joint campaign with the Company and only fixed the logo of the Company on the advertisement and printed brochure;
- The contents of the advertisements were for promotion of package tours conducted by SOTC in Maharashtra;
- The proposal of each sharing the expenditure of ₹ two crore equally was approved by the Managing Director without the approval of BoD;
- The expenditure of ₹ one crore incurred by the Company was without accrual of any benefits to the Company. There was no tie-up as regards the utilisation of the Company's resorts in tours conducted by the SOTC. Thereby, the Company failed to protect its financial and business interest.

The joint publicity with SOTC did not earn any benefit to the Company in terms of promoting its own resorts.

Thus, the tours conducted by SOTC for private resorts/destinations and sharing of expenditure by the Company for such advertisement was an undue benefit to SOTC.

The Management stated (August 2010) that the MoU for publicity campaign with SOTC was a business decision which was well within the powers of Managing Director of the Company and was also approved by the BoDs in its subsequent meeting.

The Management's contention is not justified as it did not explain how a decision which did not protect the financial and business interest of the Company and gave an undue benefit to SOTC could be labelled as a business decision.

Capital grants

2.1.20 The Company received capital grants of ₹ 74.86 crore for 41 projects from GoI (through Ministry of Tourism) and ₹ 542.87 crore for 37 projects from GoM totalling to ₹ 617.73 crore during 2005-06 to 2009-10 for implementing various tourism projects.

The year-wise receipt and utilisation of capital grants during 2005-06 to 2009-10 was as under:

(₹ in crore)

Sl. No.	Year	Opening balance	Receipts		Total grant available	Utilisation of grants	Closing balance	Percentage utilisation to grants available
			GoI	GoM				
1	2005-06	40.15	18.63	73.53	132.31	22.82	109.49	17.25
2	2006-07	109.49	22.48	179.03	311.00	23.73	287.27	7.63
3	2007-08	287.27	9.85	92.10	389.22	80.47	308.75	20.67
4	2008-09	308.75	23.90	130.71	463.36	138.16	325.20	29.82
5	2009-10	325.20	0	67.50	392.70	34.04	358.66	8.67
	Total		**74.86**	**542.87**		**299.22**		
			617.73					

(Source: Information furnished by the Company)

It could be seen from above details that as on 31 March 2010, the grants of ₹ 358.66 crore remained unutilised. The scrutiny of records of grants received from GoI and GoM and the utilisation for projects revealed the following deficiencies:

- COPU in its fifth Report (2001-02) recommended that the Company should implement the tourism schemes keeping in view the commercial attitude and utilise entire grant for development of the infrastructure facilities to bring them to international level. However, we noticed that the grants received were not fully utilised and were parked in Fixed Deposit/Current accounts as discussed in **paragraph 2.1.31** *infra.*

- The utilisation of grants was very low and ranged between 7.63 and 29.82 *per cent* of the available grants during 2005-06 to 2009-10. The low utilisation of grants was mainly due to non-availability of land, requirement of approval from various authorities, non-preparation of feasibility reports and plans before submission of proposals which were indicative of faulty planning. Some of the interesting cases are discussed in **paragraphs 2.1.22** to **2.1.28** *infra.*

- The Company had not maintained records to monitor the utilisation of grants for the stated purpose which indicated lack of monitoring of the projects.

- As per conditions of sanction of grant, the Company had to surrender grants if the same was not utilised within the period of six months from the date of receipt. It was, however, noticed that the unutilised grants exceeding six months at the end of March 2010 amounting to ₹ 291.16 crore had not been surrendered to GoI and GoM till date (December 2010).

- The Company had utilised without the permission of GoI an amount of ₹ 3.57 crore for execution of works not included in the sanction orders of five projects.

- The grants which were not meant for immediate use were invested in short-term fixed deposits which earned interest of ₹ 103.57 crore during 2006-07 to 2009-10. As per GoI directives (December 2006) the Company had to utilise the interest earned on the unspent grants on the project itself or surrender the same to the GoI. The Company neither utilised the interest earned for capital works of the project nor surrendered the same to GoI/GoM.

The Management stated (August 2010) that the low utilisation of grant was not due to faulty planning but due to nature of the projects and difficulty in getting clearance, particularly from concerned Forest and environmental authorities. The Company had approached GoI for time extension in January 2010 and obtained the same in April 2010 for the projects.

The reply was not convincing as the Company after a delay of 11 to 28 months forwarded a consolidated proposal for extension of time to GoI instead of seeking extension of time immediately as per terms of sanction. Further, the fact remains that the work on projects was launched without due regard to statutory clearances and permissions.

Deficiencies in execution of projects

2.1.21 The Company implemented the tourism projects from the capital grants received from the GoI and GoM. The GoI grants were received through GoM. Audit test checked 20 projects out of 49 projects (GoI-19 and GoM-30) undertaken by the Company. The details of grants received, utilised and balance thereof were as under:

Particulars	GoI		GoM	
	Number of projects	Amount (₹ in crore)	Number of projects	Amount (₹ in crore)
Grant received	15	68.82	5	317.40
Grant utilised	15	26.43	5	98.91
Unutilised grant	15	42.39	5	218.49

The project-wise details of unutilised grants as on 31 March 2010 are given in **Annexure-9.**

In seven test checked cases, we noticed submission of proposals without ensuring availability of land, non-conducting feasibility study, abnormal delay in execution of projects, *etc.* as discussed in subsequent paragraphs.

2.1.22 The project relating to development of Arts and Crafts Village at Film City, Mumbai was to be undertaken in two phases. Under Phase I, land development work and under Phase II, construction of amphitheatre was proposed for providing stage for Marathi classical and folk performances.

Mis-statement of fact regarding availability of land by the Company resulted in non-utilisation of grants.

We noticed that the Company demanded (August 2007) a grant of ₹ 6.71 crore from GoI by submitting the proposal stating that the land for the project was available with the Company/GoM. Accordingly, GoI sanctioned (September 2007) grant of ₹ 3.87 crore for the project and released 80 *per cent* grant of ₹ 3.09 crore for the project in September 2007.

The Company invited tenders in 2007-08 for the work though the land was not available with the Company. The tender was subsequently cancelled and the Company had neither utilised the grant for the project nor surrendered the same to GoI. The mis-statement of the fact regarding the availability of land resulted in non-execution of project despite availability of funds.

The Management stated (August 2010) that the BoDs of Film City approved grant of land in July 2006. However, subsequently it was noticed that the rights of land were not with the Film City.

The fact remains that the proposal for the project was submitted without ensuring the availability of land.

2.1.23 The scope of Destination Development of Karla included construction of water slides, landing pools and development of children's play area at Karla resort and construction of public toilets and parking space at foot of Karla caves. Against the estimated cost of the work of ₹ 4.85 crore, total grant received (December 2005 and March 2007) by the Company was ₹ 4.42 crore (GoI- ₹ 3.88 crore and GoM-₹ 0.54 crore). The Company utilised ₹ 2.09 crore (GoI-₹ 1.82 crore and GoM-₹ 0.27 crore) and the grant of ₹ 2.33 crore remained unutilised (December 2010).

We noticed that though the civil work was not completed, the Company purchased (September 2009) water park equipments for ₹ 95.60 lakh from Maharashtra Small Scale Industries Development Corporation Limited (MSSIDC). The procured equipment was lying idle in the open area of the Karla resort since September 2009. The warranty period of equipment supplied (12 months from the date supply) also expired by September 2010. The procurement of equipment in advance on single tender basis when civil work had not been completed resulted in idling of equipment and blockage of funds of ₹ 95.60 lakh for a period of 15 months with a consequential loss of interest[$] of ₹ 13.15 lakh.

The Management in reply (August 2010) justified the procurement of equipment on single tender basis on the ground that MSSIDC was a State Public Sector Undertakings and warranty period would start from the date of installation.

There was no urgency in procurement of equipment before completion of civil works which led to the equipment remaining idle with a consequent loss of interest on blocked up funds.

[$] At the rate of 11 *per cent* of prevailing cash credit rate.

2.1.24 Maharashtra has vast potential for coastal eco-tourism based on coastal resources with ecological sensitivity parameters. Recreational activities such as diving, snorkelling and whale watching are associated with coastal eco-tourism. We noticed that:

- The Company received ₹ 187.50 crore for 40 works from GoM during 2006-07 to 2009-10 under Coastal Eco-tourism development project. The Company had spent only ₹ 11.15 crore on seven works (sanctioned in 2006-07) and 33 works remained to be executed despite availability of fund.

Abnormal delay in taking up work by the Company resulted in non-utilisation of grant received for eco-tourism.

- Similarly, out of grant of ₹ 18.69 crore received (December 2008) from GoI under Eco-tourism of Vidarbha region to be spent within 36 months, the Company up to March 2010 had spent only ₹ 9 lakh. The unspent grant of ₹ 18.60 crore was not utilised till date (December 2010). The Company had neither prepared a plan for utilisation of grant nor surrendered the same.

2.1.25 With a view to promote tourism in Vidarbha region of the State, the Company in collaboration with South Eastern Railway (SER) decided to run Jungle Safari train in Nagpur-Nagbhid-Tadoba area. GoM sanctioned the project and released grant of ₹ 99.22 lakh for the project.

The Company did not conduct techno-economic feasibility study of the project which resulted in wasteful expenditure of ₹ 64.81 lakh.

We noticed that the Company without conducting the techno-economic feasibility study of the project and without entering into a formal agreement/MoU with the SER by determining the operating cost and haulage charges payable started the implementation of the project. The Company paid (March-December 2006) an advance of ₹ 64.81 lakh to SER for purchase of luxury coaches for the train to be operated which proved to be wasteful expenditure. In December 2008 the Company abandoned the project stating that it was not financially viable. The Company after a period of one year from abandoning the project requested (January 2009) SER to refund the advance payment made for the purchase of luxury coaches. The request of the Company was still pending with SER and no refund was received by the Company till date (December 2010).

The Management stated (August 2010) that the sudden exorbitant increase in haulage charges by SER made the project commercially unviable.

The reply was silent on the reason for not conducting techno-economic feasibility study before taking up the project and not entering into a formal agreement with SER. Thus, the grant remained blocked up in an abandoned project.

2.1.26 The GoI sanctioned (November 2004 and April 2006) grant of ₹ 9.81 crore and released (November-December 2004 and April 2006) ₹ 7.85 crore for repairs and maintenance and restoration of various heritage structures at Mahabaleshwar under Upgradation of Mahabaleshwar Phase I and II projects. The projects were to be completed within 24 months from the date of release of funds.

We noticed that the Company had spent ₹ 5.79 crore up to March 2010 and the projects were yet to be completed (December 2010). The delay in execution of work was mainly due to non-receipt of timely permission from the Forest Department and delay in transfer of funds to the Forest Department for the works (Development of Bombay point and Arthur seat point) which were to be done by them. Failure of the Company in ensuring statutory permissions prior to execution of work and lack of follow up with the Forest Department resulted in delay in execution of work.

We further noticed that there was no system of preparing annual budget and estimates for repairs so that the activity could be planned based on budget. GoI had also pointed out the lack of proper maintenance of the heritage structures and properties by the Company.

The Management stated (August 2010) that GoI had given extension of time for completion of Phase II project and the delay in project completion was beyond the control of the Company.

The reply was not convincing as the project got delayed due to not initiating of timely action for obtaining permission from Forest Department (FD) and transfer of funds.

2.1.27 The development project of Matheran envisaged development works at Resorts level and Town level. The resort level works included repair and restoration of heritage and other buildings, anti-termite, land scaping, *etc.* At town level, the development of 15 view points and tourist reception centres was proposed. The Company received (September 2005) grant of ₹ 3.61 crore from GoI for the project and the expenditure incurred by the Company up to May 2010 was only ₹ 1.56 crore.

We noticed that the work of repair of Heritage building at an estimated cost of ₹ 91.15 lakh was awarded (December 2005) to the contractor without obtaining the administrative approval. As such, the Company had to cancel the contract. After lapse of 15 months, the work was re-tendered (April 2007) and was awarded to another contractor in November 2007 without obtaining prior permission from the Municipal Council (MC) and FD. The progress of the work was slow as time lapsed in obtaining the required permissions.

As against the actual expenditure incurred to the extent of ₹ 1.56 crore, the Company submitted utilisation certificate of ₹ 2.87 crore to GoI which was irregular and required justification.

The Company issued utilisation certificate amounting to ₹ 7.62 crore as against the actual expenditure of ₹ 5.44 crore.

The Management stated (August 2010) that the utilisation certificate was given considering the grant given to the MC and the delay in execution was due to objection taken by GoI and the nature of hill station.

The reply of the Company was not justifiable as the submission of utilisation certificate without incurring the actual expenditure was irregular.

2.1.28 In order to develop the tourism in Konkan area of the State, the project of development of Konkan Riviera-III circuit was implemented. The project envisaged the economic development of Konkan by providing basic infrastructural facilities in Sindhudurg and Ratnagiri districts. The Company received (September 2005) a grant of ₹ 4.75 crore from GoI as first instalment for the project against which it incurred an expenditure of ₹ 3.88 crore up to March 2010.

We noticed that the Company had diverted funds of ₹ 68.97 lakh to other works not included in the sanctioned project without obtaining the prior permission from GoI. The Company wrongly issued work completion certificate and utilisation of grant certificate for the full amount of grant received of ₹ 4.75 crore to GoI though the expenditure incurred was ₹ 3.88 crore only.

The Management stated (August 2010) that revised completion certificate and utilisation certificate would be submitted to GoI after completion of work.

The above explanation did not justify the wrong submission of utilisation certificate when the project had not been completed so far (December 2010).

Financial Management

Arrears in finalisation of accounts

2.1.29 The accounts of the Company were finalised up to the year 2005-06 and accounts were in arrears for a period of four years from 2006-07 to 2009-10. In the absence of timely finalisation of the accounts and their subsequent audit, it could not be verified in Audit as to whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amounts were invested had been achieved. Further, delay in finalisation of accounts is not only fraught with the risk of fraud and leakage of public money but might lead to non-fixation of accountability and responsibility.

The Management stated (May 2010) that the lack of qualified and experienced staff was the main reason for delay in finalisation of accounts. As a remedial measure to liquidate the arrears of accounts, the Company outsourced (May 2010) the work of finalisation of accounts to a Chartered Accountant firm to be completed within three months. The accounts are, however, not yet finalised for any of the four years till date (December 2010).

Financial position and working results

2.1.30 The financial position and working results of the Company for 2005-06 (audited) and for the years 2006-07 to 2009-10, based on the provisional accounts prepared for the purpose of filing Income Tax return are given in **Annexure-10.**

The profit of the Company increased from ₹ 3.04 crore in 2005-06 to ₹ 6.14 crore in 2008-09 and decreased to ₹ 4.99 crore are in 2009-10. Since the above data from 2006-07 onward was not final, the profitability of the Company could not be vouchsafed in Audit in absence of its authenticity and reliability. The profit of ₹ 3.04 crore as per the audited accounts for the year 2005-06 had to be viewed with reference to the qualification made by the Statutory Auditor on non-provision of ₹ 3.54 crore towards time-barred/ overdue debts and old outstanding advance of ₹ 0.85 crore, which is doubtful of recovery. In addition the Company had not made any provision for ₹ 4.27 crore payable to GoM in respect of certain properties.

The financial data compiled from provisional accounts revealed the following inconsistencies:

- Assets register was not maintained.
- The cumulative depreciation up to March 2008 was ₹ 11.20 crore. However, the cumulative depreciation as on March 2009 was ₹ 6 lakh only. This again increased to ₹ 10.51 crore in 2009-10.
- There was an increase of ₹ 51.77 crore in current assets, loans and advances in 2008-09, but no details were available.

The Management stated (August 2010) that there was a mistake in preparation of accounts during 2007-08 and 2008-09 by internal auditors and revised accounts would be submitted.

The reply is not convincing as it indicates the unreliability of data in the provisional accounts and the inability of the Management to set any time-frame for finalisation of accounts.

Maintaining huge balances in current account

The Company kept substantial funds in 12 current accounts which indicated improper fund management.

2.1.31 The funds required for immediate use only should be kept in current accounts. As already noted, funds not required for immediate use are required to be invested in short-term deposits, so that interest can be earned for idle periods. However, scrutiny of balances in current accounts of 12 banks of the Company during 2005-06 to 2009-10, revealed that the minimum balance in the current accounts varied from ₹ 0.94 crore to ₹ 6.21 crore. Thus, huge balances remained in current accounts without earning any interest. The Company could have earned interest[ϒ] of ₹ 0.83 crore on the minimum balances during the period 2005-06 to 2009-10 had the amounts been invested in short-term deposits. Huge balances in current accounts also indicated the lack of prudent fund management.

The Management stated (August 2010) that it had to operate 19* resorts hence the balances remaining in current accounts were not huge amounts.

The reply was not acceptable as fund management of the Company was controlled by the Head office and hence operation of 12 current accounts was not justifiable and there was also lack of periodic monitoring by the Company.

ϒAt the interest rate of short-term deposit which ranged between 4.25 and six *per cent* for 91 to 179 days.

*The Company operated 18 resorts and one Boat House at Tarkarli which was treated as separate unit.

Manpower analysis

2.1.32 As per the instructions from the GoM, the Company reviewed the staffing pattern and finalised 487 sanctioned posts covering various cadres distributed over six regions after taking stock of the quantum of work in 2002-03.

As compared to 487 sanctioned posts covering various cadres distributed over six regions, the men-in-position were 369 in 2009-10. A review of deployment of staff in its 18[@] resorts as on 31 March 2010 revealed that:

- The Company did not assess its manpower requirement on the basis of industry norms of bed and employee ratio.
- There was an acute shortage of qualified persons such as Resort Managers and Front Office Assistants at these resorts. Although performance of the Tourism sector is dependent on the quality of professional services being offered, the shortages of qualified man power were a crucial deterrent.
- The Company had been deploying staff of other job descriptions for managing specialist functions of front office, food and beverage departments and house keeping.

Monitoring and Internal control

Lack of monitoring by top Management

2.1.33 Only 11 Board Meetings were held between 2005-06 and 2009-10 as against the mandated 20 meetings. No Board Meeting was held during 2005-06.

2.1.34 The Management Information System (MIS) in the Company was inadequate and ineffective. Periodical performance reports were not prepared and submitted to the top Management for remedial action to be taken to rectify the deficiencies. The Company had not maintained basic data of tourist arrivals in the State till July 2009. The Company's reply (August 2010) that the performance of resorts and water sports was monitored by top Management every month was not tenable as there was no regular meeting with unit heads and details of MIS in place in the Company were not furnished to audit in spite of repeated requests.

Internal control

2.1.35 Internal control was a process designed to provide reasonable assurance to an organisation regarding achievement of its performance goals.

[@]**Resorts**-Ajanta Shopping Plaza-T Point, Bhandardara, Bordi, Chikhaldara, Elephanta, Fardapur, Ganpatipule, Harihareshwar, Karla, Lonar, Mahabaleshwar, Malshej Ghat, Matheran, Shirdi, Tadoba, Tarkarli (including Tarkarli Boat House), Titwala, Velneshwar.

A built-in internal control system minimises the risk of errors, irregularities and ensures optimum utilisation of resources. The following deficiencies in the internal control system were noticed in audit:

- There was no system in vogue for conducting periodical physical verification of the Company's properties and assets such as resorts, restaurants, way-side amenities, health *spas*, water sports units, *etc.*
- The Company had not evolved a structured mechanism for analysing the reasons for unit-wise variance between actual and budgets with the result that the purpose of preparation of budgets was not achieved. Further capital expenditure was not budgeted.
- There was an absence of proper system of adjusting the advances paid against supplies/interim bills for work done.
- A system of cross-checking the data generated by different departments of the Company was not in vogue and accuracy of such data remained unascertained.
- The Company had not prepared an accounts manual or functional manuals for operating hotels and resorts.
- Project-wise accounts for the grants received from the GoI and GoM were not maintained due to which the Company failed to refund unspent balances of grants.

Internal Audit

2.1.36 No Internal Audit wing was in existence in the Company despite its existence for over 35 years. The Internal Audit of the Company was being carried out through Chartered Accountant firms. However, it was seen from the reports of the Internal Auditor, that the audit coverage was inadequate. Internal Auditor was appointed separately for Regional offices and Head office. But, there was no system of consolidation of accounts and Internal Audit reports of the Company as a whole and reconciliation of Regional office accounts with that of the Head Office accounts. No action was taken for preparing and submitting the Trial Balance of Regional offices. The Company neither took remedial action on the irregularities pointed out by the Internal Auditor nor was the matter reported to the BoD for action.

Acknowledgement

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

Conclusion

- **Despite a conductive atmosphere in the State for tourist development, the Company's performance was sub-optimal.**

- **The Company had not prepared a concrete Corporate or Action Plan to meet the requirements of Tourism Policy, 2006 in order to have planned efforts for tourism development in the State.**

- **The percentage of foreign tourists availing the Company's facilities continued to be negligible despite an increase in tourist inflow to the State and the percentage of domestic tourists availing facilities registered a declining trend from 2007-08 onwards despite huge expenditure on infrastructural tourist projects by the Company.**

- **The Company had not fixed the occupancy norms including benchmark occupancy standards for its resorts and compared to All India Average occupancy statistics, the occupancy achievement was very low.**

- **The grants received for creating/developing tourism infrastructure were parked in Fixed Deposits as utilisation of grants was very low and as such projected facilities could not be created.**

- **The Management should give correct utilisation certificate for revenue and capital grant and refund the unspent grant to the Government.**

- **High tariff rates and poor maintenance of resorts were the main reasons for poor patronage of its facilities.**

- **Absence of clear-cut policy for leasing out land resorts and failure of the Company to monitor recovery of lease rentals resulted in accumulation of dues receivable.**

- **The Corporate governance was deficient as internal control mechanism and monitoring by the top Management was not proper and internal audit was inadequate.**

Recommendations

- **The Company should prepare a strategic Corporate Plan defining its long-term and short-term role and activities as per the TP of the State, identifying the nodal areas for implementation and fixing clear milestones for developing tourism potential in the State.**

- **The Company should utilise statistical data on tourist inflow to evolve critical thrust areas for effective micro-level planning. Delineation of circuits for medical/business tourism, religious/cultural tourism, eco-agricultural tourism, *etc* should be aligned with such statistical data.**

- **The Company ought to ensure effective project implementation system with improved planning and execution and efficient financial monitoring of the projects.**

- **The Company should monitor utilisation of grants received from GoI and GoM for the stated purpose within the stipulated time period and submission of correct utilisation certificate and surrendering of unutilised balances.**

- **There is a need to improve its financial Management by ensuring timely finalisation of accounts, financial reporting with greater accountability and fix norms for occupancy and proper costing of catering services. Ranking of resorts/restaurants as a management control tool can be attempted.**

- **A systematic leasing policy needs to be formulated with an assessment of the profitability and operating efficiency of present properties. Timely recovery of agreed lease rentals from lessees should be ensured.**

- **Customer feedback mechanism should be closely monitored by the top Management. On-line grievance redressal facilities should be immediately activated on the Company's website.**

- **Impact analysis of operations needs to be carried out to assess the reasons for low occupancy and to increase overall domestic/foreign tourist usage of its resorts.**

The matter was reported to the Government (June 2010); their reply had not been received (December 2010).

2.2 Performance Audit on power generation activities in Maharashtra State Power Generation Company Limited

Executive Summary

Introduction

One of the core objectives of National Electricity Policy has been "Supply of Power for All" by 2012. Maharashtra being a power deficient State, could not meet the peak demand and deficit in the power remained between 25 and 34 per cent of the peak demand during 2005-10. In view of the above it was considered desirable to conduct performance audit of power generation activities in the State in general and the Maharashtra State Power Generation Company Limited (Company) in particular. The performance audit covered capacity addition programmes, optimal utilisation of its resource for generation of power, management of fuel and output efficiency besides environmental aspects. The significant audit findings are discussed below:

Financial position and working results

The borrowings increased from ₹2,413.74 crore in 2005-06 to ₹12,987.99 crore in 2009-10 mainly on account of taking up new power projects. The debt equity ratio, therefore, increased from 0.90:1 in 2005-06 to 2.67:1 in 2009-10. The turnover of the Company during 2009-10 was ₹11,083.25 crore.

Planning and capacity additions

Capacity additions planned by the Company were not commensurate with the deficit of power. As against the required capacity additions of 5,210 MW, the actual additions by the Company was only 625 MW during 2005-10. The State Government signed (April 2005) Memorandum of Understanding with eight IPPs (12,168 MW) and provided financial/administrative support to another 24 IPPs (31,590 MW) for setting up power projects. However, 20 IPPs (28,718 MW) had not started their activities due to non acquisition of land. Out of potential of 7,852 MW for renewable energy in the State, sources were tapped up to 2,775 MW only by 2009-10. Thus, the objective of the National Electricity Policy to provide Power for All by 2012 may not be achieved.

Project implementation

The completion of two power projects (Parli Unit-6-250 MW and Paras Unit-3-250 MW) had spilled over from X Five Year Plan to XI Five Year Plan and completed in 2007-08 after a delay of 13-14 months. These projects were commissioned without conducting trial run. Resultantly, Parli Unit-6 remained under forced outage during November 2007 to March 2010 and led to loss of generation of 832 MUs. Out of remaining nine ongoing projects, six projects (2,750 MW) were behind the schedule by five to ten months.

Renovation and Modernisation of existing stations

The Company on the ground of shortfall of power in the State had not taken up any Renovation and Modernisation (R&M) programme of the existing nine thermal units due in the X Five Year Plan and compromised with technical requirements. Moreover, there was no long-term Corporate Plan (CP) for R&M of old units in a phased manner.

Input and output efficiency

The excess consumption of 333.33 lakh MT of coal (value ₹ 5,515.85 crore) was mainly on account of low calorific value of coal received during 2005-10. The Company had not entered into coal supply agreements with two coal companies up to March 2009 and claims amounting to ₹ 76.10 crore on account of stones and shales and slippage in grade relating to the period 2001-09 were still pending with the two coal companies. The Company had *not fixed modalities for ensuring timely submission of coal related claims as per new agreements from April 2009 onwards. There was also loss of generation of 335.88 MUs due to short supply of gas during 2005-10.*

The actual Plant Load Factor (PLF) and generation of electricity by majority of thermal units was below the target fixed by MERC during the period of review. The PLF of 27 thermal units was below the target during 2009-10. Auxiliary consumption remained higher than the target resulting in loss of 1,076 MUs valued at ₹ 246.05 crore during review period.

Environmental issues

The environmental norms were not strictly complied with. The environment impact assessment was also not conducted by the Company for its projects.

Conclusion and Recommendations

The Company had not taken up R&M programme for any of the old units nor had it prepared Corporate Plan for replacement of overaged units in a phased manner. The operational efficiency of power stations was lower as compared to norms relating to consumption of fuel, PLF, forced outages and auxiliary consumption. The review contains eight recommendations which include preparation of comprehensive plan for replacement of overaged units, updatation of Management Information System on coal claims and fixing of power station-wise bench mark for transit loss.

Introduction

2.2.1 Power is an essential requirement for all facets of life and has been recognised as a basic human need. The availability of reliable and quality power at competitive rates is very crucial to sustain growth of all sectors of the economy. The Electricity Act, 2003 provides a framework conducive to development of the Power Sector, promote transparency and competition and protect the interest of the consumers. In compliance with Section 3 of the *ibid* Act, the Government of India (GoI) prepared the National Electricity Policy (NEP) in February 2005 in consultation with the State Governments and Central Electricity Authority (CEA) for development of the Power Sector based on optimal utilisation of resources like coal, gas, nuclear material, hydro and renewable sources of energy. The Policy aims at, *inter alia*, laying guidelines for accelerated development of the Power Sector. It also requires CEA to frame National Electricity Plan once in five years. The Plan would be a short-term framework of five years and gives a 15 years' perspective.

2.2.2 The requirement of electricity of Maharashtra during 2005-06 was assessed as 1,77,425 Million Units (MUs) of which only 1,40,589 MUs were made available leaving a shortfall of 36,836 MUs which works out to 20.76 *per cent* of the requirement. The total installed power generation capacity of the State at the beginning of 2005-06 was 16,754 Mega Watt (MW) (including Central allocation) and effective available capacity was 11,844 MW against the peak demand of 16,049 MW leaving deficit of 4,205 MW during 2005-06. The requirement of electricity during 2008-09 was 1,80,430 MUs of which 1,37,146 MUs were made available leaving shortfall of 43,284 MUs which worked out to 23.99 *per cent* of the total requirement. The installed capacity as of March 2009 was 22,435 MW (including Central allocation) and effective available capacity was 10,715 MW (the Company 6,655 MW and other 4,060 MW) against peak demand of 15,656 MW leaving deficit of 4,941 MW during 2008-09*. There was capacity addition of 5,681 MW during 2005-09.

2.2.3 The erstwhile Maharashtra State Electricity Board (MSEB) was restructured and four new State Government Companies in the power sector (separate Company for Generation, Transmission, Distribution and Holding Company) were incorporated in May 2005 under the administrative control of Energy Department of the Government of Maharashtra (GoM). The electricity generated by the generating Company is supplied to Maharashtra State Electricity Distribution Company Limited (MSEDCL) for distribution to consumers in the State excluding Mumbai city and certain suburban areas of Mumbai which are served by Brihan Mumbai Electricity Supply and Transport Undertaking (BEST), Reliance Infrastructure Limited (Reliance) and Tata Power Company Limited (TATA).

2.2.4 In Maharashtra, major generation of power is by the Maharashtra State Power Generation Company Limited (Company) which was incorporated on 31st May 2005 under the Companies Act, 1956 as a wholly owned State Government Company. The affairs of the Company are managed by the Board of Directors (BoD) consisting of the Chairman, Managing Director and four Directors including two non official Directors. The day to day affairs of the Company are looked after by the Managing Director who is assisted by three Directors and seven Executive Directors. Each power station is headed by a Chief General Manager.

The share of the Company in the total installed capacity (excluding central allocation) of the State was 61 *per cent.* As of March 2010, the Company had seven Thermal Power Stations (TPS), one Gas Power Station (GPS) alongwith Waste Heat Recovery Plant (WHRP) and 24 Hydro Power Stations (HPS) taken on lease from GoM, with installed capacity of 6,925, 852 and 2,469 MW respectively. The turnover of the Company was ₹ 11,083.25 crore in 2009-10, which was equal to 27.12 and 1.33 *per cent* of the turnover of the State Public Sector Undertakings and State Gross Domestic Product respectively. The Company employed 15,642 employees as on 31 March 2010.

Scope and methodology of Audit

2.2.5 The present review conducted during February to June 2010 covers the performance of the Company during the period from 2005-06 to 2009-10. The review mainly deals with Planning, Project Management, Financial Management, Operational Performance, Environmental Issues and Monitoring by top Management. The audit examination involved scrutiny of records at the Head Office (HO), three TPSs at Chandrapur, Koradi and Parli with installed capacity of 4,380 MW, one HPS at Koyna with capacity of 1,956 MW and Gas Turbine Power Station (GTPS) alongwith WHRP at Uran with a total installed capacity of 852 MW. In addition, the records in the office of the Superintending Engineer (Coal) at Nagpur which handles coal matters were

* Figures for 2009-10 were not available with the State Government.

also test checked. The selection of generating power stations was made on the basis of installed capacity and covered 63 *per cent* of thermal installed capacity, 79 *per cent* of hydel installed capacity and cent *per cent* capacity of GTPS.

2.2.6 The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining the audit objectives to the top Management, scrutiny of records at HO and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries and discussion of audit findings with the Management.

Audit objectives

2.2.7 The objectives of the performance audit were to assess:

Planning and Project Management

- Whether capacity addition programme taken up/to be taken up to meet the shortage of power in the State was in line with the National Policy on Power for All by 2012;
- Whether a plan of action was in place for optimisation of generation from the existing capacity;
- Whether the contracts were awarded with due regard to economy and in transparent manner; and
- Whether the execution of projects were managed economically, effectively and efficiently.

Financial Management

- The soundness of financial health of the generating undertaking; and
- Whether all claims including energy bills and subsidy claims were properly raised and recovered in an efficient manner.

Operational performance

- Whether the power plants were operated efficiently and preventive maintenance as prescribed was carried out minimising the forced outages;
- Whether requirements of each category of fuel was worked out realistically, procured economically and utilised efficiently;
- Whether the manpower requirement was realistic and its utilisation optimal;
- Whether the life extension (renovation and modernisation) programme were ascertained and carried out in an economic, effective and efficient manner; and

- The impact of Renovation and Modernisation (R&M)/Life Extension activity on the operational performance of the Unit.

Environmental issues

- Whether the various types of pollutants (air, water, noise, hazardous waste) in power stations were within the prescribed norms and complied with the required statutory requirements.

Monitoring and evaluation

- Whether adequate Management Information System existed in the entity to monitor and assess the impact and utilise the feedback for preparation of future schemes.

Audit criteria

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

- NEP, norms/guidelines of CEA regarding planning and implementation of the projects;
- standard procedures for award of contract with reference to principles of economy, efficiency and effectiveness;
- targets fixed for generation of power;
- parameters fixed for plant availability, Plant Load Factor (PLF) *etc*;
- performance of best managed units in the regions/All India Averages;
- prescribed norms for planned outages; and
- Acts relating to Environmental laws.

