Report of the
Comptroller and Auditor General
of India

for the year ended March 1999

No. 1

(COMMERCIAL)

Government of Gujarat

CONTENTS

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:

(i) Government companies,

(ii) Statutory corporations, and

(iii) Departmentally managed commercial undertakings.

This report deals with the results of audit of Government companies and Statutory corporations including Gujarat Electricity Board and has been prepared for submission to the Government of Gujarat under Section 19A of the Comptroller and Auditor General's (CAG) (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) - Government of Gujarat.

Audit of the accounts of Government companies is conducted by Comptroller and Auditor General of India under the provisions of Section 619 of the Companies Act, 1956. There are, however, certain companies, which in spite of Government investment are not subject to audit by the Comptroller and Auditor General of India as Government hold less than 51 *per cent* of their share capital. A list of such companies in which Government investment by way of share capital was more than Rs.10 lakh as on 31 March 1999 is given in Annexure - 1.

In respect of Gujarat State Road Transport Corporation and the Gujarat Electricity Board, which are Statutory corporations, the Comptroller and Auditor General of India is the sole auditor. In respect of Gujarat State Financial Corporation and Gujarat State Warehousing Corporation he has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. The audit of accounts of Gujarat Industrial Development Corporation was entrusted to the Comptroller and Auditor General of India under section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, for a period of five years from 1977-78 and has been extended from time to time up to the accounts for the year 2001-2002.

The cases mentioned in this Report are those which came to notice in the course of audit during the year 1998-99 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 1998-99 have also been included, wherever necessary.

Overview

The State had 46 Public Sector Undertakings comprising of 41 Government companies (including six subsidiaries) and 5 Statutory corporations, in addition to nine companies under the purview of Section 619-B of the Companies Act, 1956 as on 31 March 1999. These are engaged in production, trading and financing activities like electronics, agriculture, dairy, tourism, forest, transport, power, chemicals, mining etc.

(Paragraph 1.1 and 1.10)

Total investment in 46 Public Sector Undertakings as on 31 March 1999 was Rs.19222.70 crore (Share Capital Rs.7388.78 crore - Companies : Rs.6800.65 crore, Statutory corporations : Rs.588.13 crore; Share Application Money in Companies : Rs.326.18 crore and Long Term Loan : Rs.11507.74 crore - Companies : Rs. 3849.05 crore and Statutory corporaions : Rs.7658.69 crore). The State Government has guaranteed the loans obtained by companies and corporations aggregating to Rs.298.47 crore during 1998-99. The total guaranteed amount outstanding stood at Rs.4199.99 crore as on 31 March 1999.

(Paragraph 1.2, 1.4, Annexure 2 and 4)

Only three companies had finalised their accounts for the year 1998-99 and the accounts of 38 companies were in arrears for periods ranging from one year to five years. Four companies were in the process of liquidation.

(Paragraph 1.5.1)

Three companies which finalised the accounts for the year 1998-99, two companies earned profit of Rs.147.41 crore and one company suffered loss of Rs.0.02 crore .

(Paragraph 1.6.1.1)

Of the loss making companies, investment of Rs.74.14 crore of Government as share capital in 14 companies had been eroded by their accumulated loss of Rs.1146.89 crore.

(Paragraph 1.6.1.2)

2.1 Review on recovery performance of Gujarat Industrial Investment Corporation Limited

The Gujarat Industrial Investment Corporation Limited was incorporated as a wholly owned Government company in August, 1968 with main objective to promote investment in projects and to provide financial assistance to large and medium industrial undertakings within the State (including Union Territory of Dadra and Nagar Haveli).

(Paragraph 2.1)

The percentage of recovery to total recoverables decreased to 57.35 per cent by 1998-99 from 61.86 per cent during 1994-95 and an amount of Rs.111.96 crore was outstanding for recovery as on 31 March 1999.

(Paragraph 2.6.1)

The defective appraisal made by the Company in sanctioning term loans coupled with poor documentation, lapses in disbursement and ineffective recovery actions led to loss of Rs.9.28 crore in 23 cases.

(Paragraph 2.6.3.1)

The Company did not take action under Negotiable Instrument Act for effecting recovery against the loanee units for dishonoured cheques amounting to Rs.22.18 crore during 1996-97 to 1998-99.

(Paragraph 2.6.3.5)

There was no systematic approach in selection of defaulters for taking actions under section 29 of State Financial Corporation Act, 1951 and selection of defaulters was made by the Company on ad hoc basis.

(Paragraph 2.6.3.6)

3.1 Review on the Power Purchase Agreements (PPAs) entered into by Gujarat Electricity Board with Independent Power Producers (IPPs)

Gujarat Electricity Board had to back down central sector purchase at the rate of Rs.1.38 per unit to the extent of 1017.42 MUs in 1998-99 because of deemed generation clause with IPPs having higher cost per unit leading to extra expenditure of Rs.169.91 crore.

(Paragraph 3.1.4)

In the PPA entered with Essar Power Limited, the Board suffered a loss of Rs.37.35 crore due to non recovery of damages for non achievement of development milestones (Rs.5.09 crore) and non adjustment of deemed generation and deemed non generation(Rs.32.26 crore).