Financial position and working results

2.2.9 The financial position of the Company for the five years ending 2009-10 is given below:

(₹in crore)

Particulars	2005-06 (31 May 2005 to 31 March 2006)	2006-07	2007-08	2008-09	2009-10
A. Liabilities					
Paid up capital	2,563.41	2,963.41	3,113.41	3,527.41	4,194.68
Reserve and surplus (including capital grants but excluding depreciation reserve)	112.94	358.96	375.24	459.34	662.74
Borrowings (Loan funds)					
a) Secured	2,097.74	3,134.09	5,028.15	8,538.81	9,310.46
b) Unsecured	316.00	284.40	253.05	221.43	3,677.53
Total (a + b)	**2,413.74**	**3,418.49**	**5,281.20**	**8,760.24**	**12,987.99**
Deferred tax liability/deferred cost	(33.94)	(30.94)	407.38	383.91	500.81
Current liabilities and provisions	2,474.55	2,534.85	6,536.89	8,632.37	8,935.72
Total	**7,530.70**	**9,244.77**	**15,714.12**	**21,763.27**	**27,281.94**
Gross block	9,649.43#	9,999.75#	11,478.38	13,270.11	13,425.04
Less: Depreciation	6,318.11	6,672.12	6,882.36	7,171.50	7,462.12
Net fixed assets	3,331.32	3,327.63	4,596.02	6,098.61	5,962.92
Capital works-in-progress	1,728.87	2,953.81	3,690.86	6,113.59	10,353.21
Investments	-	0.09	0.18	0.16	0.11
Current assets, loans and advances	2,470.51	2,963.24	7,427.06	9,550.91	10,965.70
Total	**7,530.70**	**9,244.77**	**15,714.12**	**21,763.27**	**27,281.94**

We observed that the borrowings of ₹ 2,413.74 crore in 2005-06 increased to ₹ 12,987.99 crore in 2009-10. The increase in borrowings during the review period was 438 *per cent*. The steep rise in the borrowings was due to implementation of new power projects financed through 80 *per cent* loans. The debt equity *ratio*, therefore, had increased from 0.90:1 (2005-06) to 2.67:1 (2009-10).

#Intangible assets of ₹ 5.12 crore and ₹ 3.90 crore pertaining to the periods 2005-06 and 2006-07 respectively were included in Gross block and Net fixed assets.

2.2.10 The details of working results like cost of generation of electricity, revenue realisation, *vis-a-vis* realisation, cost and profit per unit of generation are given below:

(₹in crore)

Sl. No.	Description	2005-06#	2006-07	2007-08	2008-09	2009-10
1.	**Income**					
	Generation Revenue	5,361.70	7,344.95	8,081.97	9,346.49	11,083.25
	Other income including interest/subsidy	106.94	95.68	166.77	132.64	103.29
	Total : Income	**5,468.64**	**7,440.63**	**8,248.74**	**9,479.13**	**11,186.54**
2.	**Generation**					
	Total generation (In MUs)	40,381.88	50,357.12	52,294.46	50,398.00	50,875.22
	Less: Auxiliary consumption (In MUs)	2,957.70	3,752.69	4,005.29	4,137.95	4,449.07
	Total generation available for Transmission and Distribution (In MUs)	**37,424.18**	**46,604.43**	**48,289.17**	**46,260.05**	**46,426.15**
3.	**Expenditure**					
(a)	**Fixed cost**					
(i)	Employees cost	353.18	434.28	487.80	668.02	616.41
(ii)	Administrative and General expenses	29.88	54.58	167.42	191.27	361.17
(iii)	Depreciation	327.69	347.63	208.90	309.30	302.10
(iv)	Interest and finance charges	135.68	279.15	445.90	695.51	1,095.15
	(Less) Capitalisation	32.43	76.33	311.74	296.14	703.00
	Total fixed cost	**814.00**	**1,039.31**	**998.28**	**1,567.96**	**1,671.83**
(b)	**Variable cost**					
(i)	Fuel consumption					
	(a) Coal	3,626.16	4,843.72	5,536.45	6,070.88	7,237.09
	(b) Oil	158.07	188.99	193.85	546.16	439.75
	(c) Gas	241.43	306.05	273.25	535.35	648.35
	(d) Other fuel related cost including shortages/ surplus	158.43	208.24	(5.44)	3.86	(12.17)
(ii)	Cost of water (hydel/ thermal/ gas/ others)	39.47	82.57	82.45	119.40	177.87
(iii)	Lubricants and consumables	17.29	23.62	85.61	92.74	78.69
(iv)	Repairs and maintenance	254.93	459.25	487.15	482.66	532.95
	(Less) Capitalisation	55.13	96.95	2.20	1.82	1.42
	Total variable cost	**4,440.65**	**6,015.49**	**6,651.12**	**7,849.23**	**9,101.11**
(c)	**Other Debits and Extra-ordinary Items (Add)**	**43.75**	**1.24**	**-**	**-**	**-**
C.	**Total cost 3(a) + (b) + (c)**	**5,298.40**	**7,056.04**	**7,649.40**	**9,417.19**	**10,772.94**
4.	Realisation (₹ per unit)	1.46	1.60	1.71	2.05	2.41
5.	Fixed cost (₹ per unit)	0.22	0.22	0.21	0.34	0.36
6.	Variable cost (₹ per unit)	1.19	1.29	1.38	1.70	1.96
7.	Total cost per unit (5+6) (₹ per unit)	1.41	1.51	1.59	2.04	2.32
8.	Contribution (4-6) (₹ per unit)	0.27	0.31	0.33	0.35	0.45
9.	**Profit per unit (4-7) (₹ per unit)**	**0.05**	**0.09**	**0.12**	**0.01**	**0.09**

Figures related to the period from 31 May 2005 to 31 March 2006.

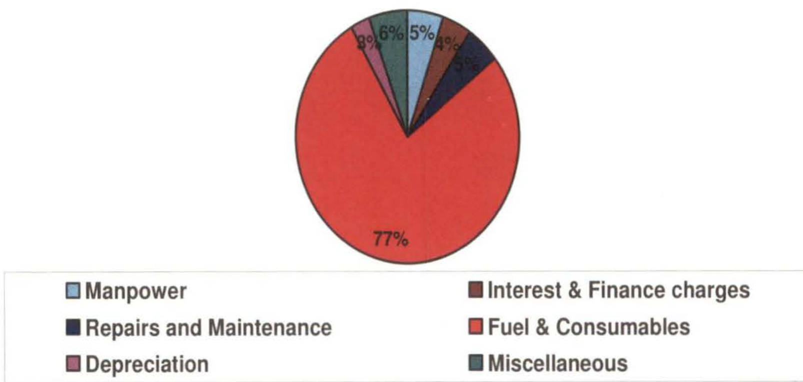
Profit per unit of generation steeply decreased to ₹ 0.01 in 2008-09 due to disallowance of ₹ 586.41 crore by MERC.

We observed that profit per unit of generation steeply decreased from ₹ 0.12 in 2007-08 to ₹ 0.01 in 2008-09 due to disallowance of ₹ 586.41 crore by Maharashtra Electricity Regulatory Commission (MERC) on account of non-achievement of performance parameters, excess expenditure over and above normative expenditure.

Elements of cost

2.2.11 Fuel and consumables constitute the major elements of cost. The percentage break-up of cost for 2009-10 is given below in the pie-chart:

Components of various elements of cost

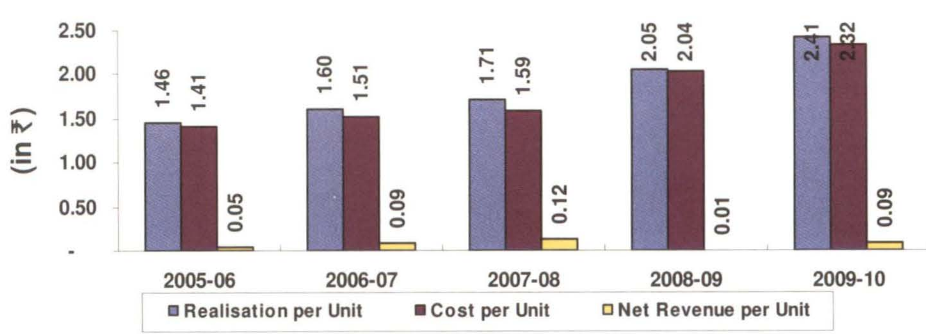


Elements of revenue

2.2.12 Sale of Power constitutes the major element of revenue. The Company had not received any subsidy from the GoM during review period.

Recovery of cost of operations

2.2.13 The Company was able to recover its cost of operations during the five years 2005-06 to 2009-10 as given in the graph below:



The net realisation per unit decreased from 12 paisa per unit in 2007-08 to one paisa per unit in 2008-09 for the reasons stated in **paragraph 2.2.10**.

Audit findings

2.2.14 Audit explained the audit objectives to the Company during an 'Entry Conference' held on 1 February 2010. Subsequently, audit findings were reported to the Company and the State Government in June 2010 and discussed in an 'Exit Conference' held on 14 September 2010. The Exit Conference was attended by the Secretary (Energy), Government of Maharashtra (GoM) and Managing Director of the Company alongwith Director (Operations) and Director (Finance). The Management of the Company replied to the Audit findings in September/October 2010 which were endorsed by the State Government. The views expressed by the Management and Government in their replies have been duly considered while finalising the review. The audit findings are discussed below:

Operational performance

2.2.15 The operational performance of the Company for the five years ending 2009-10 is given in the **Annexure-11**. The operational performance of the Company was evaluated on various operational parameters as described below. It was also seen whether the Company was able to maintain pace in terms of capacity addition with the growing demand for power in the State (excluding Mumbai and certain Mumbai suburban areas served by BEST, Reliance and TATA). Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings indicated that there was scope for improvement in performance.

Planning

2.2.16 National Electricity Policy (NEP) aims to provide availability of over 1,000 Units of per Capita electricity by 2012, for which it was estimated that need based capacity addition of more than 1,00,000 MW would be required during 2002-2012 in the country. The Union Government has laid emphasis on the full development of hydro potential being a cheaper source of energy as compared to thermal. The Government would support the State Governments for expeditious development of hydro power projects by offering the services of Central Public Sector Undertakings like National Hydro Electric Power Corporation Limited, National Thermal Power Corporation Limited (NTPCL) and NEEPCO. Besides, environmental concerns would have to be suitably addressed through appropriate advance actions.

2.2.17 During the period 2005-2010, the actual generation was substantially less than the peak as well as the average demand as given below:

Year	Peak demand of MSEDCL (MW)	Average demand of MSEDCL (MW)	Demand met by MSEDCL		Percentage of demand met to peak demand	Percentage of demand met to average demand
			Peak demand (MW)	Average demand (MW)		
2005-06	14,061	11,676	9,856	8,392	70.09	71.87
2006-07	14,825	12,092	10,298	8,899	69.46	73.59
2007-08	15,689	12,912	10,412	9,342	66.36	72.35
2008-09	15,656	13,352	10,715	9,436	68.44	70.67
2009-10	16,582	13,441	12,414	10,060	74.86	75.01

(Source: Information furnished by Maharashtra State Electricity Distribution Company Limited)

As may be seen from the above, the average demand met by MSEDCL was between 70.67 and 75.01 *per cent* of the total average demand and between 66.36 and 74.86 *per cent* of the total peak demand of MSEDCL network during the period 2005-10.

2.2.18 The total electricity generated by the Company is supplied to MSEDCL for further distribution to its consumers. The energy supplied to consumers by MSEDCL even after resorting to other sources such as Central allocation and purchases from the market was not sufficient to meet the peak demand as shown below:

(In MW)

Year	Peak demand	Peak demand met	Sources of meeting peak demand		Peak deficit	Percentage of deficit to peak demand
			Company	Others		
2005-06	14,061	9,856	7,238	2,618	4,205	29.91
2006-07	14,825	10,298	7,000	3,298	4,527	30.54
2007-08	15,689	10,412	7,297	3,115	5,277	33.64
2008-09	15,656	10,715	6,655	4,060	4,941	31.56
2009-10	16,582	12,414	7,713	4,701	4,168	25.14

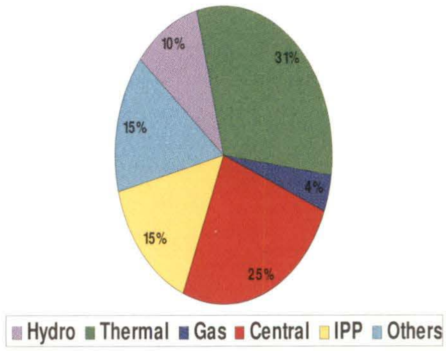
(Source: Information furnished by the Company)

The power deficit ranged between 4,168 and 5,277 MW during 2005-10.

It was seen from above that deficit increased from 4,205 MW in 2005-06 to 5,277 MW in 2007-08 and again decreased to 4,168 MW during 2009-10. Consequently, rotational load shedding was forced on the populace.

Capacity additions

2.2.19 The State had total installed capacity of 16,754 MW at the beginning of 2005-06 which was increased to 22,435 MW at the end of 2008-09. The particulars of generating capacity in the State as on 1 April 2005, additions/ (deletions) during review period and total capacity at the end of March 2009 are given in the **Annexure-12**. The break-up of generating capacity as on 31 March 2009 under thermal, hydro, gas sources of the Company, Central allocation, Independent Power Projects (IPP) and other sources are shown in the pie chart below:



2.2.20 The energy requirement of 1,23,174 MUs of the State (excluding Mumbai and certain Mumbai suburban areas) during 2005-06 increased to 1,45,258 MUs during 2009-10. In order to meet the peak demand, a capacity addition of 5,210* MW was required during 2005-10. As against this, the actual capacity addition by the Company was only 625 MW.

The consolidated position of projects under construction and committed projects of the State was not available with the State Government. However, the projects undertaken by the Company for capacity addition have been discussed in the following paragraphs.

2.2.21 The particulars of installed capacity, capacity additions envisaged, actual additions of the Company and peak demand *vis-a-vis* electricity made available by the Company and electricity supplied by MSEDCL to consumers during the review period are given below:

(In MW)

Sl. No.	Description	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Capacity at the beginning of the year	9,717	9,626	9,621	10,121	10,121
2.	Additions Planned as per National Electricity Plan	Nil	500	Nil	Nil	500
3.	a) Actual additions b) Capacity deletions (Due to over ageing)	Nil 91	Nil 5	500 Nil	Nil Nil	125♣ Nil
4.	Capacity at the end of the year	9,626	9,621	10,121	10,121	10,246
5.	Shortfall in capacity addition (2 – 3a)	Nil	500	(500)	Nil	500
6.	Peak demand	14,061	14,825	15,689	15,656	16,582
7.	Total Energy made available by MSEDCL through:	9,856	10,298	10,412	10,715	12,414
	a) The Company	7,238	7,000	7,297	6,655	7,713
	b) Other sources	2,618	3,298	3,115	4,060	4,701
8.	**Deficit (6 – 7)**	**4,205**	**4,527**	**5,277**	**4,941**	**4,168**

(Source: Information furnished by the Company)

*To meet deficit of 4,168 MW during 2009-10 considering PLF of 80 *per cent* (4,168 MW x 100/80) = 5,210 MW.

♣It is a Hydro Power Project at Ghatghar planned and constructed by the State Government and transferred to the Company for operation.

We observed that during the review period actual capacity addition was only 500 MW against 1,000 MW planned by the Company. Two thermal projects (Parli Unit-seven and Paras Unit-four) of 500 MW capacity planned for commissioning during 2006-07 and 2009-10 were actually commissioned during 2007-08 and 2010-11 respectively.

2.2.22 After enactment of the Electricity Act, 2003, the State Government formulated (March 2005) a policy to promote investment in the power sector. The Power generating stations were to be set up by Independent Power Producers and the State Government was required to extend administrative support for land acquisition, clearance for projects and fiscal support in the form of exemption in stamp duty, octroi and sales tax. It was binding on IPPs to sell electricity to the extent of 50 *per cent* of generation within State. The Draft Project Report's (DPR) were to be submitted within six months, financial closure within one year and completion of project within five years were the conditions for claiming exemptions.

There was no linkage between the State policy and actual execution as the majority of private projects were not started.

Accordingly, the GoM had signed (April 2005) Memorandum of Understanding with eight IPPs for setting up power projects (12,168 MW), of which seven IPPs (10,468 MW) had not started their work so far (September 2010) due to non-acquisition of land. In addition, another 24 power projects (31,590 MW) were to be implemented by IPPs with Government support. Of these, 13 projects (18,250 MW) were not started due to non-acquisition of land. As Maharashtra is a power deficit State, realistic planning for project implementation factoring in obtaining of all requisite statutory clearances and adequate land acquisition was a pre-requisite to successful project implementation. We observed that despite clear bench-marks for capacity addition by IPPs, failure to clear pre-project bottlenecks like land acquisition meant that the Electricity Policy was unrealistic and was not co-ordinated with actual on-site preparedness. The time and cost overrun in respect of the Company's own projects have been delineated separately in **paragraphs 2.2.27, 2.2.28** and **2.2.29** *infra*. Thus, the policy formulated lacked clear-cut modalities for the achievement of the objectives of the National Policy.

Capacity additions planned by the Company were not adequate to meet the deficit and the State Government may not be able to provide power for all by 2012.

The Company had planned 13 new power projects for completion in the X Five Year Plan (FYP) (2002-07), XI FYP (2007-12) and XII FYP (2012-17) periods with an envisaged net capacity addition of 5,270 MW. Of these, commissioning of two projects (500 MW) had spilled over from X to XI FYP and were commissioned in 2007-08. Other two projects of 250 MW each (Parli Unit-seven and Paras Unit-four), due for commissioning during 2009-10, were actually commissioned during 2010-11 after a delay of 15 and 14 months respectively due to delay in supply of material. Remaining four projects with capacity of 1,750 MW and five projects of 2,980 MW were scheduled to be completed during the XI Plan and XII Plan respectively. As the commissioning of power projects in the private sector were largely uncertain and capacity additions planned by the Company were not adequate, power deficit and attendant severity and frequency of load shedding would continue to plague the State during the XI FYP period. As per 17th Electric Power Survey of India conducted by CEA, the requirement of power by the end of XI FYP *i.e.* by 2012 would be 19,105 MW for MSEDCL area. Based on this projection and capacity additions, MSEDCL still projected shortfall of 2,855 MW by the end of XI FYP *i.e.* by 2012. Thus, the objective of the NEP to provide Power for All by 2012 may not be achieved.

The Management stated that due to impasse on Dabhol Power Project, offer received for capacity addition from NTPCL, NPCIL and private operators were not considered by the State Government. However, the fact remains that deficit still persists in the State and the State Government had not chalked out a re-orientation of efforts or a strategic mechanism to fast-track incomplete projects and ensure power for all by 2012.

Renewable sources of energy

2.2.23 The State Government had formed (1986) Maharashtra Energy Development Agency (MEDA) to undertake development of renewable energy and facilitate energy conservation in the State. GoM fixed a target of 10 *per cent* of conventional energy generated in the State for renewable energy (*i.e.* wind, small hydro projects, Biomass, Biogases co-generation, municipal solid waste and industrial waste *etc).* As per the policy of GoM, subsidy was payable against certain infrastructural expenditure required for the project, exemption from electricity duty and providing share capital (11 *per cent*) to projects in co-operative sector, exemption from payment of octroi on plant and machinery *etc.* The NEP also emphasised the need for development of maximum energy from renewable (non-conventional) sources.

2.2.24 The details of total potential of renewable energy resources in the State, potential tapped up to March 2005 and thereafter during 2005-10 *vis-a-vis* balance potential as of March 2010 were as under:

(In MW)

Sl. No.	Source	Total potential in the State	Achievement up to 31 March 2005	Achievement during 2005-10	Cumulative achievement up to March 2010	Balance potential
1	Wind	4,584	456	1,615	2,071	2,513
2	Biogases co-generation	1,250	91	276	367	883
3	Biomass	781	Nil	107	107	674
4	Small hydro projects	600	211	8	219	381
5	Industrial waste	350	6	5	11	339
6	Urban solid waste	287	Nil	Nil	Nil	287
	Total	**7,852**	**764**	**2,011**	**2,775**	**5,077**

(Source: Information furnished by the State Government)

It could be seen from the above table that the State Government could develop installed capacity of 2,775 MW for power generation from renewable sources out of the total potential of 7,852 MW. Thus, the remaining potential of 5,077 MW (64.66 *per cent*) was yet to be tapped (March 2010). Further, the target, as per FYP (2007-12), for developing renewable energy was 1,040 MW and 1,123 MW for 2008-09 and 2009-10 respectively. Against these targets, the actual achievement was only 259 MW and 269 MW respectively. Improper planning and lack of a mechanism to monitor the progress were the main reasons for non-achievement of targets.

The State Government stated that economically viable sites for small hydro projects have already been developed and investors were reluctant to invest funds in industrial waste projects in the absence of tariff order by MERC. However, potential under Wind, Biogases and Biomass are yet to be tapped.

Optimum utilisation of existing facilities

2.2.25 In order to cope with the rising demand for power, not only does additional capacity need to be created but a plan needs to be in place for optimal utilisation of existing facilities and also for undertaking life extension programme/replacement of the existing facilities which are nearing completion of their age besides timely repairs/maintenance. The details of the power generating units, which fell due for Renovation and Modernisation (R&M)/ Life Extension (LE) programmes (as per CEA norms) during the five years ending 2009-2010 *vis-a-vis* actually taken up are indicated in the table below:

Sl. No.	Name of the TPS	Unit number	Installed Capacity (MW)	Period when R&M due	Remarks
1	Koradi	1 to 4	4 x 120	X Five Year Plan (2002-07)*	Not taken up as closure of units was not permitted by the State Government due to shortage of power.
2	Bhusawal	1	1 x 62.5		
3	Nashik	1 and 2	2 x 140		
4	Parli	1 and 2	2 x 30		
5	Koradi	6	210	XI Five Year Plan (2007-12)*	R&M work has not started (September 2010).
6	Chandrapur	1 and 2	2 x 210		
7	Bhusawal	2	1 x 210		
8	Parli	3	1 x 210		
9	Nashik	3	1 x 210		

The Company had not prepared a Corporate Plan for R&M and replacement of old units in a phased manner.

The Central Electricity Authority (CEA) prescribed the norm for useful life of a thermal plant as 25 years. The Company had 34 thermal units (de-rated capacity-6,800 MW) as of March 2010. Out of these, 21 Units (3,120 MW) were more than 25 years old (26-42 years). In a vital infrastructure like the power sector of a fast developing country, a long-term Corporate Plan was essential. We observed that no such Corporate Plan incorporating therein the R&M/LE programmes *vis-a-vis* replacement of old units in a professional and phased manner was prepared by the Company. Therefore, delay in taking up R&M of old thermal units was indicative of poor planning.

The Management stated that R&M activities would be given priority. We feel that postponement of R&M of units on the pretext of shortage of power is a compromise with technical requirements and the units would run the risk of not being available for generation over a longer period on account of forced outages.

*No due dates were fixed for each unit.

Project Management

2.2.26 Preparation of an accurate and realistic DPR after considering feasibility study, factors like creation of infrastructure facility, addressing bottlenecks likely to be encountered in various stages of project planning are critical activities in the planning stage of a project.

Project Management includes timely acquisition of land, effective actions to resolve bottlenecks, obtain necessary clearances from Ministry of Forest and Environment and other authorities, rehabilitation of displaced families, proper scheduling of various activities. Notwithstanding, time and cost overruns were noticed due to absence of coordinating mechanism throughout the implementation of the projects during review period are discussed in succeeding paragraphs.

Time and cost overrun

2.2.27 The following table indicates the estimated cost and scheduled period of completion, actual cost and dates of trial/commercial operation, cost/time overrun of thermal power projects completed during 2005-10.

Particulars	Parli Unit-6 (250 MW)		Paras Unit-3 (250 MW)	
Date of preparation of DPR	October 1997		September 2003	
Estimated cost	₹ 1,155 crore		₹ 1,122 crore	
Date of Letter of Acceptance (LOA)	14 January 2004		25 May 2004	
	As per LOA	**Actual**	**As per LOA**	**Actual**
Date of synchronisation	13 July 2006	16 February 2007	25 November 2006	31 May 2007
Date of trial run	13 September 2006	04 January 2009	25 January 2007	29 December 2008
Date of commercial operation (completion)	13 September 2006	01 November 2007	25 January 2007	31 March 2008
Actual cost of project	₹ 1,462 crore		₹ 1,508 crore	
Time overrun	13 months		14 months	
Cost overrun	₹ 307 crore		₹ 386 crore	

Trial run was conducted after commissioning of power plant thereby defeating the purpose of trial run.

In this connection, we observed the following:

2.2.28 The DPR plays a vital role in project implementation. The deficiencies in DPR will create post implementation technical problems. The utilisation of old data will lead to cost overrun and problems due to technical obsolescence. The DPR for Parli Unit-six project prepared in October 1997 was not revised while awarding the work in January 2004. Thus, the estimated cost considered for award of work was unrealistic and there was cost overrun of ₹ 307 crore. Though, the projects were completed in 2007-08, the financial closure of the projects were still pending (September 2010). The time overrun was mainly due to delay in supply of material, problems in erection and non-stabilisation of units and cost overrun was on account of increase in the interest burden during construction period, increase in cost of additional mandatory spares and overheads. Further, the trial run was to be conducted before commercial operation so that the testing troubles noticed in operations could be rectified by the contractor. However, in both the projects, trial runs were conducted after commissioning, forfeiting the intended purpose as would be evident from the following incident.

After commissioning, Parli Unit-six underwent forced outages for 1,517 hours during November 2007 to March 2010 which resulted in loss of generation of 832 MUs. The Company had spent ₹ 8.58 crore for removal of defects of which only ₹ 0.33 crore was recovered from BHEL. The matter for recovery of remaining amount was taken up (February 2009) with BHEL which was still pending (September 2010).

The Management stated that commissioning of units before trial run was undertaken due to power shortage in the State and amount spent on repairs would be recovered from BHEL (September 2010).

The reply reflects the haphazard approach in planning capacity additions which belied the existence of a co-ordinated Electricity Policy of the State Government. Further, at the best, expenditure only on removal of defects can be recovered from BHEL and consequential loss of generation remains uncompensated.

Ongoing projects

2.2.29 The details of ongoing projects undertaken by the Company during 2005-10 were as under:

Sl. No.	Ongoing project	Capacity (MW)	Date of LOA	Scheduled period of completion (in months)	Scheduled date of trial operation	Expected date of trial operation	Expected delay as of September 2010 (in months)
A	**XI Five Year Plan**[$]						
1	Khaperkheda Expansion Unit-5	500	23.01.2007	41	22.06.2010	March 2011	9
2	Bhusawal Expansion Unit-4	500	23.01.2007	43	22.08.2010	April 2011	8
3	Bhusawal Expansion Unit-5	500	23.01.2007	47	22.12.2010	August 2011	8
4	Parli Unit-8 (Replacement)	250	20.01.2009	36	20.01.2012	November 2012	10
B	**XII Five Year Plan**[$]						
5	Chandrapur Expansion Unit-8	500	09.02.2009	41	09.07.2012	November 2012	5
6	Chandrapur Expansion Unit-9	500	09.02.2009	44	09.10.2012	April 2013	6
7	Koradi Unit-8	660	23.09.2009	51	23.12.2013	Not yet envisaged	--
8	Koradi Unit-9	660	23.09.2009	57	23.06.2014		
9	Koradi Unit-10 (Replacement)	660	23.09.2009	63	23.12.2014		
	Total	**4,730**					

[$] XI Plan period from April 2007 to March 2012 and XII Plan period from April 2012 to March 2017.

Scrutiny of records revealed that:

- As per project monitoring, co-ordination and control mechanism prescribed in DPR, the detailed Programme Evaluation and Review Technique/Critical Path Method, each project was to be monitored on monthly/fortnightly basis to compare scheduled progress with actuals. However, no such evaluation was done by the Company. The percentage of completion of above projects could not be ascertained as the project-wise financial progress was not periodically reviewed and linked with the physical progress. Thus, there was a considerable scope to improve monitoring of the progress of the projects.

- The reasons for anticipated delay were mainly impediments like delay in supply/non-sequential supply of material and lack of co-ordination. The Company had incurred capital expenditure of ₹ 5,975.37 crore on ongoing projects up to March 2010.

Thus, there is a need to monitor the progress of the projects closely to ensure that there would be no further delay in completion of projects.

Operational performance

2.2.30 Operations of the Company depend on input efficiency consisting of material and manpower and output efficiency in connection with PLF, plant availability, capacity utilisation, outages and auxiliary consumption. These aspects have been discussed below:

Input efficiency

Procedure for procurement of coal

2.2.31 The Company works out total annual coal requirement on the basis of designed calorific value (CV), CV of coal previously received, planned outages, targeted generation, heat rate *etc*. The coal requirement so assessed was conveyed to the Standing Linkage Committee (SLC) of the Ministry of Energy (MoE), GoI which decided the source and quantity of coal to TPS on quarterly basis. On the basis of linkage source approved by SLC, the Company was to enter into coal supply agreement with respective Coal Companies (CCs). However, the above arrangement was changed from April 2009 and SLC no longer decided the source and quantity of coal. The Company has on its own to decide requirement and make arrangement directly with the CCs by entering into separate fuel supply agreements (FSA) under the directions of Coal India Limited.

2.2.32 The position of coal linkages fixed, coal received, thermal generation targets fixed and actual generation during the period from 2005-06 to 2009-10 was as under:

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
Coal linkage (In lakh MT)	336.74	339.25	393.96	409.23	395.04
Coal received (In lakh MT)	307.25	320.32	360.98	360.55	377.02
Generation targets (MUs)	40,739	46,057	47,821	47,760	47,712
Actual generation (MUs)	40,928	41,261	43,958	42,061	41,744
Shortfall in generation (MUs)	Nil	4,796	3,863	5,699	5,968
Loss of generation (MUs) due to shortage of coal receipt	Nil	Nil•	Nil•	1,129	1,224

(Source: Information furnished by the Company)

There was a loss of generation of 2,353 MUs due to shortage of coal during 2008-09 and 2009-10.

It could be seen from the above that the total linkages of coal during the five years (2005-06 to 2009-10) was 1,874.22 lakh MT. Against this, coal received was 1,726.12 lakh MT resulting in short receipt of 148.10 lakh MT (7.90 *per cent*). We observed that the Company had to operate its units at partial load due to insufficient supply of coal leading to loss of generation of 1,129 MUs (value: ₹ 231.50 crore) during 2008-09 and 1,224 MUs (value: ₹ 295.02 crore) during 2009-10. The short supply during 2008-09 was mainly on account of non-availability of adequate number of rakes from Railways. Inadequate supply during April to July 2009 (2009-10) was on account of delay in execution of new agreements with the CCs. The delay in agreements was due to lack of co-ordination among CCs and the Company.

Procurement of gas

2.2.33 The Gas based Thermal Power Station at Uran, district Raigad (GTPS) required gas of 4.7 Metric Million Cubic Meter per Day (MMCMD). As against this requirement, the Gas Authority of India Limited (GAIL) had agreed (July 2006) to supply 3.5 MMCMD of gas subject to availability. However, the average quantity of gas received during 2005-10 was less than 2.5 MMCMD. As per directives and allocation from Ministry of Petroleum and Natural Gas (MoPNG), GoI, the gas agreement with Reliance Industries Limited (RIL) was concluded for additional supply of gas of 1.0 MMCMD from KG D6 field which commenced from 24 April 2009 and 1.4 MMCMD gas from 21 April 2010.

The position of Gas allocation fixed by MoPNG, Gas received and shortfall in receipt of Gas during the period from 2005-06 to 2009-10 was as under:

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
	(MMCMD)				
Gas allocation fixed by MoPNG	1,277.50	1,277.50	1,281.00	1,277.50	1,277.50
Quantity of Gas received	899.43	936.00	871.34	1,022.55	1,203.07
Shortfall in receipt of Gas	378.07	341.50	409.66	254.95	74.43

•There was no loss of generation due to shortage of coal receipt during 2006-07 and 2007-08.

The shortfall in receipt of gas resulted in forced outages for 5,401 hours during 2005-06 to 2009-10 which led to loss of generation of 335.88 MUs.

The Management stated that short supply was mainly on account of lower supply of gas by GAIL which was beyond the control of the Company. It was further stated that the Company had entered into an agreement (April 2009) with RIL for supply of gas and subsequently the shortfall was reduced.

Coal supply arrangements

2.2.34 Coal is classified into different grades. The price of coal depends on the grade of coal. The Company had entered into (July 2003) FSAs with Western Coalfields Limited (WCL) and Singareni Coal Company Limited (SCCL) for supply of coal as approved by SLC to its various thermal power stations at different locations. For supply of coal from April 2009 onwards, the Company had directly entered (April, June and November 2009) in to FSAs with WCL, Mahanadi Coal Limited (MCL), South Eastern Coalfields Limited (SECL) and SCCL for a total supply of coal of 371.60 lakh MT[#] per annum. These FSAs were retrospectively effective from April 2009. The period of agreement was 20 years subject to review after every five years in respect of WCL, SECL and MCL and three years in respect of SCCL.

Pending Claims

As per old agreements

The coal claims of ₹ 76.10 crore pertaining to 2001-09 were pending with two coal Companies.

2.2.35 The Company had not entered into FSAs with SECL and MCL for coal supply up to March 2009. The claims of ₹ 37.46 crore for stones and shales and ₹ 38.64 crore for grade difference, over/under loading charges lodged by the Company pertaining to October 2001 to March 2009 were still pending with these two CCs (April 2010). Further, TPS Nashik had not submitted stones and shales claims to the Coal office at Nagpur in respect of coal received from SECL during the period October 2001 to March 2009. It indicated lack of monitoring of claims and the Company had forgone its right to receive claims in respect of coal supplied to TPS Nashik in case settlement takes place at a later date.

The Management accepted the fact and stated that the claims were lodged in line with the agreement with WCL. However, the claims were yet to be settled due to lack of specific agreement with SECL and MCL. It was further stated that TPS Nashik had submitted claims for 2008-09 and claims for earlier period were expected shortly. However, the fact remained that the claims from October 2001 to March 2008 were yet (October 2010) to be submitted by TPS Nashik.

[#]WCL-227.01 lakh MT, MCL-61.72 lakh MT, SECL-60.27 lakh MT and SCCL-22.60 lakh MT.

As per new agreements

2.2.36 As per terms of the new FSA, the sample drawn at loading points shall be analysed in the presence of the seller and the purchaser and results are binding on both the parties. Further, the seller shall give regular credit notes on account of grade slippage to the extent of difference in base price of declared and analysed grade of coal. The credit note shall be issued by the seller within seven days of acceptance of results under joint signature. The delay in issue of credit note attracted payment of interest by the seller at the Prime Lending Rate.

In this connection, we observed the following:

- The Company had not updated its Management Information System (MIS) at Power Stations/Superintending Engineer (SE) (Coal) level to generate month-wise information on number of rakes received, number of analysis reports indicating slippage in grade of coal received and number of analysis reports awaited from the sellers so that suitable remedial action could be taken. In the absence of a proper system in place, there was no regular submission of claims on monthly basis. The records indicated that WCL had issued credit notes of ₹ 6.75 crore in March 2010 and ₹ 5.93 crore in April 2010 on account of slippage in grade of coal supplied from December 2009 to March 2010. The Company had not received any such credit note from other three CCs (SECL, MCL and SCCL). In the absence of MIS, it could not be assessed in audit as to how many credit notes were due from the CCs, value of such credit notes, number of cases where analysis reports were not received and the interest payable for delay on the part of the seller.

- As per agreement, if the seller's representative was not present for joint inspection to assess the quantity of over sized stones, the assessment of the purchaser was binding and had to be communicated to the seller by the fifteenth day of the following month. However, the Company had not prescribed the modalities and time schedules for submission of such claims by the Power Stations to SE (Coal) Office and submission of consolidated claims by that office to the respective coal companies. Out of seven TPSs, Koradi TPS had not submitted any claim for stones received from April 2009 onwards. The quantity of stones assessed by Koradi TPS during 2009-10 was 1,996 MT (₹ 26.86 lakh) for which claims were yet to be raised (May 2010). Other TPSs were in arrears in submission of claims from July 2009 (Chandrapur and Paras), September 2009 (Bhusawal) and January 2010 (Nashik) onwards. The SE (Coal) office had not monitored submission of such claims by the respective TPSs. As a result, the Company could prefer claims of ₹ 2.09 crore for 15,514 MT of oversized stones against coal supplies of 66.05 lakh MT and the claims for oversized stones from the remaining quantity of 126.27 lakh MT of coal received during 2009-10 were yet to be raised (May 2010).

The Management stated that suitable computer software system would be developed for reconciliation of data and timely action on the claims. The reply was not convincing as the Management should have prescribed modalities to be followed by its various field offices for expeditious submission of claims on regular basis in the absence of a suitable software.

Excess consumption of coal

2.2.37 The consumption of coal depends upon its calorific value. The norms fixed in the project report for various power generation stations for production of one unit of power in the State *vis-a-vis* maximum and minimum consumption of coal during the period of five years ending 2009-10 is depicted below:

(In kg per unit)

Name of TPS	Consumption as per designed norms	Average minimum consumption during the year	Average maximum consumption during the year
Bhusawal	0.508	0.695 (2005-06)	Not available
Chandrapur	0.584	0.720 (2005-06)	0.965 (2008-09)
Khaperkheda	0.571	0.686 (2006-07)	0.939 (2008-09)
Parli	0.507	0.676 (2007-08)	0.963 (2008-09)

(Source: Information furnished by the Company)

The value of excess consumption of coal as compared to designed norms was ₹ 5,515.85 crore in four power stations during 2005-10.

From the above it may be seen that in all the four TPSs, the consumption remained higher than the norms in all the years under review. The Company stated that norms fixed by the manufacturer for the plants at Koradi, Nashik and Paras were not available. We observed that consumption above the norms resulted in excess consumption of coal to the tune of 333.33 lakh MT valued at ₹ 5,515.85 crore during the review period. Apart from the low calorific value transit losses and windage losses also contributed to excess consumption which could be *prima facie* controlled by the Management. Further, use of poor quality coal led to lowering of PLF by 5.60, 6.90 and 7.64 *per cent* during 2007-08, 2008-09 and 2009-10 respectively.

The particulars of coal requirement as per norms *vis-a-vis* actual consumption and excess over norm in respect of four TPSs are given below:

Sl.No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Unit generated (MUs)	28,234	27,514	29,616	29,519	29,241
2.	Coal required as per norms (In lakh MT)	157.60	153.88	166.42	165.34	163.38
3.	Coal consumed (Lakh MT)	209.32	210.92	235.17	243.17	241.37
4.	Excess consumption (Lakh MT) (3 – 2)	51.72	57.04	68.75	77.83	77.99
5.	Rate per MT (₹)	1,343	1,475	1,514	1,714	2,058
6.	Coal consumed per unit (Kg.) [3 / 1]	0.74	0.77	0.79	0.82	0.83
7.	Value of excess coal (₹in crore) (4 x 5)	694.60	841.34	1,040.88	1,334.00	1,605.03

The station-wise details are given in **Annexure-13**.

The Central Power Research Institute (CPRI) had recommended (December 2009) the installation of coal measuring devices without human intervention. Though, the Koradi power station had installed (February 2010) such devices at the cost of ₹ 26.14 lakh its performance was yet to be established (May 2010). On test check of records at Chandrapur and Koradi power stations we observed that the consumption of coal per unit of electricity generated was being worked out manually on the basis of total quantity received and closing stock. The manual system did not take into account the internal losses and the consumption reported may not be correct.

The Management stated that excess consumption of coal was mainly on account of poor quality of coal and overaging of thermal units. It was further stated that the devices for measurement of coal consumption had been installed in seven units and it would be installed in remaining 27 units in a phased manner. The coal consumption was more as the Gross Calorific Value of the coal received was not as per designed norms. However, the reply was silent on the efforts made, if any, by the Management to improve the quality of coal received by taking up the matter with coal Companies.

Transit loss of coal

2.2.38 The key factors contributing to transit loss are (a) evaporation of surface moisture in transit (b) error/deviations in weigh bridges (c) coal thefts in transit and (d) long distance involved in coal transport. MERC, while determining Annual Revenue Requirement (ARR) for the first control period from financial year 2007-08 to 2009-10, considered the transit loss of 0.80 *per cent* for all coal based power stations.

In this regard, we observed the following:

- As per the liasioning contract, the penalty for transit loss of more than 0.80 *per cent* was leviable. However, the rate of penalty varied from power station to power station and was not commensurate with the loss suffered by TPSs. Therefore, it is in the financial interest of the Company to contain the losses within norm. Further, the Company had not fixed power station-wise benchmark for transit losses to ensure that the losses were within the parameters.

- Considering transit loss at the rate of 0.80 *per cent* excess loss during 2005-10 worked out to ₹ 178.32 crore of which the loss during 2009-10 alone was ₹ 94.98 crore.

- The CPRI had observed (December 2009) in its report that the Company had not prescribed standard methodology, procedure or measurement methods for assessing transit loss. It had recommended various advance technologies such as rail tracking through communication technologies, rail signature system, installation of high tech weigh bridges *etc*. The action on the report was yet to be taken (September 2010).

The Management stated that it is difficult to standardise the losses on account of evaporation, pilferage during transit, wind loss *etc*. The reply is not convincing as the Management can evolve a baseline bench-mark based on the data compilation of loss.

Avoidable expenditure on procurement of furnace oil

2.2.39 The Company procures Furnace Oil (FO) for its Thermal Power Plants from Public Sector Oil Companies. As per supply orders prices were subject to revision by the GoI from time to time. Discount of ₹ 700 per Kilo Litre (KL) was payable on supply of FO during April 2007 to March 2011 by Indian Oil Corporation Limited (IOCL) and Bharat Petroleum Corporation Limited (BPCL). It was further stipulated that rates applicable to other Government Departments would also be applicable for the supply to the Company. The Company procured 1,32,113 KL of FO from IOCL, 2,14,092 KL from BPCL and 37,640 KL from Hindustan Petroleum Corporation Limited (HPCL) during April 2007 to March 2010.

We observed that Maharashtra State Road Transport Corporation (MSRTC) had entered into a Rate Contract (RC) with IOCL for supply of FO during three years (26 September 2007 to 25 September 2010) to its Tyre Re-treading Plant (TRP) at Nagpur offering a discount of ₹ 950 per KL. Thus, the discount offered to the Company was lower by ₹ 250 per KL than that given to MSRTC. It was further observed that there was no mechanism in place to ensure that Oil Companies did not charge higher rates for various products supplied to the Company than that charged to other Government Departments. Based on quantity of FO procured from IOCL and BPCL during 2007-08 to 2009-10, the avoidable expenditure incurred was to ₹ 9.60 crore[*].

The Management stated that discount offered depends upon various factors such as market conditions, quantity of order, payment terms *etc*. It was further stated that the contract with MSRTC was finalised later (September 2007) and therefore rates were not comparable. The reply was not convincing as the period of supply and financial terms were the same. The Company should have evolved a mechanism to check the rates charged to other Government departments/PSUs so that the tender conditions could be implemented.

Manpower Management

2.2.40 Consequent upon the unbundling of the erstwhile Maharashtra State Electricity Board (MSEB) and the Company coming into existence (May 2005), State Government decided that the staff strength available in the power stations would be taken as their respective sanctioned strengths. The

[*](1,32,113 KL from IOCL, 2,14,092 KL from BPCL and 37,640 KL from HPCL) x ₹ 250 per KL.

position of actual manpower, sanctioned strength and manpower as per CEA norm are given below:

Sl. No.	Particulars.	2005-06	2006-07	2007-08	2008-09	2009-10
1	Sanctioned strength	17,436	14,655	15,190	15,237	16,773
2	Manpower requirement as per the CEA norm as furnished by the Company	14,441	14,927	18,787	19,667	20,787
3	The requirement of manpower as per CEA norm[#] worked out by Audit	17,013	17,004	16,062	16,062	16,263
4	Actual manpower	14,102	14,010	14,735	14,780	15,642
5	Expenditure on salaries (₹ in crore)	353.18	434.28	487.80	668.02	616.41

(Source: Information furnished by the Company)

The above table shows that the overall actual manpower was less than the sanctioned strength as well as CEA norms during the period under review.

TPS, Chandrapur paid overtime of ₹ 23.86 crore during 2007-10, though manpower was in excess of norms.

However, during test check of records in TPS Chandrapur, we observed that actual manpower deployed was more than the sanctioned strength during the period 2006-07 to 2009-10. Notwithstanding, overtime was regularly paid during 2007-08 to 2009-10 amounting to ₹ 7.33 crore, ₹ 7.75 crore and ₹ 8.78 crore respectively. This indicated lack of managerial skill in deployment of manpower as payment of overtime was avoidable and could be curtailed significantly.

The Management stated that the Company had restricted over time to 25 hours per month as per the policy of the Company. It was further stated that lower class staff (Class III and IV) was not transferable. The reply was not convincing as in case of surplus staff over time payment in that category should have been avoided/minimised.

Output efficiency

Shortfall in generation

2.2.41 The yearly targets for generation of power upto 2005-06 were fixed by CEA and thereafter by MERC. We observed that the Company was able to generate a total of 2.44 lakh MUs of power during 2005-06 to 2009-10 against

[#]CEA norms for manpower per MW for Hydel (1.79 in X FYP and 1.61 in XI FYP) and Thermal including Gas (1.76 in X FYP and 1.58 in XI FYP).

the target of 2.72 lakh MUs. This resulted in a net shortfall of 0.28 lakh MUs as shown in the following table:

(In MUs)

Year	Target	Actual	Shortfall
2005-06	49,596	40,382	9,214
2006-07	53,821	50,357	3,464
2007-08	55,723	52,294	3,429
2008-09	55,658	50,398	5,260
2009-10	57,557	50,875	6,682
Total	**2,72,355**	**244,306**	**28,049**

(Source: Monthly Operational Reports for the period April 2005 to March 2010)

It would be seen from above that the Company could not achieve targets fixed by the MERC in any of the years during 2006-10 excepting 2005-06. The shortfall in generation showed an increasing trend. As the target for PLF had been fixed by MERC considering the availability of inputs, the loss of generation (28,049 MUs) during 2006-10 indicated that resources and capacity were not being utilised to the optimum level due to frequent breakdowns of units and delay in timely rectification of defects, operation of units at lower loads *etc.*, as discussed subsequently.

The power station/year-wise details of energy to be generated as per MERC target, actual generation, PLF as per MERC target and actual PLF in respect of the power projects commissioned up to March 2010 are given in **Annexure-14**.

The Management stated that the loss of generation was mainly due to receipt of poor quality of coal and outages of units for repairs and maintenance. However, the loss could have been minimised by avoiding forced outages through timely maintenance.

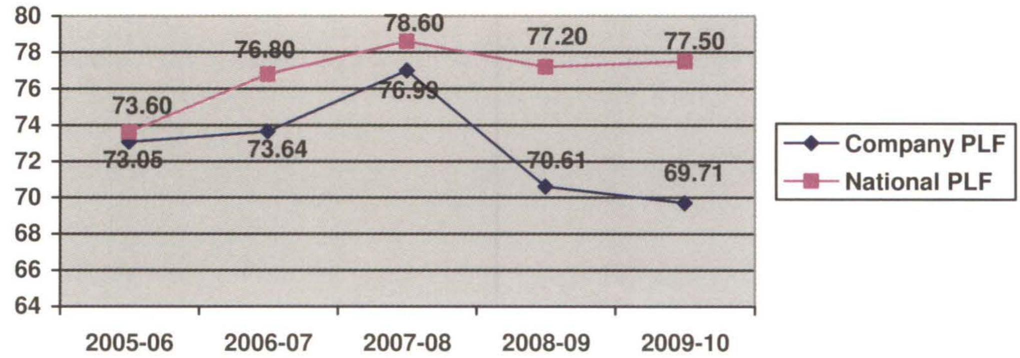
Low plant load factor

2.2.42 PLF refers to the ratio between the actual generation and the maximum possible generation at installed capacity. According to norms fixed by MERC, the PLF for thermal power generating stations was 80 *per cent,* against which the National PLF was 73.60, 76.80, 78.60, 77.20 and 77.50 *per cent* for the period 2005-10 respectively. The PLF

PLF of Unit VI of Kota TPS of Rajasthan Rajya Vidyut Utpadan Nigam Limited at 101.10 *per cent* was the highest among all State Sector units.

of the Company was 73.05, 73.64, 76.99, 70.61 and 69.71 *per cent* respectively and remained below national PLF as indicated below:

PLF of the Company during the review period



The details of average realisation *vis-a-vis* average cost per unit, PLF achieved, national PLF, PLF at which average cost would be recovered and the shortfall of PLF in *per cent* are given in the following table:

Sl. No.	Description	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Average realisation (₹ per unit)	1.46	1.60	1.71	2.05	2.41
2.	Average cost (₹ per unit)	1.41	1.51	1.59	2.04	2.32
3.	Actual PLF (*Per cent*)	73.05	73.64	76.99	70.61	69.71
4.	National PLF (*Per cent*)	73.60	76.80	78.60	77.20	77.50
5.	PLF at which average cost stands recovered (*Per cent*) (2/1 x 3)	70.55	69.50	71.59	70.27	67.11

Loss of generation due to low PLF was 10,465 MUs during 2005-10.

It could be seen from the above table that the estimated shortfall in generation worked out to 10,465[Φ] MUs (when compared with the national PLF during 2005-06 to 2009-10) resulting in loss of contribution amounting to ₹ 397.69 crore.

We observed that out of total 32 thermal units (6,425 MW), the number of units achieving a target of 80 *per cent* PLF decreased from 13 units in 2006-07 to seven units in 2009-10. On the other hand the number of units performing below MERC target increased from 19 units in 2006-07 to 27 units in 2009-10 as indicated in **Annexure-15**. We further observed that the number of units that operated below break even PLF (BEPLF) increased from nine units in 2005-06 to 18 units in 2009-10. Five units of Koradi, two units of Nashik, two units of Chandrapur and one unit of Parli were operating below BEPLF for three to five years during 2005-2010.

[Φ] Expected generation of 2,21,541 MUs at National PLF less actual generation of 2,09,952 MUs and Auxiliary consumption of 1,124 MUs during 2005-10.

The Management stated that the over-aging of plants and frequent repairs affected the PLF. However, the fact remained that the Company had not taken up programme for renovation/replacement of overaged units so far (September 2010).

Plant availability

2.2.43 Plant availability means the *ratio* of actual hours operated to maximum possible hours available during certain period. As against MERC norm of 84-85 *per cent* plant availability during 2006-10, the actual plant availability of thermal power plants varied between 81.18 and 88.40 *per cent* during 2005-10.

The details of total hours available, total hours operated, planned outages, forced outages and overall plant availability achieved by the Company in respect of 32-34 thermal units during 2005-10 was as under:

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Total hours available	2,80,320	2,80,320	2,98,656	2,97,840	2,97,840
2.	Total operated hours	2,27,552	2,30,176	2,61,562	2,58,196	2,63,296
3.	Total planned outages (In hours)	25,568	22,144	23,732	25,058	17,340
4.	Total forced outages (In hours)	27,200	28,000	13,362	14,586	17,204
5.	Plant availability (*Per cent*)	81.18	82.11	87.58	86.69	88.40

(Source: Information furnished by the Company)

It could be seen from the above that there was an improving trend in overall plant availability. Audit analysis, however, indicated that the plant availability was below MERC norm in respect of six units during 2006-07 which increased to nine units during 2009-10.

Low capacity utilisation

2.2.44 Capacity utilisation means the *ratio* of actual generation to possible generation during actual hours of operation. Based on national PLF at 77.22 *per cent* and the overall plant availability in the State generating Companies at 82.67 *per cent* during 2008-09, the standard capacity utilisation for Thermal Power Stations worked out to 93.41 *per cent.* We observed that the capacity utilisation of the Company decreased from 89.99 *per cent* in 2005-06 to 78.86 *per cent* in 2009-10.

The Management stated that poor quality of coal and overaging of plants resulted in operation of units at lower load which ultimately resulted in low capacity utilisation.

Outages

2.2.45 Outages refer to the period for which the thermal plant remains closed for attending to planned/forced maintenance. We observed the following:

- The total number of hours lost due to planned outages decreased from 25,568 hours in 2005-06 to 17,340 hours in 2009-10 *i.e.* from 9.12 to 5.82 *per cent* of the total available hours in the respective years.

- The forced outages decreased from 27,200 hours in 2005-06 to 17,204 hours in 2009-10 *i.e.* from 9.70 to 5.78 *per cent* of the total available hours in the respective years. The overall power station-wise forced outages remained less than the norm of 10 *per cent* fixed by CEA in all the five years ending 31 March 2010. However, the forced outages in respect of four to nine units during 2005-10 were in excess of the norm of 10 *per cent* prescribed by CEA and ranged from 884 to 7,618 hours per unit.

The Management accepted that these units were under shut down for various major repair works.

Auxiliary consumption of power

2.2.46 Energy consumed by power stations themselves for running their equipments and common services is called auxiliary consumption. MERC fixed target for auxiliary consumption ranging from 8.68 to 9.07 *per cent* for thermal power plants during 2006-07 to 2009-10. However, the actual auxiliary consumption was more than the target and ranged from 8.74 *per cent* in 2005-06 to 10.39 *per cent* in 2009-10 resulting in excess consumption of 1,076 MUs valued at ₹ 246.05 crore which could not be dispatched to the grid.

Wanakbori TPS of GSECL was the best performer and achieved the lowest auxiliary power consumption at 7.05 *per cent* during 2008-09.

The Management stated that the auxiliary consumption was more due to poor quality of coal and wet coal received during rainy season.

Repairs and maintenance

2.2.47 To ensure long-term sustainable levels of performance, it is important to adhere to periodic maintenance schedules. The efficiency and availability of equipment is dependent on the strict adherence to annual maintenance and equipment overhauling schedules. Non-adherence to schedule carry the risk of the equipment consuming more coal, fuel oil and a higher risk of forced outages which necessitate undertaking of R&M works. These factors lead to increase in the cost of power generation due to reduced availability of equipments which affect the total power generated.

In this connection, we observed that:

- Maintenance as per time schedule was taken up only in respect of one unit (Parli Unit-one) during 2008-09.

- Maintenance was planned but not taken up in respect of three, 11, 6, 9 and 17 units during 2005-10 respectively.

- Delay in taking up maintenance ranged from 100 to 200 days in respect of 23 units and more than 200 days in respect of 10 units during 2005-10.

Delayed maintenance caused continuous deterioration in the condition of the machines causing forced outages* besides increased consumption of oil, coal and loss of generation of power by lowering PLF from 8.83 to 13.57 *per cent* during 2007-08 to 2009-10.

The Management stated that the maintenance schedule could not be observed due to power shortage in the State. It was further stated that the maintenance schedule would be followed from 2010-11. The stated reason was not justifiable as the compromise with technical requirement would lead to major repairs or breakdown of generating units.

Financial Management

2.2.48 Efficient fund Management is the need of the hour in any organisation. This also serves as a tool for decision making, for optimum utilisation of available resources and borrowings at favourable terms at appropriate time.

The power sector companies should, therefore, streamline their systems and procedures to ensure that:

- Funds are not invested in idle inventory;

- Outstanding advances are adjusted/recovered promptly;

- Funds are not borrowed in advance of actual need; and

- Swapping of high cost debt with low cost debt is availed expeditiously.

The main sources of funds were realisation from sale of power, loans from State Government/Banks/Financial Institutions (FI), *etc.* These funds were mainly utilised for setting up new projects, to meet payments of employees and administrative costs, debt servicing and system improvement works of capital and revenue nature.

*Forced outages is closure of plant due to break down in the system.

Details of sources and utilisation of resources on actual basis for the Company for the years 2006-07 to 2009-10 are given below:

(*₹ in crore*)

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10 (Provisional)
Cash Inflow					
1.	Net Profit/(loss)	233.52	300.03	84.10	203.40
2.	Add: adjustments	742.44	519.56	746.00	1,039.86
3.	Operating activities	52.41	1,239.73	2,181.20	220.24
4.	Investing activities	26.42	58.05	182.06	3.53
5.	Financing activities	1,417.25	2,012.71	3,893.03	11,460.14
6.	**Total**	**2,472.04**	**4,130.08**	**7,086.39**	**12,927.17**
Cash Outflow					
7.	Operating activities	591.18	1,765.85	2,044.82	1,475.67
8.	Investing activities	1,670.40	2,276.46	4,416.35	4,415.93
9.	Financing activities	196.26	120.60	448.35	7,009.54
10.	**Total**	**2,457.84**	**4,162.91**	**6,909.52**	**12,901.14**
Net increase/(decrease) in cash and cash equivalent		**14.20**	**(32.83)**	**176.87**	**26.03**

We observed that dependence on borrowed funds increased during the review period from ₹ 2,413.74 crore in 2005-06 to ₹ 12,987.99 crore as at the end of 2009-10 mainly on account of taking up of new projects. This entailed interest burden of ₹ 2,651.39 crore during the review period. Therefore, there was an urgent need to optimise internal resource generation by enhancing the PLF to national level.

As per the guidelines of Central Electricity Regulatory Commission (CERC) the TPS has to maintain spares of ₹ four lakh per MW of installed capacity. The value of spares to be maintained by seven TPSs on the basis of CERC guidelines worked out to ₹ 272 crore. As at the end of March 2010, the TPSs held stock of spares valued at ₹ 328.35 crore which was in excess of the norm by ₹ 56.35 crore. This resulted in locking up of funds and corresponding loss of interest (at nine *per cent*) of ₹ 5.07 crore per annum.

The Management justified that excess stock was maintained to cater to annual and capital overhaul of units and that stock remained in stores as the overhaul works were postponed. It was further stated that the stock could have been reduced by ₹ 9.48 crore if the maintenance was done as per schedule. The reply was not convincing as the value of stock was still higher by ₹ 46.87 crore even after excluding the stock required for annual and capital overhaul.

Claims and dues

2.2.49 The Company sells energy to MSEDCL at the rates specified by MERC from time to time. MERC fixes the tariff rates after considering various economic and other factors.

The table below gives the details of energy bills raised on Distribution Company, recoveries there against and coal bills received *vis-a-vis* payments made for the review period.

(₹ in crore)

Sl. No.	Details	2005-06	2006-07	2007-08	2008-09	2009-10	Total
1.	Energy bills on MSEDCL	5,784	10,767	7,736	9,306	9,683	**43,276**
2.	Amounts received	1,359	13,913	7,269	8,681	10,586	**41,808**
3.	Difference (1-2)	4,425	(3,146)	467	625	(903)	**1,468**
4.	Coal bills received	3,276	3,216	3,856	4,099	3,623	**18,070**
5.	Payments made	3,255	3,216	3,856	4,110	3,769	**18,206**
6.	Difference (4-5)	21	-	-	(11)	(146)	**(136)**@

Energy bills were not being recovered promptly leaving a shortfall of ₹ 1,468 crore during review period.

It would be seen from the above table that during the review period against energy bills of ₹ 43,276 crore an amount of ₹ 41,808 crore was recovered leaving a shortfall of ₹ 1,468 crore. Thus, energy bills were not being recovered promptly.

Tariff fixation

2.2.50 As per MERC Regulations, 2005, the Company is required to submit Aggregate Revenue Requirement (ARR) and tariff petition to MERC for approval. Application for tariff shall be made to MERC not less than 120 days before the date on which tariff is intended to be made effective. The Company filed ARR and tariff petitions in time. MERC considered (March 2010) actual performance as norms for the period 2005-06 to 2007-08 and directed the Company to provide unit-wise and station-wise details of actual availability and PLF based on CPRI recommendations from 2008-09 onwards to enable the Commission to consider fixing of achievable targets.

The Management stated that the Company will submit the requisite details to MERC.

Environmental issues

2.2.51 The following deficiencies were noticed in respect of environmental aspects:

- The installation of Electrostatic Precipitators supplied by BHEL for TPS, Parli Unit-six recorded Suspended Particulate Matters levels ranging from 80 to 149 mg/nm3 as against the designed level of 50-70 mg/nm3.

- The on-line monitoring equipments were not installed in 22 (Parli-six, Koradi-seven, Nashik-five and Chandrpur-four) out of 34 thermal units as required under the Environment (Protection) Act, 1986.

@This is due to advance payment made to Coal Companies.

- The Maharashtra Pollution Control Board had issued (December 2009) a show cause notice to TPS, Parli for violation of environmental norms and had warned legal action for various violations. Bank guarantee of ₹10 lakh for violation was also not deposited by the Company.

- Noise levels were above prescribed level at TPS, Khaperkheda (80 to 96 db), Paras (88 to 97 db), Bhusawal (75 to 90 db) and Parli (55 to 95 db) during the period under review as against the prescribed level of 75 db during day and 70 db during night.

- The interlocking system had not been installed in TPSs which can stop production automatically in case pollution control devices become non-functional.

- Out of the total fly ash of 568.29 lakh MTs generated, only 194.77 lakh MTs was utilised during the period of review.

The Management/State Government stated that majority of thermal units were very old and they were designed as per the norms prevailing at that time. It was further stated that the Company has taken various steps to minimise the pollution.

Monitoring by top Management

MIS data and monitoring of service parameters

2.2.52 The Company plays an important role in the State economy. For such a giant organisation to succeed in operating economically, efficiently and effectively, there should be documented Management systems of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such that the achievement of which would make an organisation self-reliant.

In this regard, we observed the following:

- The Company had not prepared a rolling Corporate Plan for R&M and replacement of over-aged units in a phase manner.

- In the absence of proper planning, the R&M/LE programme of over-aged units (more than 25 years) could not be implemented in time.

- A reliable and comprehensive MIS is not in existence.

- A Monthly Operational Review Meeting (MORM) is held every month which is presided by Director (Operations/Finance). The outcome of the Review Meeting is reviewed by the Managing Director. MORM mechanism is not comprehensive as it did not address deficiencies with problem areas such as replacement of over-aged thermal units, poor quality of coal and shortage of gas, co-relation of physical progress on ongoing projects with financial cost *etc.*

- The Company had not updated its MIS to generate information on coal receipt through various means of transport, receipt of number of analysis reports, quantity covered by such reports, number of analysis reports indicating slippage in the grade of coal and number of rakes where test results were awaited from the sellers for remedial action in case of slippage in the grade of coal.

- The Board of Director did not evaluate the socio economic parameters to analyse the success rate of the on-going projects or positive impact on the socio-economic parameters through an appraisal of Corporate Social Responsibility aspects.

- Environment Impact Assessment Study was not conducted to assess the environmental sustainability of on-going efficiency improvement measures.

Acknowledgement

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

Conclusion

- **The State Government and the Company did not plan capacity additions to achieve the objectives of NEP to provide power for all by 2012. The deficit at the end of 2009-10 was more than 4,000 MW. The Company had not prepared a rolling Corporate Plan which was essential for a vital infrastructure sector like the power sector.**

- **Adequate land acquisition/statutory clearances were not factored into planning new projects.**

- **The availability of power in the State ranged from 66.36 to 74.86 *per cent* of the total peak demand and 70.67 to 75.01 *per cent* of the total average demand.**

- **The Company had pending claims of ₹ 76.10 crore on account of stones/shales and slippage in grade with SECL and MCL.**

- **The Company had not developed MIS necessary for preferring claims under new agreements on account of stones and slippage in the grade of coal on month to month basis.**

- **The transit loss over and above the norm worked out to ₹ 178.32 crore during review period. Notwithstanding, the Company had not fixed power station-wise bench mark for transit loss so that abnormal losses could be identified and action taken.**

- **The Company had not pursued with MSEDCL to recover outstanding dues of ₹ 1,468 crore.**

Recommendations

- **The State Government needs to focus on formulating an integrated policy on electricity to monitor achievable time-frame for completion of power projects.**

The Company should consider:

- **preparing Corporate Plan for monitoring physical and financial progress of on-going projects and develop strategic mechanism to fast track completion of delayed projects.**
- **undertaking trial run before commercial operation of the plant to avoid frequent outages due to improper installation.**
- **take up repair and maintenance/life extension programmes in time and replace old thermal units in a phased manner.**
- **its MIS to generate data enabling it to prefer claims on Coal Companies for quality slippages.**
- **fixing the power station-wise bench mark for transit loss of coal so that abnormal losses could be identified for suitable corrective action.**
- **vigorously pursue with the SECL and MCL for pending claims on account of stones/shales and slippage in quality of coal relating to the period from October 2001 to March 2009.**
- **Should pursue vigorously to realise promptly outstanding energy bills from MSEDCL.**

Chapter III

3. Transaction Audit Observations

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

Government Companies

Maharashtra State Electricity Distribution Company Limited

3.1. *Avoidable loss of interest*

The Company failed to avail the complete credit period for payment for energy purchased resulting in avoidable loss of interest of ₹ 8.91 crore on borrowings for payment.

The Company purchases power from Tarapur and Kakrapar plants of the Nuclear Power Corporation of India Limited (NPCIL). The Company entered into Power Purchase Agreements (PPA) with the plants of NPCIL since 2005 for purchase of power.

As per clause No.8.3 of the PPA, NPCIL allows rebate of 2.5 *per cent* on the amount of energy bill (excluding duties, levies *etc.*) negotiated through Letter of Credit (LC) on presentation of the bills by NPCIL to the bank within the last day of the calendar month in which date of issue of bill is recorded. The Company accordingly arranged separate LC in favour of NPCIL's Tarapur and Kakrapar plants.

We noticed that during the period 2005-06 to 2009-10, though the due date of monthly energy bill was the last day of the calendar month in which bill was issued, in majority of the bills, the due date mentioned on the energy bills was 26 or 30 of the respective month. The Company was paying bills through LC by operating bank overdrafts. Further, it was noticed in audit that during 2005-06 to 2009-10 (up to February 2010) the Company had made weekly payments of 25 *per cent* each against the monthly bill. The payments were made four to 27 days in advance of the due date. The reasons for not making the payment as per the terms of agreement on due date were not on record. Thus, the Company failed to avail the complete credit period allowed by NPCIL for making payment of bills.

Out of the total energy bills aggregating ₹ 2,931.63 crore, payments during the period 2005-06 to 2009-10 (up to February 2010) to the extent of ₹ 2,127.57 crore (72.57 *per cent* of total bills) were made four to 27 days before the due dates on which the interest burden at the rate of 11 *per cent* (average interest on bank overdrafts) worked out to ₹ 8.91 crore.

Since the payment was made through LC, the Company could have availed of the full credit period allowed for making payment of the energy bills and avoided the payment of interest on borrowings through bank overdrafts. Thus, the payment of bills in advance of the due dates was not in the best financial interest of the Company.

The Company accepted the audit observation (May 2010) and further stated that payment is now being made on the last day of the month in which bill is issued. In fact this reveals that due to delay in following the modified condition for payment of energy bills the Company suffered avoidable loss of interest of ₹ 8.91 crore.

It is, therefore, recommended that the Company enters into an agreement with the supply Company and its own bankers to debit the account only on the last day meant for payment.

The matter was reported to the Government (March 2010); their reply had not been received (December 2010).

Maharashtra Airport Development Company Limited

3.2 *Undue favour to a private agency*

The Company extended undue favour to an agency due to non cancellation of allotment and non forfeiture of the advance payment of ₹ 8.80 crore.

The award of public contract through open tender is to ensure transparency by giving wide and adequate publicity. Further, award of contracts on nomination basis, which is also called a single tender is to be resorted to only under exceptional circumstances such as natural calamities and emergencies or if there were no bids to repeated tenders or where only one supplier has been licensed for the work.

Maharashtra Airport Development Company Limited (Company) invited (7 June 2006) expression of interest (EoI) only through one newspaper, the Times of India, for sale of land for establishment of Health City in the Multi-modal International Passenger and Cargo Hub Airport (MIHAN) project at Nagpur. Of the eight parties who responded to EoI, seven were found eligible, to whom Request for Proposal (RFP) was circulated in August 2007 by e-mail. In response to RFP, offer was received only from Quality Care India Limited (QCIL), which led to a single tender situation which could have been avoided by re-tendering the same. However, the Evaluation Committee (EC) of the Company considered the single tender and accepted (6 December 2007) the offer of QCIL as the agency agreed to complete the project within 36 months after obtaining possession of the land.

Accordingly, the consortium of QCIL, John Hopkins Medicine International and Indu Projects Limited was allotted (June 2008) 74 acres of land on lease for a period of 66 years in MIHAN project for developing a Health City by setting up a 750 bedded Hospital at the rate of ₹ 60 lakh per acre amounting to

₹ 44.40 crore. As per the terms and conditions the lessee had to pay 20 *per cent* consideration as advance payment to indicate his confirmed interest in the land. The balance 80 *per cent* payment was payable within 30 days of confirmed allotment. In case of non-payment of balance consideration within the stipulated period, the advance payment (20 *per cent*) was to be forfeited. Accordingly, QCIL paid advance payment (20 *per cent* of consideration) of ₹ 8.80 crore in August and September 2008. The balance 80 *per cent* consideration of ₹ 35.60 crore had not been paid by QCIL so far (October 2010) *i.e.* even after a lapse of 23 months from the date of advance payment.

In this connection we observed the following:

- In the interest of transparency, the EoI should have been given wide and adequate publicity. However, this was not done as the EoI appeared only in the Times of India and not in the local vernacular newspapers.

- From the bidding documents, records were not available as to when RFP was sent by e-mail to QCIL. The receipt of offer only from QCIL was thus highly irregular, as it led to a single tender situation.

- The Company forwarded the RFP to bidders by e-mail. However, the Company should have also ensured that the RFP was circulated to all the eligible bidders by Registered Post to get competitive bids. Failure, to do so had resulted in poor response to RFP as offer was received from only QCIL which led to a single tender situation.

- Penalty clause as decided by the EC of ₹ five lakh per week beyond 36 months from the date of handing over of land was not included in the allotment letter.

- Inspite of default, the Company did not cancel the allotment of land to QCIL as per the terms of land policy by forfeiting the amount of ₹ 8.80 crore even after a lapse of 23 months.

The Management stated (May 2010) that due to adverse economic condition investors had delayed their decision to invest funds in projects. Further, it stated that the cancellation of allotment and finding a new investor would result in loss of time.

We noticed that eleven other parties allotted land under the same project had made the payment during the year 2008-09 and therefore the excuse of adverse economic condition was not correct. Further, the very purpose of development of MIHAN project by the Company was defeated due to non-disposal of allotted land and non-taking of decision on the matter till date leading to an undue favour to a private agency by stale-mating the process.

It is, therefore, recommended that the Company should ensure compliance of the terms and conditions of allotment of land so that no undue benefits are extended to the allottees. Immediate steps should be taken to arrive at a decision on the allotment of land to QCIL.

The matter was reported to the Government (May 2010); their reply had not been received (December 2010).

3.3 *Unfruitful expenditure*

The Company incurred unfruitful expenditure of ₹ 52.80 lakh on Management Consultancy services.

The Maharashtra Airport Development Company Limited (Company) appointed (February 2008) the Matrix Technical Services Private Limited as Project Management Consultant (PMC) on lump-sum consultancy charges of ₹ 22 lakh for work of diversion of High Tension (HT) lines which was passing through the Multi-modal International Passenger and Cargo Hub Airport (MIHAN) project area of the Company. The work was to be completed by 30 November 2008. The scope of consultancy included preparation of bid documents, bid evaluation, design of towers and conductors to be installed on HT line. As per the terms of payment 15 *per cent* amount (₹ 3.30 lakh) was payable on issue of tender notice, 25 *per cent* (₹ 5.50 lakh) on finalisation of contract and the balance 60 *per cent* (₹ 13.20 lakh) in six monthly instalments of ₹ 2.20 lakh each.

The Company awarded (June 2008) the work of diversion of HT lines to Aster Teleservices Private Limited at a cost of ₹ 5.42 crore. However, due to change in the scope of work by Maharashtra State Electricity Transmission Company Limited, the Company invited a fresh tender and awarded the work (April 2010) to a new contractor Chadalavada Constructions (P) Limited at ₹ 8.96 crore.

In this connection, we observed (September 2009) that the Vice Chairman and Managing Director of the Company decided (February 2009) to pay consultancy fee at the rate of ₹ 2.20 lakh per month till the completion of work of diversion of HT line instead of as a percentage of work executed. The work of diversion of HT line had not started as of May 2010. Thus, there was an absence of a suitable clause in the contract with the PMC which prescribed a formula for payment of fees during an extension of time-frame and in case of change in scope of work. This resulted in the Company making a total payment of ₹ 61.60 lakh[@] to the PMC without any execution of diversion work. We assessed the unfruitful expenditure to be ₹ 52.80 lakh*.

The Management stated (May 2010) that the *post facto* approval of the Board was obtained on 13th May 2010 for continuance of the PMC on payment of ₹ 2.20 lakh per month. The reply was not acceptable as it did not address the absence of linkage of the payment of consultancy charges with any time frame and the progress of work. The fact remains that the Company had paid ₹ 61.60 lakh to the PMC when the work of diversion of HT lines had not even commenced.

[@] ₹ 2.20 lakh each from February 2008 to May 2010.

*Excluding payment already made towards 15 *per cent* amount (₹ 3.30 lakh) on issue of tender notice and 25 per cent (₹ 5.50 lakh) on finalisation of contract.

It is, therefore, recommended that a condition for regulating fees in case of extension of time and change in the scope of work should be suitably incorporated in future consultancy contracts.

The matter was reported to the Government (May 2010); their reply had not been received (December 2010).

Maharashtra State Road Development Corporation Limited

3.4 *Deficient planning*

Lack of proper planning led to a time overrun of more than five years in commissioning of Rail Under Bridge at RCF Junction, Chembur (Mumbai), unfruitful expenditure of ₹ 4.30 crore and additional liability of ₹ 5.90 crore.

The work of construction of Road Under Bridge (RUB) at RCF Junction, Chembur is one of the 50 flyover projects entrusted to Maharashtra State Road Development Corporation Limited (Company) by the Government of Maharashtra (September 1997) for improving the flow of traffic in Greater Mumbai. The Project Management Consultancy (PMC) work was awarded (May 2000) to Rail India Technical and Economical Services Limited (RITES) and the Company paid an amount of ₹ 38 lakh towards consultancy charges. The preparation of project report considering the site conditions was the responsibility of the consultants.

The contract for construction of RUB and civil works was awarded (May 2003) to J. Kumar & Company, who was the L1 bidder for ₹ 1.90 crore by pushing cement concrete boxes under the rail track. The work was scheduled to be completed by May 2005 (24 months) which was extended up to May 2007. The Company had incurred total expenditure of ₹ 4.30[#] crore on the project till the contractor had suspended work (January 2007).

It was noticed that the Company subsequently terminated (September 2007) the consultancy contract of RITES and the balance PMC work was awarded to another consultant S.N. Bhobe and Associates Private Limited on 16 August 2008. The reasons for cancellation of contract of RITES were not on record.

The Company decided to implement the new scheme of relieving girder for RUB as suggested (January 2008) by the Railways. Fresh tenders (September 2008) were invited for the balance work of RUB at the estimated cost of ₹ 9.75 crore after a delay of 21 months from the suspension of work (January 2007). In response, only one offer was received against the tender and the work was awarded (February 2009) to Manoja Sthaptya (contractor) at ₹ 12.12 crore on single tender basis. The work was scheduled to be completed in six months by August 2009.

[#] Payments to Railways-₹ 2.34 crore, Contractor-₹ 1.43 crore, Consultant-₹ 0.38 crore, MTNL-₹ 0.09 crore and HPCL-₹ 0.06 crore against the contract.

In June 2009, after obtaining permission for a 30 hours Mega Block (MB) from the Railways the concrete box was attempted to be pulled out as decided by the Company. However, it started tilting due to condition of soil and severe ground water condition with presence of weak marine clay. Thereafter, as suggested by the Railways (January 2008) the contractor submitted (December 2009) a new scheme involving dismantling of the pre-cast concrete boxes for RUB and implementing the work by using single span semi-through girder bridge. The scheme was approved by the Railway Authorities in February 2010 and the work was still incomplete (December 2010).

We observed (March 2010) from the records as follows:

- As per the bid document of the first contract MSRDC was to provide all effective assistance to the contractors in obtaining clearance from the Railways. But the Company pursued the matter with the Railways for obtaining clearance during February, June and December 2007 *i.e.* after a delay of more than three and a half years which clearly indicated lack of follow-up by the Company. Further, the Company failed to incorporate any contractual provision of sole responsibility of the contractor to get clearance from the Railways.

- The scheme submitted by RITES was found deficient by the Railways (June 2006). RITES clarified the deficiencies in September 2006 to the Company. Instead of acting on deficiencies pointed out by RITES the contract of RITES was cancelled without recording any reasons.

- The Company changed the consultant (August 2008) without considering the site condition as it had been noticed by RITES that the site had severe ground condition and coal ash filling material was noticed. Hence the boxes pulled in were tilted leading to time and cost overrun.

- The performance of the second contractor was also not good and only 40 *per cent* work was completed even after delay of one year from the scheduled date of completion. The reasons for not properly assessing the performance credentials of the contractor before award of work on single tender basis were not clear.

- The period of six months for completion of the incomplete work was unrealistic and the project slated to be completed in 24 months remained incomplete even after 84 months.

Thus, inadequate and deficient planning of the project and ineffective appraisal of defective site conditions inspite of recommendations made by the first PMC had resulted in time overrun of over five years after commencement of work with consequent cost overrun. The Company had to incur unfruitful expenditure of ₹ 4.30 crore by awarding the contract to the second contractor at quoted price of ₹ 12.12 crore. It also had to bear the additional liability of ₹ 5.90 crore towards additional supervision and maintenance charges payable to Railways.

The Management stated (October 2010) that civil works were started in 2003 in anticipation of getting permission from Central Railway. The Company admitted that the soil conditions were not favourable for box pushing and changes were made in technical specification and that the balance work would be completed within six months after receipt of necessary approvals from Railways.

The reply did not justify the delay in implementation of the scheme and was silent on lack of follow-up by the Company during 2003-05. The reasons for termination of contract of RITES instead of taking action on the technical flaws pointed out by RITES were also not addressed clearly.

It is therefore recommended that the infrastructure projects should be properly planned after considering all aspects with achievable attributes and bench-marks for its completion so as to avoid time overruns. The Company needs to co-ordinate its follow-up action and monitor timely and cost-effective progress of work. Performance evaluation of contractors should be rigorous prior to award of work.

The matter was reported to the Government (June 2010); their reply had not been received (December 2010).

3.5 *Avoidable loss of revenue*

The Company suffered loss of revenue of ₹ 63.43 lakh due to delay in finalisation of toll collection contract.

The Company collects toll revenue on roads constructed on Build, Operate and Transfer basis by awarding toll collection contracts on upfront payment basis to contractors through tendering process. The toll collection contract at Dusarbeed on Sultanpur-Sindkhedraja Road for 156 weeks from 21 February 2006 to 15 February 2009 was awarded to Jai Laxmi Construction (Contractor) at the monthly upfront payment of ₹ 12.86 lakh.

The Company was to ensure finalisation of the next toll collection contract before conclusion of the earlier contract for uninterrupted toll collection at appropriate rates to maximise revenue generation. The Company, two months prior to conclusion of the earlier contract, invited (9 December 2008) tenders for toll collection for 104 weeks from 16 February 2009 onwards with estimated toll revenue of ₹ 5.06 crore for the period of contract (₹ 25.30 lakh per month). However, the contract was awarded (6 June 2009) to Souvenir Developers (I) Private Limited who was the highest bidder at ₹ 7.37 crore (monthly upfront payment of ₹ 28.35 lakh) and the contract became operative from 15 June 2009. During the period 16th February to 14th June 2009 the toll collection work was given to the earlier contractor by issuing extension orders at the existing monthly upfront payment rate of ₹ 12.86 lakh.

Scrutiny of records in Audit revealed (August 2009) that though the proposal for tendering was initiated in August 2008, tenders were called for on 9 December 2008 after a delay of about four months and the last date of submission of tender was extended from 12 to 23 January 2009. The technical bids of eight tenderers who had submitted offers were opened on 23 January 2009. However, the financial bids were opened after a delay of 44 days *i.e.* on 9 March 2009. Thus, there was a time lag of 133 and 44 days in issue of the work order after opening of the technical bids and price bids respectively. Before opening the price bid the Company granted (16 February 2009) extension of 28 days (four weeks) to the existing contractor. No efforts were made to finalise the new tender within this extended period and further extension was granted up to 14 June 2009.

Delay in finalisation of tender necessitated extension of the earlier contract at the lower rate resulting in loss of revenue of ₹ 63.43 lakh when compared to the estimated rate as per tender up to the date of opening of the price bids; and the highest rates received and accepted as per tender. The delay in finalisation of the tender was avoidable and continuation of the earlier contract at the lower rate was detrimental to the financial interest of the Company.

The Management stated (November 2010), which was also endorsed by the Government (December 2010) that delay in finalisation of toll collection contract up to 14 June 2009 was due to election code of conduct effective from 3 March 2009.

The reply is not convincing as the Company was aware that the earlier toll collection contract was expiring on 15 February 2009. The process should have been started well in advance so that the new contract became operative immediately after the expiry of the earlier contract. Failure to do so is indicative of flawed contract management process leading to non-safeguard to financial interest.

It is, therefore, recommended that the Company should take remedial measures to finalise the tenders before expiry of the toll collection contract to ensure protection of the financial interest of the Company. Besides, responsibility may also be fixed for delay in issue of tender advertisement, finalisation of tender and issue of work order which led to the loss of revenue.

Maharashtra Film, Stage and Cultural Development Corporation Limited

3.6 *Short recovery of upfront cost*

The Company suffered revenue loss of ₹ 4.21 crore due to short recovery of upfront cost from BOT operators.

The Company decided (June 2002) to construct three* studios and a Communication Centre at Filmcity, Goregaon by utilising the borrowed funds of ₹ 20 crore which were raised through issue of interest-bearing bonds. However, the Company incurred expenditure of ₹ 6.29 crore and diverted the remaining funds for other purposes. The project was abandoned (June 2003)

* Studio VII, VIII and IX.

due to non-availability of funds and other constraints. The Board of Directors then decided (February 2004) to execute the project on Build, Operate and Transfer (BOT) basis.

The Company estimated the project cost at ₹ 54.23 crore which included the following components:

- Expenditure incurred by the Company of ₹ 6.29 crore and additional cost of ₹ 3.33 crore being the present value of construction carried out by the Company and ₹ 4.03 crore towards consultancy.
- Other charges and ₹ 40.58 crore being the balance cost for completion of work by the private agencies.

Accordingly, tenders were invited for completing the project on BOT basis. The Company awarded (August 2007) the works towards completion of the studios to Adlab Limited and the work of completion of the Communication Centre to Mukta Arts Limited being the highest offers[♣].

As per the guidelines for upfront tariff setting for Public Private Partnership (PPP) Projects of Government of India, the major components in fixation of upfront cost of any project are to be capital cost and operating cost. The capital cost *inter alia* includes financing cost and interest during construction *etc.* As the Company had raised the funds through bond issue, the capital cost inclusive of interest on borrowing should have been considered while fixing the upfront cost. We noticed that while computing the upfront cost of ₹ 13.64 crore, the Company had not considered the interest of ₹ 4.21 crore (paid during the period April 2002 to March 2007) on the borrowings through bonds which resulted in short recovery of ₹ 4.21 crore from the BOT operators and consequential loss of revenue to the Company.

The Government/Management accepted the fact (June-September 2010) that the Company did not include interest in the upfront cost stating that it had already included 50 *per cent* additional cost over the actual expenditure incurred on the basis of 2001-02 District Scheduled Rates *plus* contractor premium and escalation up to July 2003.

The reply is not based on facts since the Company should have included the entire interest of ₹ 4.21 crore on the bond element while calculating the upfront cost.

It is, therefore, recommended that while executing contracts on BOT basis the upfront cost should be correctly worked out as per PPP guidelines. The funding cost for the project should be correctly estimated. Also, delays in awarding BOT contracts should be avoided to prevent time overrun and revenue loss to the organisation.

[♣] The work was awarded to bidders on BOT basis who quoted highest upfront amount.

Maharashtra State Electricity Transmission Company Limited

3.7 *Idle investment*

Failure to obtain prior statutory permission for utilising forest land for construction of transmission line resulted in idle investment of ₹ 33.59 crore.

The erstwhile Maharashtra State Electricity Board (Board)[@] decided (June 2003) to construct a 55 kilometre 220 KV single circuit transmission line on double circuit towers from Boiser sub-station (400 KV) of Power Grid Corporation of India Limited to 220 KV Wada sub-station of the Board. The proposed line was expected to transmit power from the Tarapur Atomic Power Project (TAPP) to reduce the power shortage in Thane district. The joint inspection of the site was carried out with Forest Officers and it was revealed (June 2004) that land coming under tower location Nos.5 to 48 were in the forest area.

However, the Board even prior to site inspection and obtaining clearance from the Forest Department (FD) awarded (April-2004) the work of erection of 195 towers and stringing of 57 kilometre transmission line to B.N. Chaudhary (Contractor) for ₹ 3.28 crore which was revised (July 2006) to ₹ 3.93 crore by taking into account change in scope of work due to modification in route. The work was to be completed within a period of 16 months and the material was to be supplied by the Board. The contractor however, could not complete the work (value of completed work ₹ 3.56 crore) due to right of way[¥] problem. The work was reassessed by the Maharashtra State Electricity Transmission Company Limited (Company) which was formed (June 2005) after restructuring of the Board. In order to speed up the work, the construction of transmission line from location No. 81 to Wada sub station was awarded (May 2006) to another contractor *i.e.* M. N. Ghatge, Kolhapur for ₹ 1.52 crore with scheduled time of completion as 12 months. The contractor completed the work of ₹ 35.15 lakh and the remaining works were still pending due to non-clearance of site by FD (October 2010).

We observed that a total expenditure of ₹ 33.59 crore (including material) had been incurred up to April 2010 but the project was still (October 2010) incomplete. We further observed that there was a lack of planning and delays in taking up the issue with the FD. All the details of submission of proposal to the FD for No Objection Certificate were ready in May 2005. However, the final proposal was submitted to the FD only in March 2008 by taking a total of 44 months subsequent to inspection of the site. As a result funds amounting to ₹ 33.59[$] crore remained idle since January 2008. The purpose of the scheme

[@]Erstwhile MSEB (Board) was trifurcated into three Companies in June 2005 including the Company *i.e.* MSETCL.

[¥]Right of way means right to lay/construct the line and right to approach the line for operation and maintenance purpose.

[$]Material supplied during 2005-09 ₹ 29.65 crore, value of works executed ₹ 3.91 crore and expenditure on survey ₹ 0.03 crore.

of evacuating the power from TAPP to reduce the power shortage in Thane district was thereby defeated.

The Management/Government stated (July-November 2010) that while awarding (March-April 2004) the contract, the issue related to forest land was not on record. It also stated that during execution, forest officials had orally informed that the route of the line did not pass through the forest area. Further, due to stiff resistance from the land owners and delay in obtaining approval from FD the project had been abnormally delayed. The reply was not acceptable as the work of construction of the line was awarded before conducting the site survey. The execution of work on oral information of FD officials indicated a non-serious approach of the Company and deficient planning in undertaking work without requisite statutory clearances.

It is therefore recommended that the projects should be planned meticulously. Necessary and complete clearances should be obtained before commencement/ execution of projects. Responsibility should be fixed on officials for casual approach in planning projects.

3.8 *Undue favour to a vendor*

The Company incurred irregular expenditure of ₹ 2.67 crore on repairs of a scrapped transformer without inviting competitive bids.

The erstwhile Maharashtra State Electricity Board (MSEB) procured (1989) a 200 MVA power transformer* at a cost of ₹ 2.43 crore which was commissioned at Apta Sub Station (ASS) on 15 May 1990. The said transformer failed thrice in October 1995, September 2000 and May 2002. The transformer was repaired at a cost of ₹ 43.76 lakh on two occasions (October 1995 and September 2000) from Tarapur Transformers Private Limited (TTPL). In May 2002 the transformer was repaired by Aditya Vidhyut Appliances Limited (AVAL) at a cost of ₹ 14.50 lakh. The transformer again failed on 22 December 2002 *i.e.* within four months of re-commissioning.

Due to frequent failure of the transformer and despite incurring expenditure on its repairs, the Board of Directors (BoD) of the Company resolved (November 2005) to scrap the transformer and dispose it by auction. However, the Company after lapse of 13 months (January 2007) decided to repair the scrapped transformer in disregard of the decision of the BoD. Accordingly, the Company awarded the work to the same vendor *i.e.* AVAL who had undertaken the earlier unfruitful repair in May 2002. The transformer was charged at Padghe Sub Station (PSS) on 30 December 2009.

In this connection we observed the following:

- The Company neither invoked the guarantee clause in December 2002 to repair the transformer at the cost of the vendor although it was within the scope of the contract, nor performance of the vendor was appraised in view of the failure of the repair undertaken in May 2002.

*200 MVA power 220/100 KV BHEL make transformer Sr. No.6004938.

- In January 2007 the decision to repair the transformer was taken in a review meeting in a non-transparent manner as the same was not minuted.

- The Company did not observe due diligence and transparency in award of work of repair of the transformer. Instead of inviting tenders by wide publicity it awarded the repair work to the same vendor, AVAL at a cost of ₹ 2.67 crore which was 53 *per cent* of the cost of a new transformer (₹ 5 crore as per cost data of 2006-07).

- The failed transformer was partially operationalised after a period of nearly seven years, as it was stated to be under charging only at PSS and not in active usage.

Thus, the Company extended undue favour to the vendor (AVAL) by relieving the vendor from obligation to comprehensive performance guarantee for the earlier repair work and by awarding the subsequent repairing work in a non-transparent manner and without inviting competitive bids.

The Management stated (July 2010) that decision to scrap was taken by erstwhile MSEB and the Company thought it prudent to repair the transformer after a review in January 2007.

The reply is misleading and contradictory as the formation of the Company was in June 2005 and the decision to scrap the transformer was taken by its BoD only in November 2005. The reply also fails to address the issue as to why undue favour was shown to a vendor repeatedly by not observing due diligence in calling for competitive bids and not benchmarking actual performance against contractual performance indicated in award of work.

It is therefore recommended that:

- The Company follows competitive bidding processes and improves contract management practices.

- Penalty clauses/Guarantee clauses should be inbuilt into contractual obligations of vendors and should be invoked to ensure accountability and desirable performance of vendors.

The matter was reported to the Government (March 2010); their reply had not been received (December 2010).

3.9 *Wasteful expenditure*

The Company incurred wasteful expenditure of ₹ 38.89 lakh on replacement of circuit breakers on idle feeders.

The Lonikand 400/220/22 KV receiving station of the Company was commissioned in 1986 by the erstwhile Maharashtra State Electricity Board (Board). The 220 KV feeder bays of the substation, through two express feeders *viz.* Sanaswadi I and II was providing power to Ispat Industries Limited (IIL), an extra high tension consumer. Since IIL had stopped production activity the supply was temporarily disconnected in November 2000 and permanently in November 2001. Thus, the two express feeders were idle from November 2000 onwards. The Technical Director (CP-EHV) of the erstwhile Board submitted (September 2004) a proposal for renovation and modernisation of the 400 KV receiving station which included replacement of six circuit breakers. While submitting the proposal the Board authorities were aware of the fact of idling of the two express feeders due to stoppage of production activity by IIL. The Board, while approving the proposal (October 2004), directed that the Chief Engineer should re-examine these schemes for any necessary modifications and delegated powers to the Chairman to carry out modifications in consultation with the Technical Member and Accounts Member of the Company.

The Board was trifurcated in June 2005. The Company without ascertaining the requirement of circuit breakers for Sanaswadi I and II feeders replaced the same at the cost of ₹ 38.89 lakh in August 2007 after 34 months of the decision. There was no demand for power from these feeders and the circuit breakers were not at all in use. Thus, the expenditure of ₹ 38.89 lakh on fixing of circuit breakers on the two idle feeders was wasteful.

The Management in its reply (June 2010), which was also endorsed by the Government (July 2010), accepted the fact of idling of the two express feeders and stated that the replacement was done as it was sanctioned by the Board (October 2004) and considering the future prospective consumers and prospect of establishment of a new substation in Sanaswadi Area.

The reply itself indicated a casual approach in implementing projects. The wasteful expenditure could have been avoided if the requirement had been reassessed and the same was apprised to BoD before replacement.

It is therefore recommended that action for replacement/renovation should be considered after ascertaining the requirement and reviewing the decision if so warranted before implementation. The lax approach in implementation of repairs and replacement should be avoided to protect the financial interest of the Company.

Shivshahi Punarvasan Prakalp Limited

3.10 *Undue benefit to a private agency*

The Company incurred extra expenditure of ₹ 1.45 crore due to undue benefit in award of contract to a private agency without calling for competitive bids and in violation of Government of Maharashtra advertising policy.

In order to speed up slum rehabilitation programmes and meet the shelter needs of economically weaker sections of the society, the Shivshahi Punarvasan Prakalp Limited (Company) is engaged in implementation of housing schemes including redevelopment of slums in urban areas of the Mumbai Metropolitan Region.

The Company publishes tender notices in newspapers for the work of construction and repairs to rehabilitation buildings, sale of flats, shops and sale of Transferable Development Rights. Between March 2002 and 2010 the Company had released 33 tender notices for advertisement in 160 daily newspapers. All the tender notices were issued through a private advertising agency *viz.* Tristar Communications Private Limited (TCPL) on the basis of open quotations and the Company incurred a total expenditure of ₹ 1.59 crore on the advertisements.

Scrutiny of records (August 2009) for award of work for advertisement of tender notices revealed the following irregularities:

- There was no stipulation of the eligibility and qualification criteria for vendors which would also indicate the minimal past working experience required.

- There was no transparent bidding procedure for the entire period. On 26 occasions three quotations were collected and on seven occasions no quotations were called for and the work was awarded on single quotation basis to TCPL.

- On every occasion the Company collected quotations from TCPL and two other agencies. We noticed that every time the rates quoted by the three agencies were the same but as TCPL offered two *per cent* discount on offered rates, the offer of TCPL was always found to be the lowest.

- No comparative statements were prepared and the work was awarded to TCPL without properly ascertaining the reasonability of rates.

- Audit scrutiny of quotations collected by the Company between March 2002 and 2010 from 12 agencies on 26 occasions further revealed that the Service Tax registration number and the name of the proprietor were mentioned only on the quotation of TCPL and nothing was mentioned in the other quotations. We also observed several other irregularities/ incompleteness♣ in the vendor information placed on record which calls into question the veracity of the same.

- As per the Government of Maharashtra (GoM) Advertisement Policy (May 2001) Public Sector Undertakings (PSU), were empowered to give advertisements directly to the approved newspapers at approved rates. It was observed by GoM that the policy was not being observed by PSUs and therefore GoM modified the policy in August 2009 taking into consideration the advancement in the newspaper arena and the increased cost of inputs. The highest rates for advertisements stipulated (March 2010)

♣Non-existence/duplication of addresses and phone-numbers in two cases (Kino Sign Trucks Private Limited and Zenith Outdoors Private Limited), non-matching of telephone numbers with purported agencies in seven cases (Global Advertising, Hans Publicity, Reflections Advertising, Amit Enterprises, Harsh Publicity, Deepak Publicity and Aniruth Advertising) and recording of same phone/fax numbers in four cases (Kino Sign Trucks Private Limited, Zenith Outdoors Private Limited, The Art Advertising Bureau and Jyoti Publicity).

were ₹ 125 per column centimetre and ₹ 31 per square centimetre. The policy was strictly to be followed by all PSUs and a declaration to that effect was to be furnished to the authorities.

The Company violated the Government policy by consistently awarding the advertisement work to TCPL at very high rates compared to the Government approved highest rates. Had the Government approved highest rates been followed the Company would have incurred expenditure of ₹ 0.14 crore. Instead, the Company incurred a total expenditure of ₹ 1.59 crore which has resulted in extra expenditure of ₹ 1.45 crore due to passing on an undue benefit to a private agency.

The Company's reply was awaited. Government of Maharashtra, accepted (November 2010) the audit point and further stated that the instructions have been given to the Company to follow the competitive bidding process henceforth.

It is therefore recommended that the Company should formulate a transparent and competitive bidding procedure to ascertain the reasonability of the rates and observe due diligence in bidding processes.

The matter was reported to the Management (May 2010); their reply had not been received (December 2010).

City and Industrial Development Corporation of Maharashtra Limited

3.11 *Non-recovery of differential lease premium*

Lack of co-ordination in internal control and monitoring resulted in non-recovery of differential lease premium of ₹ 49.75 lakh on the additional compensation paid for land acquisition.

The City and Industrial Development Corporation of Maharashtra Limited (Company) established in 1970 is the Special Planning Authority for the Navi Mumbai Project. For implementation of the project, the State Government had decided in March 1990 to allot 12.5 *per cent* of the land acquired from the Project Affected Persons (PAPs). Accordingly, PAPs were entitled to allotment of land equivalent to 8.75 *per cent* (after deducting 3.75 *per cent* for common facilities) of the land acquired. The lease premium to be collected from the PAPs for allotment of land under this scheme is double the rate of compensation paid (including interest) per square metre *plus* development charges of ₹ five per square metre. In order to recover the differential lease premium in respect of the land allotted, in the event of enhancement in the amount of compensation paid to the land owner by the appropriate authority/Court, the Company incorporated an enabling clause in the lease agreement in May 2008. As per the clause in the agreement, additional lease premium was to be remitted within 15 days from the date of receipt of demand notice from the Company. In case of failure to pay the amount, the Company was entitled to terminate the lease agreement and resume the land alongwith standing structure, if any.

We noticed that the Company allotted (May 2008) land measuring 3,298.84 square metres (under the 12.5 *per cent* Scheme) to Shri Rajesh Dharmaji Jitekar at plot No.95 in Sector-9, Ulwe against 37,620 square metres of the total land acquired from them at Dapoli. This allotment included the entitlement of 2,750 square metres against 31,490 square metres land acquired at survey No.108/3 at Dapoli. The compensation paid for 31,490 square metres land acquired was ₹ 14.14 lakh as per the original award (July 1986). This was enhanced by the Court subsequently by ₹ 2.83 crore and the total compensation of ₹ 2.97 crore was paid to them (July 1986 and January 2009).

We observed (February 2010) that at the time of allotment of plot, the Company recovered the lease premium of ₹ 2.25 lakh (at the rate of ₹ 82 per square metre) from the PAP on the basis of original compensation paid. However, it failed to collect the differential/additional lease premium of ₹ 49.75 lakh[♦] on the basis of enhanced compensation.

It was noticed that the differential lease premium of ₹ 49.75 lakh recoverable on the enhanced compensation paid was neither adjusted from the compensation paid nor were any effective efforts made to recover the amount by the Management.

We further observed that the Company did not maintain any records/data-base to ascertain the details of allotment of land, payment of enhanced compensation if any, to the Special Land Acquisition Officer (SLAO) and final payment to the lessee by SLAO. Failure, to enforce the clause as per the agreement in the event of additional compensation paid to the lessee was indicative of lack of co-ordination in internal control and monitoring system. Thus, the present internal control system is inadequate to the extent that it failed to detect the non-collection of additional lease premium.

The Management accepted (August 2010) the audit observation and stated that remedial action has been initiated by issuing demand notices to the concerned persons in February 2010 for recovery of additional lease premium. The Government stated (September 2010) that additional compensation was paid after allotment and hence it was not recovered. The action for recovery of differential amount was being taken by the Company. However, the amount has not been recovered so far (December 2010).

It is therefore recommended that the Company:

- Maintains proper records/data-base to ascertain whether additional compensation was paid and additional lease premium has been demanded/received from PAPs.

[♦] ₹ 2.97 crore paid as compensation ÷ 31,490 square metres = ₹ 943 per square metre x 2 + 5 = ₹ 1,891 - ₹ 82 per square metre received = ₹ 1,809 per square metre x 2,750 square metre = ₹ 49.75 lakh.

- Fixes responsibility for the non-recovery of differential lease premium on the concerned officials.
- Institutes strong internal control and monitoring mechanisms to ensure recovery of differential lease premium in all cases of additional compensation payments.

Maharashtra Agro Industries Development Corporation Limited

3.12 *Idle machinery*

Fodder block machinery installed in May 2008 at a cost of ₹ 38.62 lakh was lying idle for want of demand for fodder blocks.

Government of India (GoI) decided (August 2006) to implement a special livestock and fisheries sector package for 31 suicide prone districts in four[*] States with a view to provide supplementary sources of income to the farming population in these States. Government of Maharashtra (GoM) forwarded (February 2007) a proposal submitted by Maharashtra Agro Industries Development Corporation Limited (Company) to the GoI for the establishment of a fodder block manufacturing unit which was one of the approved items in the package. The project envisaged *inter alia* productive utilisation of crop residues to prevent wastage and their simultaneous utilisation for livestock feeding by conversion into feed blocks. The Company received subsidy of ₹ 74.37 lakh (Central Government-₹ 42.50 lakh and State Government-₹ 31.87 lakh) in July 2007 and May 2008 for setting up a fodder block manufacturing unit at Yavatmal in Vidarbha Region.

The Company after receipt of subsidy from GoM, decided (November 2007) to install a fodder block unit. The Company expected to sell 60,000 blocks per year in a three year period and recover the investment of ₹ 15 lakh over a period of about five years. We noticed that the estimation of sales was not based on any context-specific survey or feedback from the targeted groups of farmers in the area for viability of the new product proposed to be manufactured. This was in clear deviation from the project guidelines which stressed upon a proper assessment of project viability including co-ordination with National Bank for Agriculture and Rural Development (NABARD)/Commercial Banks and involvement of Self-Help Groups (SHGs) for the purpose. The Company invited tenders in November 2007 for supply and erection of fodder block machinery and awarded the work in February 2008 to Poshak Feeds India Private Limited for ₹ 38.62 lakh. The supplier supplied and erected the machinery in May 2008 and the trial run of the machinery was also under-taken in October 2008. The Company did not undertake any production till date and the plant was lying idle since erection.

Out of the total subsidy of ₹ 74.37 lakh received, the Company had spent only ₹ 38.62 lakh for erection of fodder block machinery and the balance amount of ₹ 35.75 lakh was not utilised so far (December 2010).

[*] Andhra Pradesh (16), Karnataka (6), Kerala (3) and Maharashtra (6).

Thus, failure of the Company to assess project operationalisation as per guidelines and incorrect estimation of the actual demand for fodder blocks before installation of the machinery resulted in its remaining idle. The intended benefits of the project, therefore, could not be delivered to the target group of distressed farmers.

The Management accepted (June 2010) the fact that the machinery remained idle since its erection in May 2008. It stated that there was no demand for the product because of the availability of compounded cattle-feed at subsidised rates in the area. The reply indicates that the pre-operational estimation and project assessment in November 2007 was faulty as it did not address actual contextual realities. The management admission that efforts were not made to convince farmers to adopt to fodder block technology again indicated inadequacies in project implementation.

It is therefore recommended that:

- Project implementation should be preceded by detailed context-specific feasibility survey.
- Such survey should closely factor in detailed project guidelines.
- Stakeholder inputs/feedback on technology change-over from farmers groups/SHGs *etc.* should form a vital component of these surveys.

The matter was reported to the Government (May 2010); their reply had not been received (December 2010).

Maharashtra State Mining Corporation Limited

3.13 *Unfruitful expenditure*

The Company incurred unfruitful expenditure of ₹ 27.90 lakh on the construction of a lime-kiln.

Maharashtra State Mining Corporation Limited (Company) owns a limestone mine at Gaurala, District Yavatmal. There are many private agencies engaged in the mining of limestone in the area with traditionally operated lime-kilns. In order to diversify its activities the Company decided (June 1999) to install a lime-kiln unit based on updated technology for development of lime-kiln-based value-added products. The Company referred the project for consultancy to Central Building and Research Institute (CBRI), Roorkee and based on the Project Report given (December 2000) by CBRI, Roorkee, the Company after a period of four years constructed (March 2004) the lime-kiln at a total cost of ₹ 27.90 lakh.

The Company decided (April 2004) to operate the lime-kiln unit on contract basis through an appropriate agency. In spite of taking a decision to outsource the operation, the Company had arranged training about use of this technology to its Mining Manager in June 2004. After a delay of 21 months from the date of decision to outsource, the Company invited (December 2005-January 2006) tenders to operate the lime-kiln for five years to which there was no response. The Company again invited tender (August 2008) and awarded (February 2009) the work to SDS Forge who was the highest bidder. The work of running the lime-kiln was awarded on a monthly rent of ₹ 2,500. The contractor had paid ₹ 7,500 towards the lime-kiln rent for three months only and had withdrawn the machinery and labourers from the mine. The efforts of the Company for operating the lime-kiln through outsourcing the mining activity was also not successful.

In this connection we observed the following:

- There were no clear-cut Terms of Reference (ToR) to CBRI as to what components of updated technology needed to be studied by it for preparation of Project Report. This was all the more essential as the project was designated for implementation and was not intended to be a Research and Development (R&D) project.

- Availability of water was not considered in the Project Report prepared by the CBRI. This was a critical lapse in planning as during implementation, the project was impeded because water supply required for operating the gadgets for environmental protection in the area was not available. Power back-up facility and storage shed of adequate size were also not available at the site of the project.

- The Company's own records shows that there were many lime-kilns in the area based on old design. Agencies with requisite experience to operate a lime-kiln which was constructed by the Company on specific modern design were not available.

- The Company constructed the lime-kiln in March 2004 *i.e.* after a delay of four years from the date of receipt of project report. After construction, the Company decided (April 2004) to operate the lime-kiln unit on contract basis through an appropriate agency. However, after a delay of 22 months the Company invited tender in December 2005-January 2006 for which no response was received. The Company again delayed the re-tendering process and after a delay of more than two and half years the Company invited tenders in August 2008.

The planning of the project was deficient and without in-depth ascertaining of the basic infrastructure facilities and suitability of the updated technology for the specific location. This ultimately resulted in an unfruitful investment of ₹ 27.90 lakh by the Company on construction of a lime-kiln which was not operated since its construction apart for a period of three months.

The Management accepted (July 2010) that the lime-kiln was not in use and further stated that the agency which was awarded the contract for running the lime-kiln had challenged the termination notice served (May 2010) by the Company for poor performance in the Court. It stated that fresh bids would be invited after the case is decided. The Management reply is however silent on the lack of clear-cut ToR inputs to CBRI for formulation of the Project Report and the inconsistencies in planning the project including the sudden decision to outsource operations as well as incurring delays in inviting bids. The fact also remains that the investment of ₹ 27.90 lakh proved unfruitful as the machinery had not been used since its construction in 2004.

It is, therefore, recommended that the Company undertakes proper assessment of site specifications including its infrastructural facilities and their suitability to new technology prior to launch of the same.

The matter was reported to the Government in May 2010; their reply had not been received (December 2010).

Maharashtra Rajya Itar Magas Vargiys Vitta Ani Vikas Mahamandal Limited

3.14 *Unfruitful expenditure*

The Company incurred unfruitful expenditure of ₹ 23.32 lakh on providing of Accounts and MIS software.

The district-level management work of Maharashtra State Handicapped Finance and Development Corporation (MSHFDC) was outsourced to the Maharashtra Rajya Itar Magas Vargiys Vitta Ani Vikas Mahamandal Limited (Company) as per the Government of Maharashtra decision (April 2005). The Company decided (September 2006) to develop accounts and MIS software and based on the tenders invited, (March 2007), the work for design, development, testing and installation of Accounts software was awarded (May 2007) to Smartlink, Mumbai (Firm 'A') for ₹ 26.40 lakh. The agreement was signed on 16 May 2007.

As per terms of the agreement, Firm 'A' was required to complete the work within three months from the date of signing of the agreement and in case of delay in completion of work, penalty at the rate of ₹ 200 per day was to be imposed. As per the terms of payment 60 *per cent* advance *i.e.* ₹ 15.84 lakh was paid to Firm 'A' on 16 May 2007. As of March 2010 the work had not been completed by the Firm.

Similarly, the work of development of web-based intra-net application and MIS software for extracting data from district offices of MSHFDC was decided to be carried out. The work was awarded (May 2007) to Mechatronics System Private Limited, Pune (Firm'B') for ₹ 24.92 lakh and the agreement was signed on 16 June 2007. As per the terms of agreement, 30 *per cent* advance of ₹ 7.48 lakh was paid to Firm 'B' in June 2007. The work was to be completed within four months and in case of delay in completion of work, penalty at the rate of ₹ 500 per day was leviable.

We observed (March 2009) the following irregularities in these cases:

- The tenders for accounts and MIS software were to be called on two-bid basis. However, the Company did not collect technical bids and evaluate the tender. It only considered financial bids and deviated from tendering conditions.

- The Company was aware that the Firm 'A' was a defaulter in earlier software work allotted (March 2006) by the Company and advance of ₹ 7.55 lakh was outstanding with the firm. Inspite of this, work was awarded to the Firm 'A' in May 2007. The fact was not specifically brought to the notice of BoDs while awarding the work in May 2007.

- The Company released (16 May 2007) the advance payment to Firm 'A' without insisting on a bank guarantee or security deposit. The Company neither imposed penalty as per the terms of the agreement (₹ 200 per day delay) with Firm 'A' nor took any remedial action for the recovery of advance from the defaulting Firm.

- The work of web-based intra-net application and MIS software was also not completed by the Firm 'B'. The payment made to the contractor in June 2007 was ₹ 7.48 lakh (30 *per cent*). As of June 2010, 70 *per cent* of the work was stated to have been completed. In the absence of data from the accounts software, the intra-net and MIS software could not be utilised.

Thus, non-completion of the work as per the terms of the agreement by Firm 'A' and failure of the Company to take proper safeguards in contractual provisions led to incurring of unfruitful expenditure of ₹ 15.84 lakh.

Similarly, hasty decision to award work to Firm 'B' without adequately planning the availability of data inputs in a time-bound manner from Firm 'A' resulted in an unfruitful expenditure of ₹ 7.48 lakh.

The Management stated (August 2010) that action to appoint the arbitrator would be taken in due course since as per the terms of agreement, without arbitration, legal action can not be taken. Management also stated that the advance paid to Firm 'B' has not been demanded by the Company as the agency was ready to complete the balance work; but the work was affected due to non-completion of work by Firm 'A'.

It was however noticed that the reply of the Company was not convincing as the Company had neither taken any action for appointment of arbitrator so far (December 2010), nor had it ensured proper safeguards in formulating contractual provisions. The advances against both the agencies were outstanding without a collateral security and penalties were also not levied for delayed execution as per the terms of agreements. It was further noticed that in the absence of software MSHFDC was implementing the accounting work through an internal auditor manually. The work was submitted by the internal auditor to the same Firm'A'. This was extremely irregular and showed the lack of co-ordination between the Company and MSHFDC in performance information about vendors.

It is therefore recommended that the:

- Contract conditions should be formulated with due diligence to financial prudence and safeguard to the Company's interests.
- Advance payments to vendors should not be released without obtaining proper security and collateral from them.
- The Government needs to assess the control risks inherent in out-sourcing the critical work components of MSHFDC to the Company.

The matter was reported to the Government (June 2010); their reply had not been received (December 2010).

MAFCO Limited

3.15 *Inadequate arrangements for safeguarding movable and immovable assets*

Inadequate maintenance of asset records and delay in disposal of idle assets was noticed and physical verification of assets was not carried out.

MAFCO Limited (Company) was incorporated on 29 December 1970 with the main objectives to aid, assist, initiate, promote, expedite and accelerate the development of agriculture and agricultural operation in all its fields in an economic and scientific manner *etc.* The Company became non-functional from August 2006 on account of continuous/huge losses. The accounts of the Company have been finalised and audited up to the year 2008-09. Latest finalised accounts (2008-09) of the Company depicted that the Company had total assets of ₹ 10.29 crore (immovable assets: ₹ 3.74 crore and movable assets: ₹ 6.55 crore).

In order to have better control over assets, the Company should maintain complete and up-to-date records of each asset, making essential arrangements such as periodic physical verification, arrangements for watch and ward of the assets *etc.* The deficiencies noticed in maintenance of records and taking adequate measures in safeguarding the movable and immovable properties by the Company are summarised as under:

Inadequate maintenance of asset records

We noticed that the Company did not maintain proper and up-to-date records regarding location, original cost, accumulated depreciation, technical and engineering specifications of machinery, identification number, *etc.* of assets, which constituted vital information. The "Assets records" maintained by the Company were last updated during November 2006 and not updated thereafter.

Physical verification of assets

The physical verification of assets was done in November 2006 and thereafter the Company did not carry out physical verification of the assets. The Company did not have adequate information of movable and immovable assets located at various units.

The Management in its reply (April 2010), which was endorsed by the Government (June 2010), stated that as the materials and implements were old, additional expenditure on physical verification through private agencies would not be economical. The reply is not acceptable as in the absence of maintenance of assets records and physical verification, audit was unable to ensure that all the assets shown in the financial statement were actually in the physical possession of the Company.

Occupation of quarters by ex-employees

There were 15 ex-employees who continued to occupy the Company's residential quarters, even after their being relieved from service. Government in November 2008 had communicated to the Company that aggregate sale price of these 15 tenements was ₹ 2.31 crore The Company had not taken any action except issuing of three notices in January 2009, April 2009 and March 2010. The Company had neither realized the sale price nor got the tenements vacated.

The Management in its reply (April 2010), which was endorsed by the Government (June 2010), stated that eviction process of ex-employees had been initiated and was in progress.

Disuse of assets

The Company needs to make adequate arrangements for proper maintenance and upkeep of the assets (*e.g.* plant and machinery, *etc.*) not in use. However, there was no arrangement for maintenance and upkeep of the assets not in use. As already mentioned, no physical verification of the plant and machinery was carried out after November 2006. In the absence of the same, no remedial measures were taken for preventing the plant and machinery from further deterioration.

The High Powered Committee (HPC)[•] of Government of Maharashtra had taken a decision (August 2006) for disinvestment of the Company and SICOM was appointed as nodal agency for disposal of assets. However, despite a period of nearly four years having elapsed the process of disinvestment was yet to be completed (October 2010).

[•]High Powered Committee constituted for sale of assets, liquidation action and privatisation comprising of Chief Secretary as Chairman; Additional Chief Secretary (Finance), Principal Secretaries (Planning, Revenue, Law and Justice Department) and Managing Director (SICOM) as members; and Principal Secretary (Reforms), Finance Department as Member Secretary.

The Management in its reply (April 2010), which was endorsed by the Government (June 2010), stated that most of the machinery was more than 30 years old and had already become obsolete and were likely to be sold as scrap. The reply reinforces the audit observation that no measures were taken to prevent the assets from obsolescence and deterioration. The reply is also silent on the action taken by SICOM for disposal of the assets.

The Company was spending annually approximately ₹ 10.05 lakh for watch and ward and ₹ 14.58 lakh towards wages for employees on contract. This could have been avoided by taking steps for early disposal of the assets.

It is recommended that:

- The Company take effective steps to realise the sale value of the 15 tenements occupied by the ex-employees or dispose of the same after taking over vacant possession; expedite the action to dispose off the assets; and

- Government needs to expedite the winding up of the Company.

Statutory Corporations

Maharashtra State Financial Corporation

3.16 *Financial loss due to delayed action*

The Corporation suffered loss of ₹ 1.31 crore owing to delay in action for encashment of the available security for recovery of dues.

Mardia Extrusion Limited (Firm), Mumbai a manufacturer of various types of non-ferrous metal requested (7 November 1995) the Maharashtra State Financial Corporation (Corporation) for sanction of temporary Short-Term Loan (STL) of ₹ 2.40 crore for meeting the working capital requirement for its expansion programme.

The Corporation sanctioned (November 1995) and disbursed (December 1995) STL of ₹ two crore to the firm to meet its additional working capital requirements. The loan was repayable in 11 monthly instalments including moratorium period of three months and carried interest at the rate of 23 *per cent* per annum. The STL was secured by pledging of the shares of the firm and its associated concerns (24.74 lakh shares) of market value of ₹ four crore and personal guarantee of two directors was also obtained.

The firm was a defaulter since the beginning and the post dated cheque (20 July 1996) of ₹ 25 lakh was dishonoured by the bank on 24 July 1996. The firm had repaid only ₹ 8.98 lakh towards principal up to March 1997. Thereafter no payment was made and the outstanding dues as on 31 December 2006 were ₹ 4.23 crore (principal: ₹ 1.91 crore, and interest: ₹ 2.32 crore).

It was noticed in Audit (April 2009) that the Corporation neither took action under Section 138 of the Negotiable Instruments Act, 1881 on dishonour of the cheque in July 1996 by the bank nor encashed the security of shares for recovery of dues. The Corporation also failed to initiate prompt action to recover the dues by invoking the personal guarantee given by the directors. Delayed action facilitated the two directors of the firm to transfer their properties in the name of their spouse/firm of spouse in 1998.

The Corporation filed (1997) winding up petition in the High Court, Bombay and a petition under Section 31(1)(aa) of the State Finance Corporations Act in the District Court, Thane in 1999.

The actions initiated by the Corporation in the Court of Law were stayed 'sine die' as the firm had made repeated references during 2001-2004 to Hon'ble Board for Industrial and Financial Reconstruction (BIFR). The Corporation (after a lapse of over 11 years since 1997) on 18 July 2008, advertised for the sale of the shares available with the Corporation as security. There was no response and the share value was nil. Thus, due to initial laxity in encashment of the security, the Corporation had to accept (August 2008) the One Time Settlement (OTS) of dues of ₹ 60 lakh offered by the firm as distress value and thus suffered financial loss of ₹ 1.31 crore towards principal apart from interest loss amounting to ₹ 2.32 crore.

The Management in its reply (May 2010), which was also endorsed by the Government (August 2010) stated, that being a STL no security except shares of the firm were taken. The firm was a listed Public Limited Company but due to various reasons went into loss and its case was referred to BIFR. After taking into account the securities and guarantee available, the best decision under the set of circumstances was taken by the Board. The reply was silent about the reasons for lack of prompt action on dishonouring of the cheque and a delay of over ten years in initiating action to sell the shares when its value had already been reduced to nil. Thus, the Corporation had no option but to accept the OTS of ₹ 60 lakh.

It is, therefore, recommended that the Corporation should be vigilant and ensure prompt action for recovery of outstanding dues by invoking available security and guarantees given by the loanee to avoid financial loss.

Maharashtra State Road Transport Corporation

3.17 *Short recovery of service tax*

The Corporation incorrectly availed excess abatement from the charges collected for providing buses on casual contracts resulting in short recovery of service tax of ₹ 1.09 crore.

Maharashtra State Road Transport Corporation (Corporation) provides its buses on Casual Contract (CC) to various interested parties such as individuals, schools, colleges, semi-Government organisations for carriage of passengers *etc*. As per Section 65 (115) of the Finance Act, 1994 as amended in 2008 the definition of 'tour operator' includes services provided in relation to a journey from one place to another. Accordingly, the divisions of the Corporation were covered under the definition of tour operator and liable to pay Service Tax (ST) and education cess at the prescribed rate of 12.36 *per cent.* Such payments were to be levied on the charges collected after permissible abatement (as provided in the exemption notification) in respect of CCs for carriage of passengers entered by it with various parties. Further, as per Government of India (GoI) notification of 23 August 2007 abatement of 75 *per cent* of the charges collected was available for the services provided or to be provided to any person by a tour operator in relation to a 'Package Tour[¥]' subject to the condition that bills issued for the purpose indicated that it was inclusive of charges for such a tour. In cases where only transportation was provided, abatement to the extent of 60 *per cent* of the charges collected was permissible and tax at the rate of 12.36[@] *per cent* was payable. From March 2009, the rate of ST was reduced to 10 *per cent* from 12 *per cent.*

Audit scrutiny revealed (August 2009) that incorrect instructions were issued on 4 June 2008 to all the Regional Managers and Divisional Controllers to levy tax at the rate of 12.36 *per cent* on 25 *per cent* of the bill after availing abatement of 75 *per cent* instead of on 40 *per cent* after availment of abatement of 60 *per cent* as was admissible. The instructions were revised on 5 March 2009 directing that ST and cess on 40 *per cent* of the bill amount be charged instead of on 25 *per cent* as directed earlier (June 2008).

Further, information collected from the 31 divisions of the Corporation revealed that during the period from April 2008 to February 2009, the divisions had collected amounts aggregating ₹ 54.16 crore on CCs entered with various parties for providing buses for carriage of passengers. However, ST and education cess amounting to ₹ 1.52 crore was recovered and paid considering 25 *per cent* of charges collected after availing abatement of 75 *per cent* of the collection. The amount payable considering 40 *per cent* of charges collected after availment of 60 *per cent* abatement as was admissible was ₹ 2.61 crore. This resulted in short collection of ST and cess amounting to ₹ 1.09 crore on CCs during the year 2008-09.

The Management confirmed (June 2010) the short recovery of ST and cess for the period 2008-09. Further, it was stated that units of the Corporation were instructed to recover the amounts from the concerned parties. The Government (November 2010) endorsed the replies and instructed the Corporation to recover the amount of ST involved in CCs. The chances of recovery are however, remote as in most of the cases the CCs had already been settled as also admitted by the management.

It is, therefore, recommended that in addition to fixing responsibility for issuance of incorrect instructions, the Corporation should recover ST and cess

[¥]Package tour means a tour wherein transportation, accommodation for stay, food, tourist guide, entry to monuments and other similar services in relation to tour are provided by the tour operator as part of the package tour to the person undertaking the tour.

[@]12 *per cent* service tax and education cess at two *per cent* and secondary and higher education cess of one *per cent* thereon.

thereon in respect of CCs at appropriate rate so that cases of short recovery do not recur in future.

Maharashtra Industrial Development Corporation

3.18 *Loss of revenue*

The Corporation extended undue benefit of ₹ 1.05 crore due to allotment of land at industrial rates though the allottees agreed for commercial rates.

Mediplast Packaging Nagpur Private Limited (MPNPL) and Bhagyashri Home Appliance Private Limited (BHAPL) requested in August 2007 to the Maharashtra Industrial Development Corporation (Corporation) for allotment of land at Hingna Industrial Area at commercial rate. Both were project affected persons (PAP) as their 8,200 and 1,075 square metres plots were acquired by Maharashtra Airport Development Company Limited (MADCL) for the MIHAN[@] project. As per the policy of the Corporation, only 15 *per cent* of acquired land was to be returned to the PAPs. However, the Corporation accepted the allotment of approximately 100 *per cent* land acquired on sympathetic ground.

After issue of offer letters on 10 December 2007 by the Corporation for allotment of 6,200 square metres of land to MPNPL and 3,000 square metres of land to BHAPL at the commercial rate of ₹ 2,213.75 per square metre, both the applicants refused to deposit the amount and requested for allotment at the industrial rate of ₹ 700 per square metre being PAPs. While considering the above request it was decided (January 2008) by the Board of Directors (BoD) of the Corporation that the commercial rate would be applicable and the difference in rates (₹ 1,513.75 per square metre) should be recovered by the applicants from MADCL who had acquired the land. Accordingly, land measuring 6,200 and 3,000 square metres was allotted (April 2008) to MPNPL and BHAPL respectively at the commercial rate of ₹ 2,213.75 per square metre (₹ 1,750 per square metre *plus* 10 *per cent* additional premium in Hingna Industrial Area *plus* 15 *per cent* additional premium for road frontage). The prevailing industrial rate in the area was ₹ 1,150 per square metre (₹ 1,000 per square metre *plus* 15 *per cent* additional premium for road frontage).

After receipt of allotment letters, both the allottees (MPNPL and BHAPL) requested (May 2008) the Corporation for allotment of land either at the industrial rate or at the commercial rate by removing 10 *per cent* additional premium applicable to the industrial area. Though the second alternative was beneficial, the Corporation accepted the first alternative of allotment at the industrial rate. This was detrimental to the financial interest of the Corporation.

[@]Multi-modal International Passenger and Cargo Hub Airport (MIHAN) project at Nagpur.

On the basis of oral orders (September 2008) of the Deputy Chief Executive Officer, the Regional Manager, Nagpur allotted (November 2008) land measuring 6,200 square metres to MPNPL and 1,075 square metres to BHAPL at the industrial rate of ₹ 1,150 per square metre by carving out the plots from the amenity area. The Corporation received land premium of ₹ 71.30 lakh and ₹ 12.36 lakh respectively and handed over possession of land in December 2008. The post facto approval of the Chairman for this allotment was obtained in June 2009. In addition, the Corporation allotted in July 2009 additional land measuring 1,000 square metres to BHAPL at the industrial rate of ₹ 1,100 per square metre and handed over possession of the land in July 2010 with the approval of the Chairman (June 2009).

The decision of the Chairman of the Corporation was in deviation from its own BoD decision of allotment of land to the two parties in Hingna Industrial Area at commercial rates. Thus, allotment of plots measuring 8,275 square metres at industrial rates instead of the prevailing commercial rate of ₹ 2,415 per square metre (effective from 08 August 2008) resulted in loss of lease premium of ₹ 1.05 crore*.

The Management stated (February 2010) that the land was allotted at the industrial rate considering the request of the allottees and the allotment was also approved (June 2009) by the Chairman of the Corporation. The reply was not acceptable as it was silent as to why the land was allotted at the industrial rate when the allottees had themselves offered to buy at the commercial rate. Further, the Chairman's decision was also in contravention of Board's decision and led to extending undue favour to them which was not in the financial interest of the Corporation.

It is, therefore, recommended that the Corporation should avoid imprudent decisions in contravention of its own policies on the categorisation of plots and rates thereof.

The matter was reported to the Management/Government (May 2010); their reply had not been received (December 2010).

3.19 *Avoidable expenditure*

The Corporation executed work valued at ₹ 72.53 lakh not required to be done as per Request for Proposal resulting in undue benefit to the private agency.

The Corporation invited Request for Proposal (RFP) in May 2009 for designing, developing, upgrading, operating, maintaining and managing five Airports at Baramati, Latur, Nanded, Osmanabad and Yavatmal for a period of 95 years on "as is where is basis" except for works identified to be completed. In the RFP, the Corporation disclosed the list of existing movable and

* 7,275 square metres x ₹ 1,265 (₹ 2,415 - ₹ 1,150 per square metre) + 1,000 square metres x ₹ 1,315 (₹ 2,415 - ₹ 1,100 per square metre) = ₹ 105.18 lakh.

immovable assets as well as ongoing works to be carried out by the Corporation at the four Airports* to be completed by December 2010.

In response to the RFP, three offers were received. The offer of Reliance Airport Developers Private Limited (RADPL) at ₹ 63 crore was the highest which was accepted with the approval of the High Powered Committee of the Government of Maharashtra. The Corporation issued letter of award in September 2009. It entered into five agreements (October and November 2009) with the five Special Purpose Vehicles created by RADPL for entering into lease agreements for the five Airports for a period of 95 years. The land of the Airports was handed over in October and November 2009.

Scrutiny of records (January 2010) revealed that, after invitation of RFP in May 2009, the Corporation had executed (May to November 2009) a work of "Extension of existing Airstrip at Osmanabad" through a contractor (Subhash Deshmukh and Company) valued at ₹ 72.53 lakh, which was not included in the RFP. Payment of ₹ 53.17 lakh was made (September 2009) to the contractor through the first Running Account bill. The balance for the measured and recorded work valuing ₹ 19.36 lakh was still to be paid to the contractor (July 2010).

As per the terms of the RFP and agreement, the leasing out of Airports was on "as is where is basis", which included existing assets and ongoing works. Thus, after invitation of RFP, incurring expenditure on work which was not included in RFP was highly irregular. This indicated a serious lapse in contract management which was detrimental to the financial interest of the Corporation.

The Management accepted (May 2010) the fact and stated that work was not included in the RFP and indicated that the work was stopped by the Corporation in January 2010.

The fact remains that the work was stopped only after being pointed out by audit and the responsibility of officials responsible for the lapse leading to an undue favour to RADPL had not been fixed.

It is, therefore, recommended that the Corporation should strengthen the monitoring of contract conditions to safeguard its financial interest and also initiate action against officials responsible for flawed contract management including granting undue favour to private agencies.

The matter was reported to the Government (May 2010); their reply had not been received (December 2010).

* Out of five Airports, at four Airports (Latur, Nanded, Osmanabad and Yavatmal) the ongoing works were to be carried out by the Corporation.

3.20 *Avoidable expenditure*

Failure of the Corporation to finalise the tender within the validity period resulted in award of work at higher rate and avoidable expenditure of ₹ 60 lakh.

An efficient contract Management system requires acceptance of offers within the validity period to safeguard the financial interest of the organisation. The re-invitation of tenders involves the risk of increased rates besides delay in completion of work. As per the circular of the Corporation (17 June 2004) the validity of the tenders was to be obtained for a period of 180 days to avoid re-tendering.

The Corporation invited tenders (July 2006) at an estimated cost of ₹ 1.16 crore to carry out the work of providing 50 mm thick BM and 25 mm thick SDBC[*] treatment to internal roads in Yavatmal Industrial Area. The tenders were rejected on the ground that the current or quick *ratios* as per financial position of all the four[$] contractors were below the prescribed percentage and hence were not qualified. Tenders were re-invited in November 2006 which were opened on 15 February 2007. In response to the tender, three offers were received from the same agencies (except one) who had quoted in response to the earlier tender of July 2006 and the offer of R.B. Construction of ₹ 1.56 crore (34.58 *per cent* above the estimated cost) was the lowest. There was delay in finalisation of tender at Head Office level. However, no recorded reasons for the delay were available on the records. The Corporation had sought (July 2007) extension of the validity period which was not accepted by the contractor (August 2007). As the tender could not be finalised within the validity period, tenders were re-invited for the third time in September 2007 without any change in the scope of work. In response to the tender, two offers were received (Chiddarwar Construction Company Private Limited and R.B. Construction Company Private Limited) and the work was awarded to the lowest tender of Chiddarwar Construction Company Private Limited at ₹ 2.16 crore (86.77 *per cent* above the estimated cost). The position of the quick *ratio*[•] of the firm was 1.08 as against the required 1.10. The offer of the same firm in 2006 was rejected on the ground that the quick *ratio* was below 1.10. However, the Corporation accepted the offer considering that the quick *ratio* was only marginally lower.

Thus, non-finalisation of the tender within the validity period and consequent award of work at higher rate on re-tendering, resulted in avoidable expenditure of ₹ 60 lakh. This indicated non-observance of the instructions regarding finalisation of tenders within validity period in the best financial interest of the Corporation.

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[*] Semi devise bituminous compound.

[$] Chiddarwar Construction Company Private Limited, Jaswantsingh Oberoi, R.B. Construction Company Private Limited and Sai Construction.

[•] Current assets less inventory represents quick assets. This divided by current liabilities represents quick *ratio* which indicates immediate solvency/financial strength.

The Management in its reply which was endorsed (August 2010) by the Government stated that in the second call, tenders were cancelled as the agency laid down certain conditions for extension of validity period, the lowest offer of 34.58 *per cent* was not workable as the prices of asphalt, which was the main component of the work, were increasing and if the work had been allotted to said agency, it would have been difficult to get the work executed in time and as per required quality.

The reply is an after thought and is contradictory as there was a price variation clause in the tender which would have taken care of fluctuating prices of asphalt. The Corporation would have got the lowest rate if it had finalised the tender within validity period of 180 days from the date of submission of tender. The reply is silent on the reasons for the delay in the finalisation of tender.

It is, therefore, recommended that the Corporation should evolve a proper system of contract management for safeguarding the financial interest of the organisation. Accountability mechanism fixing responsibility for delays at all levels of decision making needs to be developed.

Maharashtra Electricity Regulatory Commission

3.21 *Irregular award of consultancy work*

Award of consultancy work at higher rates without undertaking a transparent bidding process resulted in an irregular expenditure of ₹ 9.66 crore on consultancy charges.

The Maharashtra Electricity Regulatory Commission (Commission) is tasked with rationalisation of electricity tariff, advising on matters relating to electricity generation, transmission and distribution in the State and issue of licences. The Commission had been appointing consultant firms from time to time on case to case basis. The Commission, however, decided (July 2005), to appoint a consultancy firm on retainer basis to cater to its day-to-day work. This was stated to be owing to a change in its nature of work.

As per regulation[#] of the Commission the proposal from bidders should be based on Request for Proposal (RFP) circulated and evaluated on the basis of quality as well as cost. The formal contract was also required to be entered into with the consultancy firm. However, the Commission did not give adequate publicity for calling the competitive bids in a transparent manner. Nor did it circulate any RFP to prospective bidders in a transparent and objective manner. The Commission chose to discuss (1 July 2005) its requirement for consultancy on retainer basis with two firms *viz.* Deloitte Touche Tohmatsu (DTT) and ICRA Management Consulting Services Limited (IMaCS) who had a long association with the Commission in rendering technical assistance on a case to case basis. Based, upon the discussions, both

[#]Maharashtra Electricity Regulatory Commission (Terms and Conditions Regulations 2004 of Appointment of Consultants.

firms submitted offers which were rejected by the Chairman of the Commission in July 2005. The offer of IMaCS was rejected on the ground that their hands will be full for Maharashtra State Electricity Distribution Company Limited/Annual Revenue Requirement (ARR). The offer[$] of DTT was rejected on the ground that their professional manpower was limited.

After rejection of these offers, two members from each firm (IMaCS and DTT) quit their respective firms and formed a partnership firm on 12 August 2005 which was registered under Indian Partnership Act, 1932 on 29 November 2005. The firm was converted into a Private Limited Company (ABPSIA Private Limited (ABPSIA)) in September 2006. It had submitted its *suo-moto* technical and financial offer on 16 August 2005. The financial offer was valid up to 15 September 2005. The amount quoted by ABPSIA for three years worked out to ₹ 2.79 crore based on average per person man day rate. The offer of ABPSIA was costlier by ₹ 35.95 lakh compared to the offer of DTT. The Commission neither compared the rates of ABPSIA with the rates quoted by DTT nor negotiated the rates and asked the ABPSIA to match the rates with that of DTT. The rates of ABPSIA were justified as reasonable and the work was thus awarded without regard to the financial interest of the Commission and also lacked transparency as the work was awarded without inviting competitive bids and with adequate publicity.

The Commission extended the period of contract of ABPSIA for one year in October 2008 and for another one year in December 2009 with the increase in manpower.

Thus, the work of consultancy was outsourced to one firm (ABPSIA) for a period of five years at the rates quoted by it without ascertaining the reasonability of rates. The Commission incurred an expenditure of ₹ 9.66 crore on consultancy charges including service tax and education cess during the period between September 2005 to March 2010.

Audit scrutiny (July-August 2009) further revealed the following irregularities:

- The validity of offer of ABPSIA was up to 15 September 2005. However, the Commission accepted the offer on 19 September 2005 *i.e.* after expiry of validity. Though, the offer was accepted by the Commission on 19 September 2005, the ABPSIA started the work from 9 September 2005. The starting of work by the firm before acceptance of offer indicates that the Commission was pre-determined to award the work to ABPSIA.

- The performance of ABPSIA was not satisfactory. In December 2006 the Commission felt that ABPSIA would not be able to handle all jobs at the same time with their available manpower and the consultancy work related to determination of Annual Revenue Requirement of Brihan Mumbai Electric Supply and Transport Undertaking and Reliance Energy Limited was off-loaded to other firms *i.e.* M/s Ferguson and M/s Price Water House

[$]Rates quoted by DTT were ₹ 52,000, ₹ 56,500 and ₹ 62,200 per day during 2006-07, 2007-08 and 2008-09 respectively and ₹ 12.50 lakh per month by ICRA.

Coopers on case to case basis. The Commission paid consultancy charges of ₹ 42.91 lakh for the same. Thus, the objective of giving consultancy work on retainer basis to avoid case to case basis consultancy was not achieved.

The Commission (April 2010) accepted the fact of award of contract before registration of the firm and stated that the consultancy work was awarded to ABPSIA considering the exposure of key personnel working regularly in DTT and IMaCS who were associated with the Commission and had left their organisations and formed the new firm. The reply is not acceptable as it remains silent on why the reasonability of rates was not ascertained through a competitive and transparent bidding process with widespread publicity; considering the criticality of the work.

It is therefore recommended that consultancy contracts should be awarded only after inviting competitive bids to ensure transparency and to safeguard the financial interest of the organisation. The technical competence of the consultants should be thoroughly assessed at the pre-bid stage, and RFP should be structured accordingly.

The matter was reported to the Government (March 2010); their reply had not been received (December 2010).

General

Follow-up action on Audit Reports

3.22 *Explanatory Notes outstanding*

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

Though the Audit Report (Commercial) for the year 2007-08 containing three reviews and 21 paragraphs was presented to the State Legislature on 23rd December 2009, five Departments did not submit replies to 19 paragraphs/ reviews, as of 30th September 2010. Audit Report (Commercial) for the year 2008-09 containing two reviews and 21 paragraphs was presented to the State Legislature on 23 April 2010 but replies to paragraphs/reviews are yet to be received. Moreover, for the Audit Report (Commercial) for the year 2006-07 containing six reviews and 28 paragraphs which was presented to the State Legislature on 30th December 2008 three Departments did not submit replies to nine out of 34 paragraphs/reviews. In case of Audit Report

(Commercial) for the year 2005-06 which was presented on 17 April 2007, three Departments (Social Welfare, Co-operation and Textile and Urban Development) did not submit explanatory notes for two reviews and one paragraph.

Compliance to Reports of the Committee on Public Undertakings

3.22.2 Action Taken Notes (ATNs) to 92 recommendations contained in 14 Reports of the COPU presented to the State Legislature between April 1996 to September 2010 were still awaited as on September 2010 as indicated below:

Year of COPU Report	Total no. of Reports involved	No. of recommendations where ATNs were not received
1996-97	2	21
1997-98	1	2
2000-01	1	1
2005-06	3	22
2007-08	4	38
2008-09	3	8
Total	**14**	**92**

The matter of pending ATNs has been taken up with the concerned administrative departments and also the Finance Department at various levels so as to expedite the ATNs on pending recommendations of COPU.

Response to inspection reports, draft paragraphs and reviews

3.22.3 Audit observations not settled on the spot are communicated to the heads of PSUs and the concerned administrative departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2010 pertaining to 62 PSUs disclosed that 2,587 paragraphs relating to 569 Inspection Reports remained outstanding at the end of September 2010. The department-wise break-up of Inspection Reports and Audit observations outstanding as on 30 September 2010 is given in **Annexure-16**.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that out of 21 draft paragraphs and two draft performance reviews forwarded to various departments between March and June 2010 and included in the Audit Report, 12 draft paragraphs and one draft performance review as detailed in **Annexure-17**, were not replied to (December 2010).

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

Sayantani Jafa

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

27 January, 2011

Countersigned

Vinod Rai

NEW DELHI **(VINOD RAI)**
The **Comptroller and Auditor General of India**

28 January, 2011

ANNEXURES

Annexure – 1

Statement showing particulars of up to date paid-up capital, loans outstanding and manpower as on 31 March 2010 in respect of Government companies and Statutory corporations

***(Referred to in paragraph* 1.3,1.7 and 1.29)**

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

Sl.No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year) 6c/5(d)	Manpower (No. of employees as on 31.3.2010)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Forest Development Corporation of Maharashtra Limited	Revenue and Forest	2/1974	371.71	--≈	--≈	371.71	--≈	--≈	--≈	--≈	-- --	1,559
2.	Maharashtra Agro Industries Development Corporation Limited	Agriculture, Animal Husbandry , Dairy Development and Fisheries	12/1965	3.00	2.50	--≈	5.50	--≈	--≈	--≈	--≈	-- (0.04:1)	945
3.	Maharashtra Insecticides Limited	Agriculture, Animal Husbandry, Dairy Development and Fisheries	05/1984	--≈	--≈	1.00	1.00	--≈	--≈	--≈	--≈	-- --	66
4.	Maharashtra State Farming Corporation Limited.	Revenue and Forest	03/1963	2.75	--≈	--≈	2.75	87.42	--≈	--≈	87.42	31.79:1 (29.97:1)	602
5.	Maharashtra State Seeds Corporation Limited	Agriculture	04/1976	2.05	1.48	0.65	4.18	5.00	--≈	--≈	5.00	1.20:1 (1.20:1)	671
6.	Punyashloka Ahilyadevi Maharashtra Mendi Va Sheli Vikas Mahamandal Limited	Animal Husbandry and Dairy Development	08/1978	2.71	2.12	--≈	4.83	--≈	--≈	--≈	--≈	-- --	304

≈ This indicates 'nil' amount.

Sl.No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital[$]				Loans[**] outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year) 6c/5(d)	Manpower (No. of employees as on 31.3.2010)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
7.	The Maharashtra Fisheries Development Corporation Limited	Fisheries, Animal Husbandry and Dairy Development	02/1973	2.75	--≈	--≈	2.75	1.10	--≈	--≈	1.10	0.40:1 (0.44:1)	41
Sector- wise total				**384.97**	**6.10**	**1.65**	**392.72**	**93.52**	**--**	**--**	**93.52**	**0.24:1 (0.23:1)**	**4,188**
FINANCE													
8.	Annasaheb Patil Arthik Magas Vikas Mahamandal Maryadit	Employment and self-employment	11/1998	50.00	--≈	--≈	50.00	--≈	--≈	--≈	--≈	-- --	9
9.	Lokshahir Annabhau Sathe Development Corporation Limited	Social Justice and Special Assistance	07/1985	118.01	0.34	--≈	118.35	0.32	--≈	13.31	13.63	0.12:1 (0.61:1)	153
10.	Maharashtra Co-operative Development Corporation Limited ♠	Co-operation and Textile	08/2001	3.19	--≈	3.28	6.47	--≈	--≈	--≈	--≈	-- --	@
11.	Maharashtra Film, Stage and Cultural Development Corporation Limited	Cultural Affairs	09/1977	12.30	--≈	--≈	12.30	0.56	--≈	3.90	4.46	0.36:1 (0.51:1)	160
12.	Maharashtra Patbandhare Vittiya Company Limited	Planning	12/2002	0.06	--≈	--≈	0.06	--≈	--≈	--≈	--≈	-- (13,304.17:1)	Ω
13.	Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited	Social Justice and Special Assistance	04/1999	49.88	--≈	--≈	49.88	--≈	70.72	--≈	70.72	1.42:1 (1.95:1)	123
14.	Maharashtra Small Scale Industries Development Corporation Limited	Industries, Energy and Labour	10/1962	14.51	--≈	--≈	14.51	--≈	--≈	2.61	2.61	0.18:1 (0.18:1)	210
15.	Maharashtra State Handicapped Finance and Development Corporation	Social Justice and Special Assistance	03/2002	6.43	--≈	--≈	6.43	--≈	--≈	--≈	--≈	-- --	13

≈ This indicates 'nil' amount.

Sl.No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital[$]				Loans[**] outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year) 6c/5(d)	Manpower (No. of employees as on 31.3.2010)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
16.	Maharashtra State Handlooms Corporation Limited	Co-operation, Marketing and Textiles	10/1971	78.20	1.90	--≈	80.10	20.08	--≈	--≈	20.08	0.25:1 (0.25:1)	49
17.	Maharashtra Vikrikar Rokhe Pradhikaran Limited	Industries, Energy and Labour	06/2001	--≈	--≈	0.05	0.05	--≈	--≈	--≈	--≈	-- (3,098.60:1)	Ω
18.	Mahatma Phule Backward Class Development Corporation Limited	Social Justice, Cultural Affairs	07/1978	219.85	64.07	--≈	283.92	0.40	--≈	7.18	7.58	0.03:1 (0.08:1)	328
19.	Maulana Azad Alpasankyak Arthik Vikas Mahamandal Limited ♠	Minority Development	10/2000	92.64	--≈	--≈	92.64	--≈	--≈	--≈	--≈	-- --	@
20.	Sant Rohidas Leather Industries & Charmakar Development Corporation Limited	Social Justice, Cultural Affairs	05/1974	88.21	--≈	--≈	88.21	--≈	--≈	--≈	--≈	-- --	@
21.	Shabari Adiwasi Vitta Va Vikas Mahamandal Maryadit	Tribal Development	01/1999	32.23	0.52	--≈	32.75	--≈	--≈	20.01	20.01	0.61:1 (0.88:1)	27
22.	Vasantrao Naik Vimukta Jatis & Nomadic Tribes Development Corporation Limited	Social Justice and Special Assistance	02/1984	91.55	--≈	--≈	91.55	--≈	--≈	--≈	--≈	-- --	84
Sector- wise total				**857.06**	**66.83**	**3.33**	**927.22**	**21.36**	**70.72**	**47.01**	**139.09**	**0.15:1 (1.61:1)**	**1,156**
INFRASTRUCTURE													
23.	Amravati City Road Development Company Limited	Public Works Department	02/2004	--≈	--≈	0.05	0.05	--≈	--≈	--≈	--≈	-- --	Staff of Holding Com. engaged

≈ This indicates 'nil' amount.

Sl.No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year) 6c/5(d)	Manpower (No. of employees as on 31.3.2010)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
24.	Baramati Infrastructure Development Company Limited	Public Works Department	02/2004	--≈	--≈	0.05	0.05	--≈	--≈	--≈	--≈	-- --	Staff of Holding Com. engaged
25.	City & Industrial Development Corporation of Maharashtra Limited	Urban Development	03/1970	3.95	--≈	--≈	3.95	4.00	--≈	75.87	79.87	20.22:1 (34.98:1)	1,723
26.	Development Corporation of Konkan Limited	Industries, Energy and Labour	12/1970	8.81	--≈	--≈	8.81	6.16	--≈	---≈	6.16	0.70:1 (0.70:1)	20
27.	Kolhapur City Road Development Company Limited	Public Works Department	02/2004	--≈	--≈	0.05	0.05	--≈	--≈	--≈	--≈	-- --	Staff of Holding Com. Engaged
28.	Maharashtra Airport Development Company Limited	General Administration (Civil Aviation)	08/2002	--≈	--≈	22.00	22.00	--≈	--≈	329.50	329.50	14.98:1 (7.77:1)	34
29.	Maharashtra State Police Housing and Welfare Corporation Limited	Home	03/1974	7.96	--≈	--≈	7.96	--≈	--≈	--≈	--≈	-- (1.68:1)	39
30.	Maharashtra State Road Development Corporation Limited	Public Works Department	08/1996	459.00	--≈	--≈	459.00	--≈	--≈	4,766.98	4,766.98	10.39:1 (834.80:1)	202
31.	Maharashtra Urban Infrastructure Development Company Limited	Urban Development	08/2002	0.25	--≈	0.05	0.30	--≈	--≈	--≈	--≈	-- (3.33:1)	7
32.	Maharashtra Urban Infrastructure Fund Trustee Company Limited	Urban Development	08/2002	0.05	--≈	0.05	0.10	--≈	--≈	--≈	--≈	-- --	Ω
33.	Mumbai Inland Passenger Water Transport Company Limited	Public Works Department	04/2003	--≈	--≈	1.05	1.05	--≈	--≈	--≈	--≈	-- --	Staff of Holding Com. Engaged

≈ This indicates 'nil' amount.

Sl.No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year) 6c/5(d)	Manpower (No. of employees as on 31.3.2010)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
34.	Satara Kagal Highway Construction Company Limited	Public Works Department	12/2002	--≈	--≈	0.05	0.05	--≈	--≈	--≈	--≈	-- --	Staff of Holding Com. Engaged
35.	Shivshahi Punarvasan Prakalp Limited ♠	Housing	09/1998	115.00	--≈	--≈	115.00	--≈	--≈	--≈	--≈	-- --	38
36.	Solapur City Integrated Road Development Limited	Public Works Department	12/2002	--≈	--≈	0.05	0.05	--≈	--≈	--≈	--≈	-- --	Staff of Holding Com. Engaged
37.	Western Maharashtra Development Corporation Limited	Industries, Energy and Labour	12/1970	3.06	--≈	--≈	3.06	26.51	--≈	--≈	26.51	8.66:1 --	80
Sector- wise total				**598.08**	**--**	**23.40**	**621.48**	**36.67**	**--**	**5,172.35**	**5,209.02**	**8.38:1 (26.89:1)**	**2,143**
MANUFACTURING													
38.	Haffkine Ajintha Pharmaceuticals Limited	Medical Education and Drugs	04/1977	--≈	--≈	0.18	0.18	--≈	--≈	--≈	--≈	-- --	50
39.	Haffkine Bio-Pharmaceutical Corporation Limited	Medical Education and Drugs	04/1974	8.71	--≈	--≈	8.71	--≈	--≈	--≈	--≈	-- --	489
40.	Mahaguj Collieries Limited	Industries, Energy and Labour	11/2006	--≈	--≈	0.05	0.05	--≈	--≈	23.38	23.38	467.60:1 (16.60:1)	Ω
41.	Maharashtra Petrochemicals Corporation Limited	Industries, Energy and Labour	04/1981	8.96	--≈	--≈	8.96	--≈	--≈	--≈	--≈	-- --	5
42.	Maharashtra State Mining Corporation Limited	Industries, Energy and Labour	11/1973	2.07	--≈	--≈	2.07	4.57	--≈	--≈	4.57	2.21:1 (2.21:1)	75

≈ This indicates 'nil' amount.

Sl.No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital$				Loans** outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year) 6c/5(d)	Manpower (No. of employees as on 31.3.2010)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
43.	Maharashtra State Powerlooms Corporation Limited	Co-operative, Textiles and Marketing	02/1972	12.68	--≈	--≈	12.68	0.20	--≈	--≈	0.20	0.02:1 (0.02:1)	43
Sector- wise total				**32.42**	**--**	**0.23**	**32.65**	**4.77**	**--**	**23.38**	**28.15**	**0.86:1 (0.17:1)**	**662**
POWER													
44.	Aurangabad Power Company Limited ♠	Industries, Energy and Labour	06/2007	--≈	--≈	0.05	0.05	--≈	--≈	--≈	--≈	-- --	@
45.	Dhopave Coastal Power Limited	Industries, Energy and Labour	03/2007	--≈	--≈	0.05	0.05	--≈	--≈	--≈	--≈	-- --	2
46.	Dhule Thermal Power Company Limited	Industries, Energy and Labour	08/2007	--≈	--≈	0.05	0.05	--≈	--≈	--≈	--≈	-- --	Ω
47.	Maharashtra Power Development Corporation Limited	Industries, Energy and Labour	12/1997	--≈	--≈	0.45	0.45	--≈	--≈	908.97	908.97	2,019.93:1 (2,019.93:1)	Ω
48.	Maharashtra State Electricity Distribution Company Limited	Industries, Energy and Labour	05/2005	207.85	--≈	3,232.71	3,440.56	498.30	--≈	--≈	498.30	0.14 :1 (1.16:1)	57,675
49.	Maharashtra State Power Generation Company Limited	Industries, Energy and Labour	05/2005	1,694.68	--≈	2,500.00	4,194.68	189.80	--≈	12,798.19	12,987.99	3.10:1 (2.28:1)	15,642
50.	Maharashtra State Electricity Transmission Company Limited	Industries, Energy and Labour	05/2005	--≈	--≈	2,696.04	2,696.04	--≈	--≈	3,815.32	3,815.32	1.42 :1 (1.04:1)	11,545
51.	Maharashtra State Electric Power Trading Company (P) Limited ♠	Industries, Energy and Labour	11/2007	--≈	--≈	10.01	10.01	--≈	--≈	--≈	--≈	-- --	@
52.	M.S.E.B. Holding Company Limited	Industries, Energy and Labour	05/2005	8,709.01	--≈	--≈	8,709.01	3,180.41	--≈	--≈	3,180.41	0.37:1 (0.38:1)	10

≈ This indicates 'nil' amount.

Sl.No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital[$]				Loans[**] outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year) 6c/5(d)	Manpower (No. of employees as on 31.3.2010)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
53.	Mahagenco Power Generation Consultancy Services Limited	Industries, Energy and Labour	09/2007	--≈	--≈	0.05	0.05	--≈	--≈	--≈	--≈	--	Ω
Sector- wise total				**10,611.54**	**--**	**8,439.41**	**19,050.95**	**3,868.51**	**--**	**17,522.48**	**21,390.99**	**1.12:1 (1.05:1)**	**84,874**
SERVICES													
54.	Maharashtra Tourism Development Corporation Limited	Home (Tourism)	01/1975	15.39	--≈	--≈	15.39	4.32	--≈	--≈	4.32	0.28:1 (0.29:1)	370
Sector- wise total				**15.39**	**--**	**--**	**15.39**	**4.32**	**--**	**--**	**4.32**	**0.28:1 (0.29:1)**	**370**
MISCELLANEOUS													
55.	Krupanidhi Limited ♠	Trade and Commerce	12/1964	0.01	--≈	--≈	0.01	--≈	--≈	--≈	--≈	-- --	@
56.	Maharashtra Ex-Servicemen Corporation Limited	General Administration	03/2002	4.95	--≈	--≈	4.95	--≈	--≈	--≈	--≈	-- --	Ω
57.	Mahila Arthik Vikas Mahamandal	Women and Child Development	02/1975	2.12	0.47	0.01	2.60	--≈	--≈	--≈	--≈	-- --	96
58.	Nagpur Flying Club (P) Limited	Civil Aviation	03/2007	0.85	--≈	--≈	0.85	--≈	--≈	--≈	--≈	-- --	7
Sector- wise total				**7.93**	**0.47**	**0.01**	**8.41**	--	--	--	--	**-- --**	**103**
Total A (All sector wise working Government companies)				**12,507.39**	**73.40**	**8,468.03**	**21,048.82**	**4,029.15**	**70.72**	**22,765.22**	**26,865.09**	**1.28:1 (1.27:1)**	**93,496**
B. Working Statutory corporations													
AGRICULTURE & ALLIED													
1.	Maharashtra State Warehousing Corporation	Co-operation, Marketing and Textile	08/1957	4.36	--≈	4.35	8.71	--≈	--≈	4.61	4.61	0.53:1 (1.46:1)	1,086
Sector- wise total				**4.36**	**--**	**4.35**	**8.71**	--	--	**4.61**	**4.61**	**0.53:1 (1.46:1)**	**1,086**

≈ This indicates 'nil' amount.

Sl.No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital[$]				Loans[**] outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year) 6c/5(d)	Manpower (No. of employees as on 31.3.2010)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
FINANCE													
2.	Maharashtra State Financial Corporation	Industries, Energy and Labour (Industries)	08/1962	34.28	--≈	28.36	62.64	--≈	--≈	435.53	435.53	6.95:1 (7.66:1)	114
Sector- wise total				**34.28**	--	**28.36**	**62.64**	--	--	**435.53**	**435.53**	**6.95:1 (7.66:1)**	**114**
INFRASTRUCTURE													
3.	Maharashtra Industrial Development Corporation	Industries, Energy and Labour	08/1962	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈	-- --	3,426
Sector- wise total				--	--	--	--	--	--	--	--	-- --	**3,426**
SERVICE													
4.	Maharashtra State Road Transport Corporation	Home (Transport)	7/1961	1,346.60	56.77	--≈	1,403.37	--≈	--≈	--≈	--≈	-- (0.01:1)	1,00,978
Sector- wise total				**1,346.60**	**56.77**	--	**1,403.37**	--	--	--	--	-- **(0.01:1)**	**1,00,978**
Total B (All sector wise working Statutory corporations)				**1,385.24**	**56.77**	**32.71**	**1,474.72**	--	--	**440.14**	**440.14**	**0.30:1 (0.34:1)**	**1,05,604**
Grand Total (A + B)				**13,892.63**	**130.17**	**8,500.74**	**22,523.54**	**4,029.15**	**70.72**	**23,205.36**	**27,305.23**	**1.21:1 (1.20:1)**	**1,99,100**
C. Non working companies													
AGRICULTURE & ALLIED													
1.	Dairy Development Corporation of Marathwada Limited	Industries, Energy and Labour	03/1974	0.20	--≈	0.18	0.38	--≈	--≈	2.66	2.66	7.00:1 (6.97:1)	Ω
2.	Ellora Milk Products Limited	Industries, Energy and Labour	02/1985	--≈	--≈	0.05	0.05	--≈	--≈	1.35	1.35	27.00:1 (27.00:1)	Ω
3.	Irrigation Development Corporation of Maharashtra Limited ♠	Irrigation	11/1973	19.93	--≈	--≈	19.93	--≈	--≈	--≈	--≈	-- --	@

≈ This indicates 'nil' amount.

Sl.No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year) 6c/5(d)	Manpower (No. of employees as on 31.3.2010)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
4.	MAFCO Limited	Finance	12/1970	5.04	--≈	--≈	5.04	5.27	--≈	--≈	5.27	1.05:1 (1.24:1)	Ω
5.	Parbhani Krishi Go-samvardhan Limited	Industries, Energy and Labour	03/1977	--≈	--≈	0.19	0.19	--≈	--≈	2.01	2.01	10.58:1 (10.63:1)	Ω
6.	Vidarbha Quality Seeds Limited	Industries	02/1973	--≈	--≈	0.10	0.10	--≈	--≈	0.28	0.28	2.80:1 (2.80:1)	@
Sector- wise total				**25.17**	--	**0.52**	**25.69**	**5.27**	--	**6.30**	**11.57**	**0.45:1 (0.49:1)**	
FINANCE													
7.	Kolhapur Chitranagri Mahamandal Limited ♠	Cultural Affairs	03/1985	3.24	--≈	--≈	3.24	0.13	--≈	--≈	0.13	0.04:1 (0.04:1)	@
Sector- wise total				**3.24**	--	--	**3.24**	**0.13**	--	--	**0.13**	**0.04:1 (0.04:1)**	
INFRASTRUCTURE													
8.	Development Corporation of Vidarbha Limited	Industries	12/1970	7.17	--≈	--≈	7.17	--≈	--≈	--≈	--≈	-- --	@
9.	Maharashtra Land Development Corporation Limited	Irrigation (Water Resources)	07/1973	3.00	1.00	--≈	4.00	43.21	--≈	--≈	43.21	10.80:1 (10.80:1)	Ω
10.	Maharashtra Rural Development Corporation Limited	Rural Development and Water Conservation	09/1982	0.05	--≈	--≈	0.05	--≈	--≈	--≈	--≈	-- --	@
11.	Maharashtra State Housing Corporation Limited	Housing	10/1974	0.01	--≈	--≈	0.01	--≈	--≈	--≈	--≈	-- --	@
12.	Marathwada Development Corporation Limited	Industries, Energy and Labour	08/1967	10.17	--≈	--≈	10.17	48.96	--≈	--≈	48.96	4.81:1 (4.81:1)	Ω
Sector- wise total				**20.40**	**1.00**	--	**21.40**	**92.17**	--	--	**92.17**	**4.31:1 (4.31:1)**	

≈ This indicates 'nil' amount.

Sl.No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year) 6c/5(d)	Manpower (No. of employees as on 31.3.2010)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
MANUFACTURING													
13.	Godavari Garments Limited	Industries, Energy and Labour	03/1977	--≈	--≈	0.24	0.24	--≈	--≈	7.10	7.10	29.58:1 (29.79:1)	Ω
14.	Kinwat Roofing Tiles Limited	Industries, Energy and Labour	03/1977	--≈	--≈	0.19	0.19	--≈	--≈	0.74	0.74	3.89:1 (3.89:1)	Ω
15.	Maharashtra Electronics Corporation Limited	Industries, Energy and Labour	01/1978	9.69	--≈	--≈	9.69	57.72	--≈	17.78	75.50	7.79:1 (7.79:1)	Ω
16.	Maharashtra State Textile Corporation Limited	Co-operation and Textile	09/1966	236.16	--≈	--≈	236.16	173.91	--≈	--≈	173.91	0.74:1 (0.75:1)	Ω
17.	Marathwada Ceramic Complex Limited	Industries, Energy and Labour	12/1977	--≈	--≈	0.68	0.68	--≈	--≈	6.27	6.27	9.22:1 (9.34:1)	Ω
18.	Sahyadri Glass Works Limited ♠	Industries, Energy and Labour	11/1974	--≈	--≈	0.45	0.45	--≈	--≈	--≈	--≈	-- --	@
19.	The Gondwana Paints and Minerals Limited	Industries	07/1946	--≈	--≈	0.10	0.10	--≈	--≈	0.80	0.80	8.00:1 (8.00:1)	@
20.	The Pratap Spinning, Weaving and Manufacturing Company Limited	Co-operation and Textile	08/1906	--≈	--≈	23.17	23.17	--≈	--≈	24.18	24.18	1.04:1 (1.04:1)	Ω
Sector- wise total				**245.85**	--	**24.83**	**270.68**	**231.63**	--	**56.87**	**288.50**	**1.07:1 (1.06:1)**	
MISCELLANEOUS													
21.	Leather Industries Corporation of Marathwada Limited	Industries, Energy and Labour	03/1974	--≈	--≈	0.64	0.64	--≈	--≈	5.60	5.60	8.75:1 (9.72:1)	Ω

≈ This indicates 'nil' amount.

Sl.No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year) 6c/5(d)	Manpower (No. of employees as on 31.3.2010)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
22.	The Overseas Employment and Export Promotion Corporation of Maharashtra Limited ♠	Education and Employment	08/1979	0.12	--≈	--≈	0.12	0.58	--≈	--≈	0.58	4.83:1 (4.83:1)	@
23.	Vidarbha Tanneries Limited	Industries	05/1979	--≈	--≈	0.10	0.10	--≈	--≈	1.01	1.01	10.10:1 --	@
Sector- wise total				**0.12**	**--**	**0.74**	**0.86**	**0.58**	**--**	**6.61**	**7.19**	**8.36:1 (7.91:1)**	**--**
Total C (All sector wise non working Government companies)				**294.78**	**1.00**	**26.09**	**321.87**	**329.78**	**--**	**69.78**	**399.56**	**1.24:1 (1.23:1)**	**--**
Grand Total (A + B + C)				**14,187.41**	**131.17**	**8,526.83**	**2,2845.41**	**4,358.93**	**70.72**	**23,275.14**	**27,704.79**	**1.21:1 (1.21:1)**	**1,99,100**

Above includes Section 619-B companies at Sl. No. A-5,17,28 and 47.

$ Paid-up capital includes share application money.

** Loans outstanding at the close of 2009-10 represent long-term loans only.

♠ Information not furnished for the year 2009-10.

@ Information regarding no. of employees not furnished by PSUs.

Ω This indicates 'nil' Manpower.

≈ This indicates 'nil' amount.

Annexure - 2

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

(Referred to in paragraph 1.12,1.15,1.16,1.22,1.23 and 1.37)

(Figures in column 5 (a) to11 are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
AGRICULTURE & ALLIED														
1.	Forest Development Corporation of Maharashtra Limited	2008-09	2009-10	61.59	--≈	0.49	61.10	97.42	(-)5.63	371.71	336.45	905.88	61.10	6.74
2.	Maharashtra Agro Industries Development Corporation Limited	2008-09	2009-10	9.14	0.44	0.85	7.85	539.76	(-)2.63	5.50	49.81	379.51	8.29	2.18
3.	Maharashtra Insecticides Limited	2008-09	2009-10	0.41	0.002	0.23	0.18	9.64	--≈	1.00	8.56	10.57	0.18	1.72
4.	Maharashtra State Farming Corporation Limited	2005-06	2010-11	5.48	5.34	0.29	(-)0.15	15.14	(-)3.27	2.75	(-)100.49	(-)23.23	5.19	--Σ
5.	Maharashtra State Seeds Corporation Limited	2008-09	2009-10	19.84	0.98	1.19	17.67	351.27	--≈	4.18	45.81	75.41	18.65	24.73
6.	Punyashloka Ahilyadevi Maharashtra Mendi Va Sheli Vikas Mahamandal Limited	2006-07	2009-10	0.38	--≈	0.06	0.32	11.24	0.05	4.73	(-)0.72	13.99	0.32	2.29

≈ This indicates 'nil' amount.

Σ Percentage of Return on Capital Employed was Negative.

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-) Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
7.	Maharashtra Fisheries Development Corporation Limited	2002-03	2010-11	(-)0.09	0.14	0.16	(-)0.39	0.45	--≈	1.72	(-)4.97	(-)1.00	(-)0.25	--Σ
Sector- wise total				**96.75**	**6.90**	**3.27**	**86.58**	**1,024.92**	**--**	**391.59**	**334.45**	**1,361.13**	**93.48**	**6.87**
FINANCE														
8.	Annasaheb Patil Arthik Magas Vikas Mahamandal Maryadit	2004-05	2008-09	0.14	--≈	0.01	0.13	0.97	(-)0.06	18.00	1.75	20.00	0.13	0.65
9.	Lokshahir Annabhau Sathe Development Corporation Limited	2000-01	2010-11	0.49	--≈	0.01	0.48	0.53	(-)0.17	10.49	1.71	20.96	0.48	2.29
10.	Maharashtra Co-operative Development Corporation Limited.	2005-06	2008-09	14.70	14.15	0.05	0.50	17.26	(-)2.95	6.47	(-)1.90	2.10	14.65	697.62
11.	Maharashtra Film, Stage and Cultural Development Corporation Limited	2007-08	2009-10	12.72	1.00	1.62	10.10	23.88	(-)2.85	12.30	10.18	26.64	11.10	41.67
12.	Maharashtra Patbandhare Vittiya Company Limited (•)	2008-09	2009-10	0.007	--≈	0.007	--≈	73.25	--≈	0.06	(-)0.003	749.27	--≈	--Ψ
13.	Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited	2005-06	2008-09	10.06	0.99	0.15	8.92	4.66	--≈	33.88	14.14	98.37	9.91	10.07

Σ Percentage of Return on Capital Employed was Negative.
≈ This indicates 'nil' amount.
Ψ Return on capital employed not applicable.

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
14.	Maharashtra Small Scale Industries Development Corporation Limited	2005-06	2010-11	0.29	0.30	0.39	(-)0.40	174.83	--≈	9.79	1.98	36.48	(-)0.10	--Σ
15.	Maharashtra State Handicapped Finance and Development Corporation	2004-05	2006-07	0.51	0.27	0.01	0.23	0.51	--≈	3.10	0.09	18.43	0.50	2.71
16.	Maharashtra State Handlooms Corporation Limited	2008-09	2009-10	0.64	2.27	0.03	(-)1.66	10.91	(-)1.51	80.10	(-)100.04	0.25	0.61	244.00
17.	Maharashtra Vikrikar Rokhe Pradhikaran Limited (•)	2008-09	2009-10	0.005	--≈	0.005	--≈	--≈	--≈	0.05	0.41	253.67	--≈	--Ψ
18.	Mahatma Phule Backward Class Development Corporation Limited	2000-01	2009-10	2.28	0.01	0.05	2.22	3.36	(-)5.32	86.34	18.97	120.96	2.23	1.84
19.	Maulana Azad Alpasankyak Arthik Vikas Mahamandal Limited	2005-06	2006-07	1.35	0.55	0.01	0.79	0.87	--≈	38.20	1.50	59.04	1.34	2.27
20.	Sant Rohidas Leather Industries & Charmakar Development Corporation Limited	1996-97	2009-10	1.13	0.07	0.08	0.98	5.56	--≈	3.96	0.94	6.20	1.05	16.94

Σ Percentage of Return on Capital Employed was Negative.

≈ This indicates 'nil' amount.

Ψ Return on capital employed not applicable.

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments[#]	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed[@]	Return on capital employed[$]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
21.	Shabari Adiwasi Vitta Va Vikas Mahamandal Maryadit	2004-05	2010-11	1.04	0.34	0.04	0.66	1.01	(-)17.74	22.69	3.42	37.59	1.00	2.66
22.	Vasantrao Naik Vimukta Jatis & Nomadic Tribes Development Corporation Limited	1997-98	2010-11	0.25	0.35	0.03	(-)0.13	0.52	(-)0.28	12.80	(-)1.11	20.49	0.22	1.07
Sector -wise total				**45.61**	**20.30**	**2.49**	**22.82**	**318.12**		**338.23**	**(-)47.96**	**1,470.45**	**43.12**	**2.93**
INFRASTRUCTURE														
23.	Amravati City Road Development Company Limited ♠	2008-09	2010-11	(-)0.008	--≈	--≈	(-)0.008	--≈	--≈	0.05	(-)0.03	0.01	(-)0.008	--Σ
24.	Baramati Infrastructure Development Company Limited ♠	2009-10	2010-11	(-)0.005	--≈	--≈	(-)0.005	--≈	--≈	0.05	(-)0.03	0.01	(-)0.005	--Σ
25.	City & Industrial Development Corporation of Maharashtra Limited	2006-07	2010-11	(-)18.81	7.09	0.15	(-)26.05	26.37	--≈	3.95	63.40	288.01	(-)18.96	--Σ
26.	Development Corporation of Konkan Limited	1997-98	2005-06	(-)0.35	--≈	0.03	(-)0.38	0.32	--≈	8.81	(-)7.74	6.66	(-)0.38	--Σ
27.	Kolhapur City Road Development Company Limited ♠	2008-09	2009-10	(-)0.007	--≈	--≈	(-)0.007	--≈	--≈	0.05	(-)0.02	0.02	(-)0.007	--Σ

≈ This indicates 'nil' amount.

Σ Percentage of Return on Capital Employed was Negative.

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
28.	Maharashtra Airport Development Company Limited	2008-09	2009-10	2.73	--≈	0.46	2.27	47.50	--≈	22.00	53.95	472.31	2.27	0.48
29.	Maharashtra State Police Housing and Welfare Corporation Limited ¶	2006-07	2009-10	0.16	--≈	0.16	--≈	--≈	--≈	7.96	--≈	--≈	--≈	--Ψ
30.	Maharashtra State Road Development Corporation Limited	2007-08	2009-10	278.86	472.18	228.26	(-)421.58	299.83	--≈	5.00	(-)2,288.31	4,845.26	50.60	1.04
31.	Maharashtra Urban Infrastructure Development Company Limited	2008-09	2009-10	(-)0.19	--≈	0.02	(-)0.21	0.01	--≈	0.30	(-)0.25	(-)13.67	(-)0.21	--Σ
32.	Maharashtra Urban Infrastructure Fund Trustee Company Limited	2008-09	2009-10	0.001	--≈	--≈	0.001	--≈	--≈	0.10	--≈	0.10	0.001	1.00
33.	Mumbai Inland Passenger Water Transport Company Limited ♠	2008-09	2009-10	(-)0.005	--≈	--≈	(-)0.005	--≈	--≈	1.05	(-)0.02	1.02	(-)0.005	--Σ
34.	Satara Kagal Highway Construction Company Limited ♠	2006-07	2008-09	(-)0.01	--≈	--≈	(-)0.01	--≈	--≈	0.05	(-)0.03	193.89	(-)0.01	--Σ
35.	Shivshahi Punarvasan Prakalp Limited	2003-04	2007-08	9.35	--≈	0.18	9.17	8.78	--≈	115.00	(-)39.24	111.87	9.17	8.20
36.	Solapur City Integrated Road Development Limited ♠	2007-08	2009-10	(-)0.02	--≈	--≈	(-)0.02	--≈	--≈	0.05	(-)0.05	22.46	(-)0.02	--Σ

Ψ Return on capital employed not applicable.

≈ This indicates 'nil' amount.

Σ Percentage of Return on Capital Employed was Negative.

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
37.	Western Maharashtra Development Corporation Limited	2009-10	2010-11	0.56	0.36	0.08	0.12	5.97	--≈	3.06	(-)17.67	11.57	0.48	4.15
Sector- wise total				**272.26**	**479.63**	**229.34**	**(-)436.71**	**388.78**		**167.48**	**(-)2,236.04**	**5,939.52**	**42.92**	**0.72**
MANUFACTURING														
38.	Haffkine Ajintha Pharmaceuticals Limited	2007-08	2010-11	0.52	0.21	0.16	0.15	6.98	--≈	0.18	1.96	2.79	0.36	12.90
39.	Haffkine Bio-Pharmaceutical Corporation Limited	2007-08	2009-10	2.95	0.15	1.78	1.02	88.98	(-)43.31	8.71	21.34	34.29	1.17	3.41
40.	Mahaguj Collieries Limited	2009-10	2010-11	(-)0.59	--≈	0.006	(-)0.60	--≈	--≈	0.05	(-)22.86	0.31	(-)0.60	--Σ
41.	Maharashtra Petrochemicals Corporation Limited	2008-09	2009-10	0.89	--≈	0.03	0.86	1.66	0.13	8.96	9.42	18.36	0.86	4.68
42.	Maharashtra State Mining Corporation Limited	2008-09	2009-10	8.80	--≈	0.05	8.75	3.48	(-)1.23	2.07	2.35	28.01	8.75	31.24
43.	Maharashtra State Powerlooms Corporation Limited	2005-06	2010-11	0.35	0.05	0.02	0.28	20.01	(-)1.46	11.43	16.43	(-)4.72	0.33	--Σ
Sector- wise total				**12.92**	**0.41**	**2.05**	**10.46**	**121.11**		**31.40**	**28.64**	**79.04**	**10.87**	**13.75**

≈ This indicates 'nil' amount.

Σ Percentage of Return on Capital Employed was Negative.

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
POWER														
44.	Aurangabad Power Company Limited ♠	2007-08	2008-09	(-)0.004	--≈	--≈	(-)0.004	--≈	--≈	0.05	(-)0.004	0.05	(-)0.004	--Σ
45.	Dhopave Coastal Power Limited ¥	2008-09	2010-11	--≈	--≈	--≈	--≈	--≈	--≈	0.05	--≈	0.05	--≈	--Ψ
46.	Dhule Thermal Power Company Limited ♠	2009-10	2010-11	0.002	--≈	--≈	0.002	--≈	--≈	0.05	(-)0.002	0.05	0.002	4.00
47.	Maharashtra Power Development Corporation Limited Ω	2007-08	2009-10	(-)0.51	--≈	0.0006	(-)0.51	--≈	(-)3.68	0.45	(-)1,011.22	5.02	(-)0.51	--Σ
48.	Maharashtra State Electricity Distribution Company Limited	2008-09	2009-10	(-)65.66	639.02	646.77	(-)1,351.45	23,483.06	37.16	3,440.56	(-)1,145.78	10,324.82	(-)712.43	--Σ
49.	Maharashtra State Power Generation Company Limited	2008-09	2009-10	1,050.85	670.57	307.53	72.75	9,346.49	(-)41.55	3,527.41	458.90	13,477.27	743.32	5.52
50.	Maharashtra State Electricity Transmission Company Limited	2009-10	2010-11	877.80	209.99	299.78	368.03	1,576.02	(-)4.87	2,696.04	216.34	8,042.80	578.02	7.19
51.	Maharashtra State Electric Power Trading Company (P) Limited ∇	2008-09	2009-10	0.59	--≈	--≈	0.59	--≈	--≈	10.01	0.44	10.32	0.59	5.72
52	MSEB Holding Company Limited ⊕	2008-09	2009-10	36.97	332.40	2.56	(-)297.99	--≈	--≈	8,570.35	(-)2,930.00	370.65	34.41	9.28

Ψ Return on capital employed not applicable.

≈ This indicates 'nil' amount.

Σ Percentage of Return on Capital Employed was Negative.

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
53	Mahagenco Power Generation Consultancy Services Limited ∇	2008-09	2009-10	(-)0.0009	--≈	--≈	(-)0.0009	--≈	--≈	0.05	(-)0.004	0.05	(-)0.0009	--Σ
Sector- wise total				**1,900.04**	**1,851.98**	**1,256.64**	**(-)1,208.58**	**34,405.57**		**18,245.02**	**(-)4,411.33**	**32,231.08**	**643.40**	**2.00**
SERVICES														
54.	Maharashtra Tourism Development Corporation Limited	2004-05	2008-09	3.27	0.16	0.88	2.23	8.56	0.06	15.09	(-)6.50	16.62	2.39	14.38
Sector- wise total				**3.27**	**0.16**	**0.88**	**2.23**	**8.56**		**15.09**	**(-)6.50**	**16.62**	**2.39**	**14.38**
MISCELLANEOUS														
55.	Krupanidhi Limited ♦	2008-09	2010-11	0.001	--≈	0.001	--≈	--≈	--≈	0.01	--≈	--≈	--≈	--Ψ
56.	Maharashtra Ex-Servicemen Corporation Limited	2005-06	2009-10	0.36	--≈	0.05	0.31	20.38	(-)0.003	3.55	2.12	8.76	0.31	3.54
57.	Mahila Arthik Vikas Mahamandal	1999-00	2009-10	1.24	--≈	0.04	1.20	125.15	--≈	2.29	2.02	4.59	1.20	26.14
58.	Nagpur Flying Club Private Limited	2009-10	2010-11	0.13	--≈	0.07	0.06	0.53	--≈	0.85	0.05	1.39	0.06	4.32
Sector- wise total				**1.73**	**--**	**0.16**	**1.57**	**146.06**		**6.70**	**4.19**	**14.74**	**1.57**	**10.65**
Total A (All sector wise working Government companies)				**2,332.58**	**2,359.38**	**1,494.83**	**(-)1,521.63**	**36,413.12**		**19,195.51**	**(-)6,334.55**	**41,112.58**	**837.75**	**2.04**

Σ Percentage of Return on Capital Employed was Negative.

Ψ Return on Capital employed not applicable.

≈ This indicates 'nil' amount.

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
B. Working Statutory corporations														
AGRICULTURE & ALLIED														
1.	Maharashtra State Warehousing Corporation	2008-09	2009-10	26.92	0.42	3.84	22.66	98.88	(-)1.39	8.71	0.002	175.70	23.08	13.14
Sector- wise total				**26.92**	**0.42**	**3.84**	**22.66**	**98.88**		**8.71**	**0.002**	**175.70**	**23.08**	**13.14**
FINANCE														
2.	Maharashtra State Financial Corporation	2008-09	2009-10	42.40	21.58	0.13	20.69	12.68	(-)257.99	62.64	(-)614.06	(-)0.27	42.27	--Σ
Sector- wise total				**42.40**	**21.58**	**0.13**	**20.69**	**12.68**		**62.64**	**(-)614.06**	**(-)0.27**	**42.27**	**--**
INFRASTRUCTURE														
3.	Maharashtra Industrial Development Corporation	2008-09	2009-10	15.17	4.04	10.82	0.31	256.34	(-)1.27	--≈	37.08	42.88	4.35	10.14
Sector- wise total				**15.17**	**4.04**	**10.82**	**0.31**	**256.34**			**37.08**	**42.88**	**4.35**	**10.14**

Σ Percentage of Return on Capital Employed was Negative.

≈ This indicates 'nil' amount.

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
SERVICE														
4.	Maharashtra State Road Transport Corporation	2008-09	2009-10	405.18	71.43	215.77	117.98	4,091.96	(-)3.38	1,403.37	(-)457.13	1,074.98	189.41	17.62
Sector- wise total				**405.18**	**71.43**	**215.77**	**117.98**	**4,091.96**		**1,403.37**	**(-)457.13**	**1,074.98**	**189.41**	**17.62**
Total B (All sector wise working Statutory corporations)				**489.67**	**97.47**	**230.56**	**161.64**	**4,459.86**		**1,474.72**	**(-)1,034.11**	**1,293.29**	**259.11**	**20.03**
Grand Total (A + B)				**2,822.25**	**2,456.85**	**1,725.39**	**(-)1,360.00**	**40,872.98**		**20,670.23**	**(-)7,368.66**	**42,405.87**	**1,096.85**	**2.59**
C. Non working Government companies														
AGRICULTURE & ALLIED														
1.	Dairy Development Corporation of Marathwada Limited	2008-09	2009-10	(-)0.005	--≈	0.0009	(-)0.006	--≈	(-)0.08	0.38	(-)3.09	(-)0.06	(-)0.006	--Σ
2.	Ellora Milk Products Limited	2008-09	2009-10	0.0015	--≈	0.002	(-)0.0005	--≈	--≈	0.05	(-)1.52	(-)0.10	(-)0.0005	--Σ
3.	Irrigation Development Corporation of Maharashtra Limited	2006-07	2007-08	--≈	--≈	--≈	--≈	--≈	--≈	19.93	(-)19.93	--≈	--≈	--Σ
4.	MAFCO Limited	2008-09	2009-10	2.74	0.56	0.24	1.94	--≈	--≈	5.04	(-)13.45	(-)1.90	2.50	--Σ
5.	Parbhani Krishi Go-samvardhan Limited	2008-09	2009-10	0.05	--≈	0.0009	0.05	--≈	--≈	0.19	(-)2.32	0.11	0.05	45.45

≈ This indicates 'nil' amount.

Σ Percentage of Return on Capital Employed was Negative.

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments[#]	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed[@]	Return on capital employed[$]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
6.	Vidarbha Quality Seeds Limited	2009-10	2010-11	(-)0.0003	--≈	--≈	(-)0.0003	--≈	(-)0.04	0.10	(-)0.39	0.04	(-)0.0003	--Σ
Sector- wise total				**2.79**	**0.56**	**0.24**	**1.98**	**--**		**25.69**	**(-)40.70**	**(-)1.91**	**2.54**	
FINANCE														
7.	Kolhapur Chitranagri Mahamandal Limited	1997-98	2005-06	(-)0.05	--≈	0.12	(-)0.17	--≈	--≈	2.89	(-)1.47	1.63	(-)0.17	--Σ
Sector- wise total				**(-)0.05**		**0.12**	**(-)0.17**	**--**		**2.89**	**(-)1.47**	**1.63**	**(-)0.17**	**--Σ**
INFRASTRUCTURE														
8.	Development Corporation of Vidarbha Limited	2007-08	2009-10	(-)0.05	--≈	0.001	(-)0.05	--≈	--≈	7.17	(-)13.96	(-)0.10	(-)0.05	--Σ
9.	Maharashtra Land Development Corporation Limited	2005-06	2007-08	(-)0.03	--≈	--≈	(-)0.03	--≈	--≈	4.00	(-)17.91	34.30	(-)0.03	--Σ
10.	Maharashtra Rural Development Corporation Limited	2004-05	2010-11	--≈	--≈	--≈	--≈	--≈	--≈	0.05	--≈	(-)0.05	--≈	--Σ
11.	Maharashtra State Housing Corporation Limited	2005-06	2010-11	0.02	--≈	--≈	0.02	--≈	--≈	0.01	0.47	0.49	0.02	4.08

≈ This indicates 'nil' amount.

Σ Percentage of Return on Capital Employed was Negative.

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
12.	Marathwada Development Corporation Limited	2008-09	2009-10	(-)0.03	--≈	0.003	(-)0.03	--≈	(-)5.79	10.17	(-)12.64	36.16	(-)0.03	--Σ
Sector- wise total				**(-)0.09**	**--**	**0.004**	**(-)0.09**	**--**		**21.40**	**(-)44.04**	**70.80**	**(-)0.09**	**--**
MANUFACTURING														
13.	Godavari Garments Limited	2008-09	2009-10	0.003	--≈	0.001	0.002	--≈	(-)0.42	0.24	(-)8.21	(-)0.82	0.002	--Σ
14.	Kinwat Roofing Tiles Limited	2008-09	2009-10	0.001	--≈	--≈	0.001	--≈	--≈	0.19	(-)1.22	(-)0.29	0.001	--Σ
15.	Maharashtra Electronics Corporation Limited	2008-09	2010-11	(-)0.21	16.46	0.22	(-)16.89	--≈	--≈	9.69	(-)216.53	(-)0.38	(-)0.43	--Σ
16.	Maharashtra State Textile Corporation Limited	2009-10	2010-11	1.25	35.81	0.04	(-)34.60	--≈	--≈	236.16	(-)767.44	(-)358.09	1.21	--Σ
17.	Marathwada Ceramic Complex Limited	2008-09	2010-11	0.62	--≈	0.007	0.61	--≈	0.22	0.68	(-)7.44	(-)0.29	0.61	--Σ
18.	Shahyadri Glass Works Limited	1993-94	1995-96	(-)0.35	0.04	0.02	(-)0.41	--≈	--≈	0.45	(-)9.22	(-)2.48	(-)0.37	--Σ
19.	The Gondwana Paints and Minerals Limited	2009-10	2010-11	(-)0.0005	--≈	--≈	(-)0.0005	--≈	--≈	0.10	(-)1.03	0.04	(-)0.0005	--Σ
20.	The Pratap Spinning, Weaving and Manufacturing Company Limited	2009-10	2010-11	(-)0.02	--≈	--≈	(-)0.02	--≈	--≈	23.17	(-)63.91	(-)16.56	(-)0.02	--Σ
Sector- wise total				**1.29**	**52.31**	**0.29**	**(-)51.31**	**--**		**270.68**	**(-)1,075.00**	**(-)378.87**	**1.00**	

≈ This indicates 'nil' amount.

Σ Percentage of Return on Capital Employed was Negative.

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
MISCELLANEOUS														
21.	Leather Industries Corporation of Marathwada Limited	2008-09	2009-10	0.12	--≈	0.04	0.08	--≈	(-)0.14	0.64	(-)7.74	0.08	0.08	100.00
22.	The Overseas Employment and Export Promotion Corporation of Maharashtra Limited	1989-90	1990-91	(-)0.01	0.05	0.05	(-)0.11	--≈	--≈	0.12	(-)0.31	0.76	(-)0.06	--Σ
23.	Vidarbha Tanneries Limited	2009-10	2010-11	(-)0.0004	--≈	--≈	(-)0.0004	--≈	(-)0.06	0.10	(-)1.21	(-)0.06	(-)0.0004	--Σ
Sector- wise total				**0.11**	**0.05**	**0.09**	**(-)0.03**	**--**		**0.86**	**(-)9.26**	**0.78**	**0.02**	**2.56**
Total C (All sector wise non working Government Companies)				**4.05**	**52.92**	**0.74**	**(-)49.62**	**--**		**321.52**	**(-)1,170.47**	**(-)307.57**	**3.30**	**--**
Grand Total (A + B+C)				**2,826.30**	**2,509.77**	**1,726.13**	**(-)1,409.62**	**40,872.98**		**20,991.75**	**(-)8,539.13**	**42,098.30**	**1,100.15**	**2.61**

Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/increase in losses.

∇ Companies at Sl.No.A-51 and 53 had not started commercial activities. Hence their turnover figures are 'Nil' however the figures of net profit/loss shown in column 5(d) are on account of non-operational income and expenditure.

♠ Companies at Sl. No.A-23,24,27,33,34,36,44 and 46 had been formed as Special Purpose Vehicles. There are no transaction during the year and hence turnover is 'Nil'.

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

$ Return on capital employed has been worked out by adding net profit and interest charged to profit and loss account.

♦ Deficit is recoverable from share holders hence there is no loss/accumulated loss (Sl. No.A-55).

(•) Expenditure in respect of companies at Sl.No.A-12 and A-17 is recouped from Government hence the figure under profit/loss is 'Nil'.

¶ Excess of expenditure over income capitalised (Sl. No. A-29).

¥ Company at Sl. No.A-45 has not started commercial activity and has not prepared profit/loss account.

⊕ Company at Sl. No.A-52 has been vested with the Assets & Liabilities of all its subsidiaries on unbundling of M.S.E. Board in 2005-06 and does not have any turnover of its own.

Ω Company at Sl. No.A-47 was formed with the objective of investment mainly in Dabhol Power Company Limited and hence the company does not have any turnover of its own.

≈ This indicates 'nil' amount.

Σ Percentage of Return on Capital Employed was Negative.

Annexure - 3

Statement showing equity and loans received out of budget and grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2010

(Referred to in paragraph 1.10)

(₹in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Forest Development Corporation of Maharashtra Limited	--	--	1.33	0.61	--	1.94	--	--	--	--	--	--
2.	Maharashtra Agro Industries Development Corporation Limited	--	--	0.43	0.32	--	0.75	420.00	150.00	--	--	--	--
3.	Maharashtra State Farming Corporation Limited.	--	5.00	--	--	--	--	--	2.13	--	--	--	--
4.	Maharashtra State Seeds Corporation Limited	--	--	3.67	--	--	3.67	--	--	--	--	--	--
5.	Punyashloka Ahilyadevi Maharashtra Mendi Va Sheli Vikas Mahamandal Limited	--	--	0.46	14.65	--	15.11	--	--	7.72	--	1.95	9.67
6.	The Maharashtra Fisheries Development Corporation Limited	0.27	--	0.43	--	--	0.43	--	--	--	--	--	--
Sector- wise total		**0.27**	**5.00**	**6.32**	**15.58**	**--**	**21.90**	**420.00**	**152.13**	**7.72**	**--**	**1.95**	**9.67**

≈ This indicates 'nil' amount.

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
FINANCE													
7.	Annasaheb Patil Arthik Magas Vikas Mahamandal Maryadit	1.25	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈
8.	Lokshahir Annabhau Sathe Development Corporation Limited	107.86	0.32	--≈	2.96 6.16∞	--≈	2.96 6.16∞	--≈	22.46	--≈	--≈	--≈	--≈
9.	Maharashtra Film, Stage and Cultural Development Corporation Limited	--	--≈	--≈	--≈	--≈	--≈	--≈	1.78	--≈	--≈	--≈	--≈
10.	Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited	--≈	--≈	--≈	5.89	--≈	5.89	--≈	89.72	--≈	--≈	--≈	--≈
11.	Maharashtra State Handicapped Finance and Development Corporation	--≈	--≈	--≈	0.51	--≈	0.51	--≈	55.00	--≈	--≈	--≈	--≈
12.	Mahatma Phule Backward Class Development Corporation Limited	100.00	--≈	--≈	4.94 8.08∞	--≈	4.94 8.08∞	--≈	46.56	--≈	--≈	--≈	--≈
13.	Sant Rohidas Leather Industries & Charmakar Development Corporation Limited	15.00	--≈	--≈	2.44 5.00∞	--≈	2.44 5.00∞	--≈	15.00	--≈	--≈	--≈	--≈
14.	Shabari Adivasi Vitta Va Vikas Mahamandal Maryadit	4.46	--≈	--≈	3.00∞	--≈	3.00∞	25.00	50.00	--≈	--≈	--≈	--≈
15.	Vasantrao Naik Vimukta Jatis & Nomadic Tribes Development Corporation Limited	--≈	--≈	--≈	3.34	--≈	3.34	--≈	--≈	--≈	--≈	--≈	--≈
Sector- wise total		**228.57**	**0.32**	**--**	**42.32**	**--**	**42.32**	**25.00**	**280.52**	**--**	**--**	**--**	**--**

≈ This indicates 'nil' amount.

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
INFRASTRUCTURE													
16.	City & Industrial Development Corporation of Maharashtra Limited	--≈	--≈	--≈	--≈	--≈	--≈	--≈	55.75	--≈	--≈	--≈	--≈
17.	Maharashtra Airport Development Company	--≈	--≈	--≈	112.15	--≈	112.15	--≈	--≈	--≈	--≈	--≈	--≈
18.	Maharashtra State Police Housing and Welfare Corporation Limited	--≈	--≈	0.14	1.52	--≈	1.66	--≈	0.15	--≈	--≈	--≈	--≈
19.	Maharashtra State Road Development Corporation Limited	454.00	--≈	--≈	172.02	--≈	172.02	425.00	2,572.77	--≈	--≈	--≈	--≈
20	Western Maharashtra Development Corporation Limited	--≈	26.51	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈
Sector- wise total		**454.00**	**26.51**	**0.14**	**285.69**	--	**285.83**	**425.00**	**2,628.67**	--	--	--	--
POWER													
21.	Maharashtra State Electricity Distribution Company Limited	--≈	33.57	16.16	109.33 2,694.96∞	--≈	109.33 2,711.12∞	--≈	748.12	--≈	--≈	--≈	--≈
22.	Maharashtra State Power Generation Company Limited	592.27	--≈	--≈	--≈	--≈	--≈	--≈	1,215.46	--≈	--≈	--≈	--≈
23.	Maharashtra State Electricity Transmission Company Limited	--≈	--≈	--≈	--≈	--≈	--≈	--≈	668.00	--≈	--≈	--≈	--≈
24.	MSEB Holding Company Limited	138.66	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈
Sector- wise total		**730.93**	**33.57**	**16.16**	**2,804.29**	--	**2,820.45**	--	**2,631.58**	--	--	--	--

≈ This indicates 'nil' amount.

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
SERVICE													
25.	Maharashtra Tourism Development Corporation Limited	--≈	--≈	--≈	90.17	--≈	90.17	--≈	--≈	--≈	--≈	--≈	--≈
Sector- wise total		--	--	--	**90.17**	--	**90.17**	--	--	--	--	--	--
MISCELLANEOUS													
26.	Maharashtra Ex-Servicemen Corporation Limited	1.40	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈
27.	Mahila Arthik Vikas Mahamandal	--≈	--≈	--≈	--≈	31.16	31.16	--≈	--≈	--≈	--≈	--≈	--≈
28	Nagpur Flying Club (P) Limited	--≈	--≈	--≈	0.94	--≈	0.94	--≈	--≈	--≈	--≈	--≈	--≈
Sector- wise total		**1.40**	--	--	**0.94**	**31.16**	**32.10**	--	--	--	--	--	--
Total : A (All sector wise working Government companies)		**1,415.17**	**65.40**	**22.62**	**3,238.99**	**31.16**	**3,292.77**	**870.00**	**5,692.90**	**7.72**	--	**1.95**	**9.67**
B. Working Statutory corporations													
FINANCE													
1.	Maharashtra State Financial Corporation	--≈	--≈	--≈	--≈	--≈	--≈	--≈	105.66	--≈	--≈	--≈	--≈
Sector- wise total		--		--	--	--	--	--	**105.66**	--	--	--	--
INFRASTRUCTURE													
2.	Maharashtra Industrial Development Corporation	--≈	--≈	76.38	--≈	--≈	76.38	--≈	--≈	--≈	--≈	--≈	--≈
Sector- wise total		--	--	**76.38**	--	--	**76.38**	--		--	--	--	--

≈ This indicates 'nil' amount.

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
SERVICE													
3.	Maharashtra State Road Transport Corporation	--≈	--≈	1.93	0.04 789.91∞	--≈	1.97 789.91∞	--≈	--≈	--≈	--≈	--≈	--≈
Sector- wise total		--	--	**1.93**	**789.95**	--	**791.88**	--	--	--	--	--	--
Total : B (All sector wise working Statutory corporations)		--	--	**78.31**	**789.95**	--	**868.26**	--	**105.66**	--	--	--	--
C. Non working companies													
Finance													
Kolhapur Chitranagri Mahamandal Limited		0.35	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈	--≈
Sector- wise total		**0.35**											
Grand Total : (A + B+C)		**1,415.52**	**65.40**	**100.93**	**521.83** **3,507.11∞**	**31.16**	**4,161.03**	**870.00**	**5,798.56**	**7.72**	--	**1.95**	**9.67**

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

∞ This figure indicates Subsidy.

≈ This indicates 'nil' amount.

Annexure-4

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

(Referred to in paragraph 1.25)

(₹in crore)

Sl. No.	Name of the PSU	Year up to which accounts finalised	Paid up capital as per latest finalised accounts	Arrear years in which investment received	Investment made by State Government during the years in which accounts are in arrear		
					Equity	Loan	Grants/ Subsidy
A : Working Companies							
1.	Forest Development Corporation of Maharashtra Limited	2008-09	371.71	2009-10	--≈	--≈	0.61
2.	Maharashtra Agro Industries Development Corporation Limited	2008-09	5.50	2009-10	--≈	--≈	0.32
3.	Maharashtra State Farming Corporation Limited	2005-06	2.75	2006-07 to 2009-10	--≈	18.51	--≈
4.	Punyashloka Ahilyadevi Maharashtra Mendi Va Sheli Vikas Mahamandal Limited	2006-07	4.73	2007-08 to 2009-10	--≈	--≈	21.86
5.	The Maharashtra Fisheries Development Corporation Limited	2002-03	1.72	2005-06 to 2009-10	1.03	--≈	--≈
6.	Annasaheb Patil Arthik Magas Vikas Mahamandal Maryadit	2004-05	18.00	2005-06 to 2009-10	32.00	--≈	--≈
7.	Lokshahir Annabhau Sathe Development Corporation Limited	2000-01	10.49	2001-02 to 2009-10	107.86	--≈	9.12
8.	Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited	2005-06	33.88	2006-07 to 2009-10	16.00	--≈	5.89
9.	Maharashtra Small Scale Industries Development Corporation Limited	2005-06	9.79	2006-07 to 2007-08	4.72	--≈	--≈

≈ This indicates 'nil' amount.

Sl. No.	Name of the PSU	Year up to which accounts finalised	Paid up capital as per latest finalised accounts	Arrear years in which investment received	Investment made by State Government during the year in which accounts are in arrear		
					Equity	Loan	Grants/ Subsidy
10.	Maharashtra State Handicapped Finance and Development Corporation	2004-05	3.10	2005-06 to 2009-10	3.33	--	2.31
11.	Mahatma Phule Backward Class Development Corporation Limited	2000-01	86.34	2001-02 to 2009-10	197.58	--	152.90
12.	Maulana Azad Alpasankyak Arthik Vikas Mahamandal Limited	2005-06	38.20	2006-07	54.44	--	--
13.	Sant Rohidas Leather Industries and Charmakar Development Corporation Limited	1996-97	3.96	1997-98 to 2009-10	84.25	--	48.78
14.	Shabari Adiwasi Vitta Va Vikas Mahamandal Maryadit	2004-05	22.69	2005-06 to 2009-10	10.06	--	12.66
15.	Vasantrao Naik Vimukta Jatis and Nomadic Tribes Development Corporation Limited	1997-08	12.80	1998-99 to 2009-10	78.75	--	19.63
16.	Maharashtra Airport Development Company Limited	2008-09	22.00	2009-10	--	--	112.15
17.	Maharashtra State Police Housing and Welfare Corporation Limited	2006-07	7.96	2009-10	--	--	1.52
18.	Maharashtra State Road Development Corporation Limited	2007-08	5.00	2008-09 to 2009-10	454.00	--	224.72
19.	Maharashtra State Powerlooms Corporation Limited	2005-06	11.43	2006-07 to 2008-09	1.25	--	--
20.	Maharashtra State Electricity Distribution Company Limited	2008-09	3,440.56	2009-10	--	33.57	2,804.29

Sl. No.	Name of the PSU	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Arrear years in which investment received	Investment made by State Government during the year in which accounts are in arrear		
					Equity	Loan	Grants/ Subsidy
21.	Maharashtra State Power Generation Company Limited	2008-09	3,527.41	2009-10	592.27	--≈	--≈
22.	M.S.E.B. Holding Company Limited	2008-09	8,570.35	2009-10	138.66	--≈	--≈
23.	Maharashtra Tourism Development Corporation Limited	2004-05	15.09	2005-06 to 2009-10	0.30	--≈	168.88
24.	Maharashtra Ex-Servicemen Corporation Limited	2005-06	3.55	2009-10	1.40	--≈	--≈
25	Mahila Arthik Vikas Mahamandal	1999-2000	2.29	2000-01 to 2007-08	0.31	--≈	--≈
Total A : (Working Government Companies)			**16,231.30**		**1,778.21**	**52.08**	**3,585.64**
B : Working Corporations							
1.	Maharashtra State Road Transport Corporation	2008-09	1,403.37	2009-10	--≈	--≈	789.95
Total B : (Working Government Corporations)			**1,403.37**		**--**	**--**	**789.95**
C : Non-Working Companies							
1.	Kolhapur Chitranagri Mahamandal Limited	1997-98	2.89	2004-05	0.35	--≈	--≈
Total C : (Non-Working Government Companies)			**2.89**		**0.35**	**--**	**--**
Grand Total : (A+B+C)			**17,637.56**		**1,778.56**	**52.08**	**4,375.59**

≈ This indicates 'nil' amount.

Annexure-5
Statement showing financial position of working Statutory corporations
(Referred to in paragraph 1.15)

(₹in crore)

1. Maharashtra State Warehousing Corporation			
Particulars	2006-07	2007-08	2008-09
A. Liabilities			
Paid-up capital	8.71	8.71	8.71
Reserves and surplus	131.16	140.94	153.50
Borrowings	--≈	--≈	--≈
- (Government)	--≈	--≈	--≈
- (Others)	15.23	12.19	12.69
Trade dues and current liabilities (including provision)	44.05	65.88	64.58
Total - A	**199.15**	**227.72**	**239.48**
B. Assets			
Gross block	152.14	152.93	161.37
Less: Depreciation	33.24	37.46	41.35
Net fixed assets	118.90	115.47	120.02
Capital works-in-progress	2.55	6.05	13.92
Investments	0.01	0.01	0.01
Current assets, loans and advances	77.69	106.19	105.53
Profit and loss account	--≈	--≈	--≈
Total - B	**199.15**	**227.72**	**239.48**
C. Capital employed[♁]	**153.89**	**162.33**	**175.70**

≈This indicates 'nil' amount.

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

(₹in crore)

2. Maharashtra State Financial Corporation			
Particulars	**2006-07**	**2007-08**	**2008-09**
A. Liabilities			
Paid-up capital	62.64	62.64	62.64
Share application money	--≈	--≈	--≈
Reserve fund and other reserves and surplus	46.22	46.22	46.22
Borrowings:			
(i) Bonds and debentures	263.23	192.43	129.55
(ii) Fixed Deposits	--≈	--≈	--≈
(iii) Industrial Development Bank of India and Small Industries Development Bank of India and Mumbai Metropolitan Region Development Authority	350.17	350.17	350.17
(iv) Reserve Bank of India	--≈	--≈	--≈
(v) Loan towards share capital			
(a) State Government	2.06	2.06	2.06
(b) Industrial Development Bank of India	2.05	2.05	2.05
(vi) Others (including State Government)	9.23	40.55	73.23
Other Liabilities and provisions	17.41	21.98	17.70
Total - A	**753.01**	**718.10**	**683.62**
B. Assets			
Cash and bank balances	44.68	30.92	30.04
Investments	1.26	1.18	1.01
Loans and advances	52.79	19.44	8.72
Net fixed assets	1.27	1.13	1.01
Other assets	30.64	30.68	28.78
Profit and loss account	622.37	634.75	614.06
Total - B	**753.01**	**718.10**	**683.62**
C. Capital employed[$]	**123.33**	**62.41**	**(-)0.27**

≈ This indicates 'nil' amount.

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

(₹ in crore)

3. Maharashtra Industrial Development Corporation			
Particulars	**2006-07**	**2007-08**	**2008-09**
A. Liabilities			
Loans - Issue of Bonds	7.60	7.60	4.30
Reserves and surplus/funds•	67.29	98.52	98.83
Deposits	6,800.01	8,586.05	10,299.02
Current liabilities and provisions	130.88	120.11	119.78
Total - A	**7,005.78**	**8,812.28**	**10,521.93**
B. Assets			
Gross fixed assets	510.12	564.52	601.43
Less: Depreciation	183.15	204.90	231.16
Net fixed assets	326.97	359.62	370.27
Other assets	2,737.24	3,174.23	3,561.50
Investments	36.58	37.62	56.18
Current assets, loans and advances	3,904.99	5,240.81	6,533.98
Total – B	**7,005.78**	**8,812.28**	**10,521.93**
C. Capital employed[Ω]	**13.09**	**28.74**	**42.88**

•The above includes free reserves and surplus of ₹ 5.51 crore, ₹ 36.77 crore and ₹ 37.08 crore for the year 2006-07, 2007-08 and 2008-09.

[Ω]Capital employed represents the mean of the aggregate of opening and closing balances of long term loans (including bonds), Development Rebate Reserves and other free reserves and surplus (excluding Sinking and Assets Replacement Fund).

(₹ in crore)

4. Maharashtra State Road Transport Corporation			
Particulars	**2006-07**	**2007-08**	**2008-09**
A. Liabilities			
Capital (including capital loan and equity capital)	1,072.57	1,231.77	1,403.38
Borrowings: Government Others (including deposits)	 --≈ 366.04	 --≈ 227.64	 --≈ 88.84
Funds/Reserves and surplus*	177.67	177.25	193.19
Trade dues and other current liabilities (including provisions)	408.51	469.69	701.41
Total	**2,024.79**	**2,106.35**	**2,386.82**
B. Assets			
Gross block	1,882.11	2,016.49	2,180.78
Less: Depreciation	1,357.48	1,475.98	1,610.06
Net fixed assets	524.63	540.51	570.72
Capital works-in-progress (including cost of chassis)	23.12	24.64	32.96
Investments	0.08	53.50	189.30
Current assets, loans and advances	738.81	908.78	1,136.71
Accumulated losses	738.15	578.92	457.13
Total	**2,024.79**	**2,106.35**	**2,386.82**
C. Capital employed§	**878.05**	**1,035.24**	**1,074.98**

≈ This indicates 'nil' amount.

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

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

Annexure-6

Statement showing working results of working Statutory corporations

(Referred to in paragraph No.1.15)

(₹ in crore)

1. Maharashtra State Warehousing Corporation				
Sl. No.	**Particulars**	**2006-07**	**2007-08**	**2008-09**
1.	Income			
	(a) Warehousing charges	49.33	53.86	98.88
	(b) Other income	33.02	33.32	3.54
	Total - 1	**82.35**	**87.18**	**102.42**
2.	Expenses			
	(a) Establishment charges	19.55	21.44	34.90
	(b) Other expenses	42.89	43.85	43.94
	Total - 2	**62.44**	**65.29**	**78.84**
3.	**Profit (+)/loss (-) before tax♦**	**(+)19.91**	**(+)21.89**	**(+)23.58**
4.	Provision for tax	6.40	9.49	7.49
5.	Prior period adjustments	(+)0.44	(-)0.62	(-)0.92
6.	Other appropriations	11.91	9.44	10.00
7.	Amount available for dividend	2.04	2.34	2.34
8.	Dividend for the year#	2.04	2.34	2.34
9.	Total return on capital employed	21.19	21.99	23.08
10.	Percentage of return on capital employed	13.77	13.54	13.14

♦ This profit is before prior period adjustment.

Including tax on dividend.

(₹in crore)

2. Maharashtra State Financial Corporation				
Sl. No.	**Particulars**	**2006-07**	**2007-08**	**2008-09**
1.	Income			
	(a) Interest on loans	31.69	16.52	12.68
	(b) Other income	3.12	2.63	2.19
	Total - 1	**34.81**	**19.15**	**14.87**
2.	Expenses			
	(a) Interest on long term and short term loans	34.74	30.11	21.58
	(b) Provision for non performing assets	0.16	--≈	--≈
	(c) Other expenses	9.66	9.02	8.17
	Total - 2	**44.56**	**39.13**	**29.75**
3.	Profit (Loss) before tax (1-2) ♦	**(9.75)**	**(19.98)**	**(14.88)**
4.	Prior Period Adjustment	**(2.38)**	**7.63**	**35.59**
5.	Provision for tax	(0.03)	(0.03)	(0.02)
6.	Profit (Loss) after tax	(12.16)	(12.38)	20.69
7.	Other appropriations	--≈	--≈	--≈
8.	Amount available for dividend	--≈	--≈	--≈
9.	Dividend paid/payable	--≈	--≈	--≈
10.	Total return on capital employed	22.61	17.76	42.27
11.	Percentage of return on capital employed	18.33	28.46	--♣

≈ This indicates 'nil' amount.

♦ This loss is before prior period adjustment.

♣ Negative return.

(₹in crore)

3. Maharashtra Industrial Development Corporation				
Sl. No.	**Particulars**	**2006-07**	**2007-08**	**2008-09**
1.	Income	256.72	312.65	270.22
2.	Expenditure	256.62	281.39	269.91
3.	Surplus	0.10	31.26	0.31
4.	Interest charged to income and expenditure account	2.82	3.59	4.04
5.	Return on capital employed (3 + 4)	2.92	34.85	4.35
6.	Percentage of return on capital employed	22.30	121.26	10.14

(₹ in crore)

4. Maharashtra State Road Transport Corporation				
	Particulars	**2006-07**	**2007-08**	**2008-09**
	Operating :-			
(a)	Revenue	3,470.79	3,740.89	4,091.96
(b)	Expenditure	3,516.83	3,627.11	4,004.28
(c)	Surplus (+)/deficit (-)	(-)46.04	(+)113.78	(+)87.68
	Non-operating :-			
(a)	Revenue	123.10	128.65	104.23
(b)	Expenditure	69.05	75.10	73.82
(c)	Surplus (+)/deficit (-)	(+)54.05	(+)53.55	(+)30.41
	Total :-			
(a)	Revenue	**3,593.89**	**3,869.54**	**4,196.19**
(b)	Expenditure[@]	**3,585.88**	**3,710.31**	**4,078.21**
(c)	Net profit (+)/loss (-)	(+)8.01	(+)159.23	(+)117.98
	Interest on capital and loans	68.31	74.03	71.43
	Total return on capital employed[*]	(+)76.32	(+)233.26	189.41
	Percentage of return on capital employed	9.95	22.53	17.62

[@] Including prior period adjustments.

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

Annexure-7

Statement showing the idle land of Maharashtra Tourism Development Corporation Limited

(Referred to in paragraph No.2.1.13)

Sl. No.	District	Place	Date of possession	Area in square metres	Status of Land
1	Mumbai	Erangal	20 .1.1975	1,39,100	Total land is under CRZ.
		Manor I	04.02.1997	2,97,346	Land has been encroached by people who are opposing development.
		Manori II	09.02.1997	28,85,900	Land is rocky, partly covered by sea and partly by mangroves.
		Gorai I	04.02.1997	5,21,342	Land has been encroached by people who are opposing development.
		Gorai II	28.01.1997	26,43,384	Land is rocky, partly covered by sea and partly by mangroves.
2	Thane	Basin Fort	20.1.1975	41,530	Land is coming under ASI for which development is not allowed.
		Bordi II	24.12.1992	9,800	On part of the land the Company is running a resort. Remaining land is under CRZ, local people are opposing development.
		Shergaon-Satpat	16.06.1994	4,90,900	Most of the land is under CRZ. Part of the land has been encroached by fishermen.
3	Raigad	Surekhar	28.12.1995	3,11,800	Marshy land and under CRZ.
4	Sindhudurg	Amboli III	06.04.1994	40,000	Land was transferred for initially two years.
		Kunkeshwar I	01.09.1991	10,530	Land purchased by the Company, development tourism centre not completed.
		Kunkeshwar II	04.03.2005	5,000	Land purchased by the Company, development tourism centre not completed.
		Katawneshwar	05.07.3007	38,050	Land is under acquisition process.
5	Kolhapur	Dajipur	20.10.1992	70,000	Resort constructed by Forest Department (FD) was handed over to the Company. Repairs to the resorts are being objected to by FD.
6	Amravati	Salbardi	17.6.1988	6,000	Permanent structure not feasible on the land, being used for public purposes during Shivratri for putting up of temporary shops.
		Kaundinyapur	26.08.1993	8,100	Land is covered by encroachment and development work is objected to by ASI.
		Total		**75,18,782**	
Say 75.19 lakh square metres					

Annexure-8

Statement showing the irregularities noticed in leasing out assets of Maharashtra Tourism Development Corporation Limited on long-term basis

(Referred to in paragraph No.2.1.13)

Name of lease assets	Year in which leased	Period of lease (in years)	Audit observation
Resort at Murud-Janjira (Raigad)	1994	30	• The property was leased out without entering into a formal agreement with the private operator which was irregular. • In the absence of lease agreement for timely recovery of lease rent and interest for delayed payment, the outstanding dues were increasing and as on 31 March 2010 there were arrears of lease rent of ₹ 14.76 lakh and interest of ₹ 10.18 lakh from the operator.
Open land at Mochemad (Sindhudurg)	1994	30	• Land measuring 54.45 hectares was leased out to an agency (Fomento Resorts and Hotels Private Limited). • The agency paid only initial amount of ₹ 40.70 lakh. • The agency did not pay minimum compensation based on turnover till November 2010. • The agency failed to pay Non-Agriculture Tax of ₹ 13.93 lakh which the Company had paid and not recovered. • The land remained blocked without any development.
Open land at Shiroda, Velagar (Sindhudurg)	1994	30	• Land measuring 57.42 hectares was leased out to an agency (Indian Hotels Company). • The agency paid only initial amount of ₹ 52.81 lakh. • The agency did not pay minimum compensation based on turnover till November 2010. • The agency failed to pay Non-Agriculture Tax of ₹ 27.02 lakh. • The land remained blocked without any development.
Open land at Harsul, (Aurangabad)	2008	30	• Land measuring 72 hectares was leased out to an agency (Inspira Leisure and Hospitality Limited). • The agency paid only ₹ one crore as against ₹ 5.22 crore as per Memorandum of Understanding. No formal lease agreement has been entered into till date (November 2010). • The land remained blocked without any development.

Name of lease assets	Year in which leased	Period of lease (in years)	Audit observation
Resort at Panchgani	1998	30	• Resort was leased out to an agency (Indigo Hotels Private Limited). • The agency stopped payment of lease rentals due to major repairs to the building. • The agency demanded that the Company carry out repairs and also demanded 50 *per cent* concession in lease rentals. As per the agreement clause it was the responsibility of the agency. • The Company so far had not ensured repairs by the agency as per the agreement due to which 50 *per cent* of the rooms were closed down. The Management in its reply stated (August 2010) that the decision to give concession was withdrawn and it was decided to take back the property if repairs are not carried out by the agency. However, the Company had neither taken back the property nor recovered the outstanding dues of ₹ 29.75 lakh from the agency till date (November 2010).

Annexure-9

Statement showing the details of grants received, utilised and unutilised balance in respect of 20 projects (15 Government of India and five Government of Maharashtra) in Maharashtra Tourism Development Corporation Limited

(Referred to in paragraph No.2.1.21)

(₹ in crore)

Sl. No.	Name of project	Grant received	Grant utilised	Unutilised grant	Present status
Government of India					
1	Infrastructure and Destination Development of Mahabaleshwar, Phase-II	3.85	2.35	1.50	Work in progress
2	Infrastructure and Destination Development of Mahabaleshwar, Phase-I	4.00	3.44	0.56	Work in progress
3	Rejuvenation of Sinhagad Fort	3.76	2.33	1.43	Work in progress
4	Development of Kunkeshwar	2.51	0.35	2.16	Work in progress
5	Art and Craft Village, Mumbai	3.09	-	3.09	Work not yet started
6	Destination Development of Karla and Bhaja	3.88	1.82	2.06	Work in progress
7	Development of Matheran	3.61	1.56	2.05	Work in progress
8	Development of Konkan Riviera Circuit-II	4.85	4.51	0.34	Work in progress
9	Destination Development of Mandhardev	3.99	0.63	3.36	Work in progress
10	Integrated Development of Circuit Kolhapur	5.63	5.14	0.49	Work in progress
11	Upgradation of Ajanta Foot Hill Resort	0.37	0.33	0.04	Work in progress
12	Development of Konkan Riviera Circuit-III	4.75*	3.88	0.87	Work in progress
13	Development of Eco Tourism Vidarbha	18.69	0.09	18.60	Work not yet started
14	Development of Nandurbar	2.85	-	2.85	Work not yet started
15	Development of Bhandardara	2.99	-	2.99	Work not yet started
	Total (A)	**68.82**	**26.43**	**42.39**	
Government of Maharashtra					
1	Coastal Eco Tourism Development	187.50	11.15	176.35	Work in progress
2	Erection of Musical Fountain, Andheri	1.81	0.95	0.86	Work in progress
3	Regional Tourism Development Scheme	125.73	85.31	40.42	Work in progress
4	Jungle Safari	0.99	0.65	0.34	Abandoned
5	Construction of Tourist Complex at Pavni	1.37	0.85	0.52	Work in progress
	Total (B)	**317.40**	**98.91**	**218.49**	
	Grand Total (A+B)	**386.22**	**125.34**	**260.88**	

* Out of the above ₹ 0.69 crore has been diverted to other works.

Annexure-10

Statement showing the Financial position and Working result of Maharashtra Tourism Development Corporation Limited during the period 2005-06 to 2009-10

(Referred to in paragraph No.2.1.30)

Financial position ***(₹ in crore)***

Description	2005-06	2006-07	2007-08	2008-09	2009-10
	Audited	*(Provisional)*			
Sources of funds					
a) Authorised capital	25.00	25.00	25.00	25.00	25.00
b) Issued, subscribed and paid-up capital	15.39	15.39	15.39	15.39	15.39
Reserves and surplus	3.26	3.60	3.51	3.51	3.51
Profit and loss accounts	-	-	2.37	16.29	21.28
Loan funds#	8.28	8.48	8.75	8.91	8.91
Grants	-	-	-	-	470.53
Interoffice accounts	-	-	-	-	4.30
Total	**26.93**	**27.47**	**30.02**	**44.10**	**523.92**
Application of funds					
Fixed assets					
Gross block	30.28	31.05	32.01	21.60	32.26
Less: depreciation	11.32	11.92	11.20	0.06	10.51
Net block	18.96	19.13	20.81	21.54	21.75
Capital work-in-progress	0.03	0.00	0.64	1.54	2.27
Investment	0.01	0.17	0.02	0.02	0.04
Current assets, loans and advances	145.42	380.48	439.85	491.62	549.14
Less: Current liabilities	141.04	375.88	431.30	470.62	49.28
Net current assets	4.38	4.60	8.55	21.00	499.86
Deferred revenue expenditure	0.14	0.09	0.00	0.00	-
Profit and loss Accounts	3.41	3.48	-	-	-
Total	**26.93**	**27.47**	**30.02**	**44.10**	**523.92**
Capital employed¥	23.37	23.73	30.00	44.08	523.88
Net worth$	15.24	15.51	21.27	35.19	40.18

Working results ***(₹ in crore)***

Description	2005-06	2006-07	2007-08	2008-09	2009-10
	Audited	*(Provisional)*			
Income					
Operational activities	17.15	14.03	19.13	22.98	29.67
Interest and dividend	3.94	0.00	0.00	0.18	-
Other income	6.92	1.01	1.91	2.15	1.24
Total	**28.01**	**15.04**	**21.04**	**25.31**	**30.91**
Expenditure					
Operational expenses	13.57	8.40	12.48	13.05	12.88
Employee costs	2.09	1.80	2.47	2.67	7.30
Administrative expenses	9.31	3.51	3.23	3.45	4.64
Total	**24.97**	**13.71**	**18.18**	**19.17**	**24.82**
Profit before Tax	3.04	1.33	2.86	6.14	6.09
Net profit	**3.04**	**1.30**	**2.86**	**6.14**	**4.99***

(Source: Compiled from provisional accounts furnished by the Company)

#Loan funds include interest on loans from GoM.

¥Capital employed represents Net Fixed Assets including Capital Work-in-Progress *plus* Working Capital.

$Net worth represents Paid-up capital *plus* Reserves and Surplus including profits *less* Intangible Assets.

* After adjusting prior period expenses.

Annexure-11
Statement showing the operational performance of Maharashtra State Power Generation Company Limited
(Referred to in paragraph No. 2.2.15)

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Installed capacity	(MW)				
(a)	Thermal	6,425	6,425	6,925	6,925	6,925
(b)	Hydel	2,349	2,344	2,344	2,344	2,469
(c)	Gas	852	852	852	852	852
	Total	**9,626**	**9,621**	**10,121**	**10,121**	**10,246**
2.	Normal maximum demand	11,676	12,092	12,912	13,352	13,441
	Percentage increase/decrease (-) over previous year		3.56	6.78	3.41	0.67
3.	Power generated	(MKWH)				
(a)	Thermal	32,768	41,261	43,958	42,061	41,522
(b)	Hydel	4,597	5,068	4,606	3,905	4,244
(c)	Gas	3,017	4,028	3,730	4,432	5,109
	Total	**40,382**	**50,357**	**52,294**	**50,398**	**50,875**
	Percentage increase/decrease (-) over previous year	--	24.70	3.85	(-)3.62	0.95
4.	Less: Auxiliary consumption					
(a)	Thermal	2,864	3,638	3,893	4,015	4,313
	(Percentage)	8.74	8.82	8.86	9.55	10.39
(b)	Hydel	26	30	29	30	32
	(Percentage)	0.57	0.59	0.63	0.77	0.75
(c)	Gas	68	85	83	93	104
	(Percentage)	2.25	2.11	2.23	2.10	2.04
	Total	**2,958**	**3,753**	**4,005**	**4,138**	**4,449**
	(Percentage)	**7.33**	**7.45**	**7.66**	**8.21**	**8.74**
5.	Net power generated	37,424	46,604	48,289	46,260	46,426
6.	Total demand (in MUs)	*	*	*	*	*
7.	Deficit (-)/Surplus (+) power (In MU)	*	*	*	*	*
8.	**Power purchased/sold**					
(a)	Within the State					
	(i) Government (MSPGCL, IBSM and RGPPL)	38,051	48,002	52,487	51,173	39,818
	(ii) Private	5,675	4,979	3,639	5,177	4,225
(b)	Other States	14,801	22,456	22,608	23,522	18,557
	Total power purchased/sold	**58,527**	**75,437**	**78,734**	**79,872**	**62,600**
9.	Net deficit/loss due to non-evacuation	Nil	Nil	Nil	Nil	Nil

*Not available.

Annexure-12
Statement showing the details of installed generation capacity in Maharashtra State
(Referred to in paragraph No.2.2.19)

(In MW)

Sl. No.	Description	Installed capacity as on 1 April 2005	Net additions	Installed capacity as on 31 March 2009
1.	Maharashtra State Power Generation Company Limited	9,717	404♦	10,121
2.	Tata Power Company Limited	1,774	332	2,106
3.	Reliance Infrastructure Limited	500	Nil	500
4.	Ratnagiri Gas Power Project Limited	728	12	740
5.	Captive Power	908	Nil	908
6.	Renewable Energy	748	1,750	2,498
7.	Central Allocation	2,379	3,183	5,562
	Total	**16,754**	**5,681**	**22,435**

♦ The above does not include 125 MW Hydro Power Project at Ghatghar constructed by the State Government.

Annexure-13

Statement showing the station-wise value of excess consumption of coal in Maharashtra State Power Generation Company Limited

(Referred to in paragraph No.2.2.37)

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
	Bhusawal					
1.	Unit generated (MUs)	3,381	3,196	3,182	3,042	3,085
2.	Coal required as per norms (Lakh MT)	17.18	16.24	16.16	15.45	15.67
3.	Coal consumed (Lakh MT)	23.95	24.17	26.98	26.89	27.55
4.	Excess consumption (3 – 2) (Lakh MT)	6.77	7.93	10.82	11.44	11.88
5.	Rate per MT (₹)	1,847	1,864	1,873	2,098	2,564
6.	Coal consumed per Unit (Kg.) [3 / 1]	0.71	0.76	0.85	0.88	0.90
7.	Value of excess coal (₹ in crore) (4 x 5)	125.04	147.82	202.66	240.01	304.60
	Chandrapur					
1.	Unit generated (MUs)	13,987	13,161	15,862	15,004	14,623
2.	Coal required as per norms (Lakh MT)	81.68	76.86	92.63	87.62	85.40
3.	Coal consumed (Lakh MT)	102.85	103.03	125.13	121.78	120.24
4.	Excess consumption (3 – 2) (Lakh MT)	21.17	26.17	32.50	34.16	34.84
5.	Rate per MT (₹)	1,195	1,319	1,340	1,394	1,775
6.	Coal consumed per Unit (Kg.) [3 / 1]	0.74	0.78	0.79	0.81	0.83
7.	Value of excess coal (₹ in lakh) (4 x 5)	252.98	345.18	435.50	476.19	618.41
	Khaperkheda					
1.	Unit generated (MUs)	5,704	6,582	6,294	6,417	6,006
2.	Coal required as per norms (Lakh MT)	32.57	37.58	35.94	36.64	34.29
3.	Coal consumed (Lakh MT)	44.52	49.50	48.68	53.46	48.21
4.	Excess consumption (3 – 2) (Lakh MT)	11.95	11.92	12.74	16.82	13.92
5.	Rate per MT (₹)	1,218	1,380	1,454	1,716	1,930
6.	Coal consumed per Unit (Kg.) [3 / 1]	0.78	0.75	0.77	0.83	0.80
7.	Value of excess coal (₹ in lakh) (4 x 5)	145.55	164.50	185.24	288.63	268.66
	Parli					
1.	Unit generated (MUs)	5,162	4,575	4,278	5,056	5,527
2.	Coal required as per norms (Lakh MT)	26.17	23.20	21.69	25.63	28.02
3.	Coal consumed (Lakh MT)	38.00	34.22	34.38	41.04	45.37
4.	Excess consumption (3 – 2) (Lakh MT)	11.83	11.02	12.69	15.41	17.35
5.	Rate per MT (₹)	1,571	1,810	1,948	2,410	2,637
6.	Coal consumed per Unit (Kg.)[3 / 1]	0.74	0.75	0.80	0.81	0.82
7.	Value of excess coal (₹ in lakh) (4 x 5)	185.85	199.46	247.20	371.38	457.52

Annexure-14

Statement showing the station-wise details of energy to be generated as per target fixed by Maharashtra Electricity Regulatory Commission, actual generation and Plant Load Factor as per design *vis-a-vis* actual

(Referred to in paragraph No.2.2.41)

Year	Energy generation (MUs)		Plant load factor *(Per cent)*	
	As per target by MERC	Actual	As per target by MERC*	Actual
Bhusawal TPS				
2005-06	Not fixed	3,381	79.81	80.75
2006-07	3,473	3,196	82.94	76.34
2007-08	3,350	3,182	80	76.25
2008-09	3,329	3,042	80	73.12
2009-10	3,329	3,085	80	74.13
Chandrapur TPS				
2005-06	Not fixed	13,987	67.81	68.24
2006-07	15,222	13,161	74.26	64.20
2007-08	16,399	15,862	80	77.17
2008-09	16,399	15,004	80	73.20
2009-10	16,399	14,623	80	71.34
Khaperkheda TPS				
2005-06	Not fixed	5,704	79.99	77.52
2006-07	6,199	6,582	84.24	89.45
2007-08	6,059	6,294	82.34	85.30
2008-09	5,993	6,417	81.44	87.20
2009-10	5,945	6,006	80.79	81.62
Koradi TPS				
2005-06	Not fixed	6,460	69.11	68.28
2006-07	7,517	6,799	79.45	71.86
2007-08	7,569	6,353	80	69.40
2008-09	7,288	5,685	80	62.40
2009-10	7,288	5,087	80	55.84
Nashik TPS				
2005-06	Not fixed	5,753	71.22	72.17
2006-07	6,510	6,523	81.66	81.83
2007-08	6,377	6,294	80	81.28
2008-09	6,167	5,560	80	72.13
2009-10	6,167	5,485	80	71.15

*The Company stated that there were no design values for generation and PLF. Hence target prescribed by MERC is adopted for comparison of performance.

Year	Energy generation (MUs)		Plant load factor *(Per cent)*	
	As per target by MERC	Actual	As per target by MERC*	Actual
Paras TPS				
2005-06	Not fixed	480	84.63	94.39
2006-07	891	425	81.09	83.65
2007-08	1,688	598	80	71.11
2008-09	2,137	1,297	80	48.54
2009-10	2,137	1,749	80	63.97
Parli TPS				
2005-06	Not fixed	5,162	82.16	85.40
2006-07	6,245	4,575	85.37	75.69
2007-08	6,379	5,376	80	72.52
2008-09	6,447	5,055	80	62.73
2009-10	6,447	5,709	80	68.58
Total Thermal generation				
2005-06	Not fixed	32,768	76.39	73.05
2006-07	46,057	41,261	79.41	73.64
2007-08	47,821	43,958	80.31	76.99
2008-09	47,760	42,061	80.19	70.61
2009-10	47,712	41,522	80.11	69.71
Gas and Waste Heat Recovery Plant at Uran				
2005-06	Not fixed	3,017	Not fixed	50.61
2006-07	3,800	4,028	Not fixed	53.97
2007-08	3,939	3,730	Not fixed	49.84
2008-09	3,939	4,432	52.78	59.38
2009-10	5,886	5,109	78.87	68.46
Hydro Power Station				
2005-06	Not fixed	4,597	Not Fixed	Not worked out
2006-07	3,964	5,068		
2007-08	3,963	4,606		
2008-09	3,959	3,905		
2009-10	3,959	4,244		
Gross total (Thermal, Gas and Hydel)				
2005-06	Not fixed	40,382	Not ascertainable	Not ascertainable
2006-07	53,821	50,357		
2007-08	55,723	52,294		
2008-09	55,658	50,398		
2009-10	57,557	50,875		

*The Company stated that there were no design values for generation and PLF. Hence target prescribed by MERC is adopted for comparison of performance.

Annexure-15

Statement showing the unit-wise actual PLF achieved by Maharashtra State Power Generation Company Limited during 2006-07 to 2009-10

(Referred to in paragraph No.2.2.42)

(Actual PLF in percentage)

Name of units	Capacity (in MW)	2006-07	2007-08	2008-09	2009-10
Bhusawal					
Unit - 1	62.5	62.25	77.69	72.47	76.37
Unit - 2	210	79.73	69.88	73.53	65.72
Unit - 3	210	77.11	@	72.87	@
Chandrapur					
Unit - 1	210	79.87	62.19	66.32	71.78
Unit - 2	210	77.56	69.95	72.72	64.06
Unit - 3	210	@	@	79.97	79.43
Unit - 4	210	@	@	@	73.84
Unit - 5	500	25.61	77.05	67.54	72.12
Unit - 6	500	78.22	@	69.04	72.26
Unit - 7	500	55.23	77.96	78.46	68.46
Khaperkheda					
Unit - 1	210	@	@	@	74.27
Paras					
Unit - 2	62.5	@	71.11	72.70	48.01
Unit - 3	250	N.E. $^{\Delta}$	N.E. $^{\Delta}$	43.23	67.48
Koradi					
Unit - 1	120	64.46	73.37	55.52	45.16
Unit - 2	120	51.50	74.18	55.64	47.92
Unit - 3	120	67.60	70.21	55.97	36.22
Unit - 4	120	67.42	23.71	31.98	45.61
Unit - 5	200	79.42	70.97	71.69	65.37
Unit - 6	210	78.62	76.15	68.61	64.55
Unit - 7	210	77.88	78.79	72.58	62.30
Nashik					
Unit - 1	140	68.04	78.90	55.52	47.76
Unit - 2	140	71.95	74.89	52.18	54.74
Unit - 3	210	@	@	@	78.48
Unit - 4	210	@	@	76.12	@
Unit - 5	210	@	@	@	74.50
Parli					
Unit - 3	210	69.60	76.58	54.48	59.02
Unit - 4	210	67.85	52.44	68.62	69.63
Unit - 5	210	@	79.93	69.30	72.85
Unit - 6	250	N.E. $^{\Delta}$	@	51.76	65.32
	Total	**19**	**19**	**25**	**27**

@ PLF above 80 *per cent* is not depicted.

$^{\Delta}$ Not existed.

Annexure-16
Statement showing the department-wise outstanding inspection reports (IRs)
(Referred to paragraph No.3.22.3)

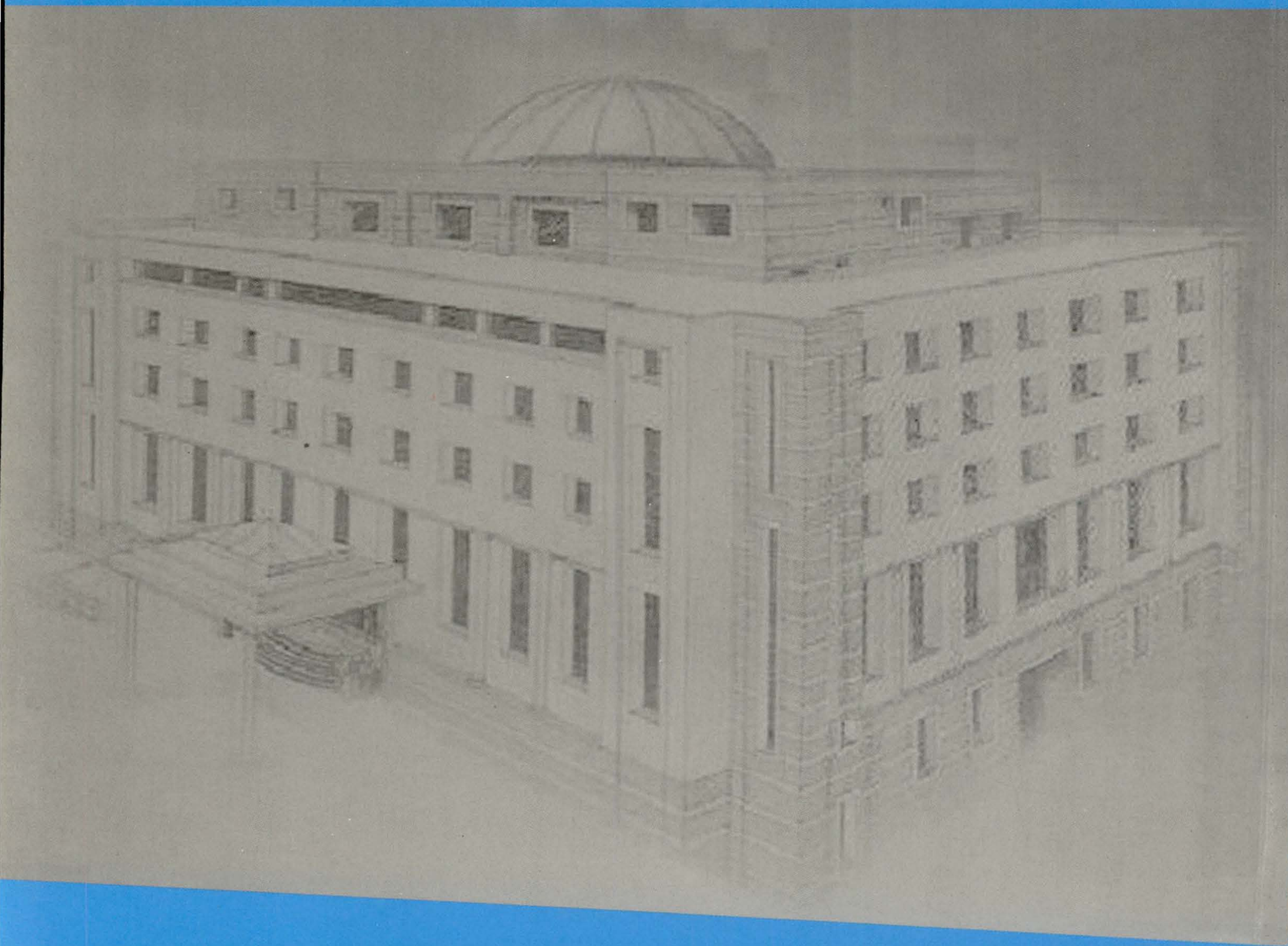
Sl. No.	Name of Department	Number of PSUs	Number of outstanding inspections reports	Number of outstanding paragraphs	Years to which outstanding paragraphs pertain to
A.	**Working Companies and Corporations**				
1.	Industries, Energy and Labour				
	i) Energy	9	305	1,443	2001-02
	ii) Industries	8	66	284	2002-03
2.	Agriculture and Animal Husbandry	5	13	39	2004-05
3.	Co-operation and Textile				
	i) Co-operation	2	5	25	2006-07
	ii) Textile	2	2	4	2005-06
4.	Social Justice, Cultural Affairs and Sports	7	28	122	2002-03
5.	Employment and Self Employment	1	2	5	2007-08
6.	Minority Development	1	3	13	2007-08
7.	Medical Education and Drugs	2	6	19	2004-05
8.	Home				
	i) Transport	1	63	215	2003-04
	ii) Others	2	11	74	2003-04
9.	Public Works	1	4	42	2004-05
10.	Urban Development	3	23	165	2002-03
11.	Housing and Special Assistance	1	4	9	2004-05
12.	Revenue and Forest				
	i) Revenue	1	3	13	2007-08
	ii) Forest	1	4	13	2006-07
13.	Woman and Child Welfare	1	3	13	2006-07
14.	Tribal Development	1	3	14	2007-08
15.	Planning	1	2	9	2006-07
16.	General Administrative	2	4	27	2007-08
	Total : A	**52**	**554**	**2,548**	
B.	**Non-working companies**				
1.	Industries, Energy and Labour	7	10	20	2002-03
2.	Finance	1	2	8	2005-06
3.	Irrigation	1	1	3	2007-08
4.	Social Justice, Cultural Affairs and Sports	1	2	8	2002-03
	Total : B	**10**	**15**	**39**	
	Grand Total : (A + B)	**62**	**569**	**2,587**	

Annexure-17

Statement showing the department-wise draft paragraphs/reviews to which replies were awaited

(Referred to in paragraph No.3.22.3)

Sl. No.	Name of Department	Number of draft paragraphs	Number of reviews	Period of issue
1.	Tourism and Cultural Affairs	-	1	June 2010
2.	Agriculture and ADF	1	-	May 2010
3.	Civil Aviation Administrative Reforms, O&M Department	2	-	May 2010
4.	Industries, Energy and Labour (Energy)	2	-	March 2010
5.	Social Welfare	1	-	June 2010
6.	Public Works (Road)	1	-	June 2010
7.	Housing	1	-	May 2010
8.	Industries, Energy and Labour (Industries)	3	-	May 2010
9.	Commission (MERC)	1	-	March 2010
	Total	**12**	**1**	



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