(Paragraphs 3.1.5.1.2 and 3.1.5.1.6)

In the PPA entered with Gujarat Industries Power Company Limited (GIPCL), (Vadodara) there was over capitalisation of Rs.22.18 crore due to capitalisation of costs during stabilisation period and because of use of costlier fuel there was additional variable cost of Rs.2.51 crore to the Board. Due to non adjustment of deemed generation and deemed non generation, the Board suffered a loss of Rs.3.33 crore in PPA entered with GIPCL (Vadodara).

(Paragraphs 3.1.5.2.2, 3.1.5.2.3 and 3.1.5.2.4)

In another PPA entered into with GIPCL (Mangrol) the Board did not recover liquidated damages of Rs.37.50 crore.

(Paragraph 3.1.5.3.2)

In the case of PPA entered with Reliance Power Limited, anticipated increase in project cost from Rs.2097.42 crore to approximately Rs.2747.51 crore due to foreign exchange variation. Undue high cost of fuel to the extent of Rs.0.32 per Kwh would lead to additional expenditure of Rs.101.38 crore per annum.

(Paragraphs 3.1.5.4.2 and 3.1.5.4.6)

3.2 Performance of Electro Static Precipitators in Gujarat Electricity Board

All the five units in Ukai Thermal Power Station (TPS) and all the six units in Wanakbori TPS of Gujarat Electricity Board were not meeting the statutory norm of emission of 150 mg/Nm^3 of suspended particulate matter fixed by Gujarat Pollution Control Board.

(Paragraph 3.2.3)

Rapid erosion of induced draft fans in Ukai TPS caused generation loss of 30.33 MUs and consequent revenue loss of Rs.4.61 crore to the Board.

(Paragraph 3.2.5.2)

The contract for augmentation work in six units of Wanakbori TPS did not specify any date for completion of the work.

(Paragraph 3.2.5.3)

Due to delay in augmentation of ash handling system, Board suffered generation loss of 51.113 MUs valued at Rs.7.77 crore.

(Paragraph 3.2.6)

3.3 Physical and financial performance of power sector in VII Five Year Plan

At the end of the VI Five Year Plan the installed generating capacity in Gujarat was 3384 MW. As against a target of 1730 MW fixed for VII Five Year Plan period, actual addition to the installed capacity was 1508 MW (87.17 per cent). Against financial target of Rs.1272.56 crore required to be spent by Gujarat Electricity Board, out of overall financial target of Rs.1466.50 crore for power sector, actual amount spent by the Board was Rs.1474.21 crore.

(Paragraphs 3.3.2, 3.3.4(i) and (ii))

Even though the transmission and distribution loss of the Board decreased from 25.59 per cent (1985-86) to 22.09 per cent (1989-90), it still remained higher than the norm of 15 per cent prescribed by Government of India thereby resulting in loss of 5754 MUs of power valued at Rs.478.70 crore.

(Paragraphs 3.3.5.4(a) and 3.3.13.1)

Though the power generation by the Board increased from 10718 MUs (1985-86) to 17191 MUs (1989-90), registering an annual growth rate of 12.73 per cent during VII Plan period, the auxiliary consumption in Board's power stations remained higher than the norm prescribed by the Government of India resulting in excess consumption of 867 MUs of power valued at Rs.68.56 crore.

(Paragraphs 3.3.5.4 and 3.3.5.5)

During VII Plan period, Gujarat remained deficit in power supply during peak hours in all the years which ranged between 340 MW and 693 MW.

(Paragraph 3.3.5.8)

Delays in execution of nine projects during VII Plan resulted not only in escalation in the costs of these projects ranging between 107.35 and 1022.66 per cent of the approved cost but also in loss of generation of 14922 MUs valued at Rs.1144.12 crore.

(Paragraph 3.3.7.3)

3.4 Review on outstanding dues of Gujarat Electricity Board

The total outstanding dues payable by Gujarat Electricity Board rose steeply from Rs.679.12 crore at the end of 1994-95 to Rs.1853.42 crore at the end of 1997-98 of which Rs.710.17 crore related to purchase of power.

(Paragraph 3.4.4)

Outstanding balance of revenue collection from consumers increased from Rs.374.15 crore in 1994-95 to Rs.746.91 crore in 1997-98.

(Paragraph 3.4.5.1)

Lack of effective measures to recover enhanced security deposit of Rs.40.02 crore from High Tension (HT) consumers resulted in loss of interest of Rs.42.29 crore.

(Paragraph 3.4.5.2)

National Thermal Power Corporation (NTPC), Tarapur Atomic Power Project (TAPP) and Nuclear Power Corporation (NPC) levied surcharge/delayed payment charges amounting to Rs.209.22 crore owing to non payment of their dues in time.

(Paragraphs 3.4.6.2 (a), (b) and (c))

4. Miscellaneous topics of interest

The failure of Gujarat Small Industries Corporation Limited in obtaining adequate security while extending financial assistance to a firm had resulted in unrecoverable dues of Rs.1.48 crore.

(Paragraph 4.1.1)

Gujarat Mineral Development Corporation Limited lost Rs.0.41 crore due to failure in ensuring a reasonable discount from the supplier keeping in view then prevalent bank borrowing rate.

(Paragraph 4.2.1)

Gujarat Industrial Investment Corporation Limited and Gujarat State Investment Limited had lost Rs.0.79 crore and Rs.0.90 crore respectively due to imprudent decision to invest funds in Gujarat Alkalies and Chemicals Limited, as they did not earn remunerative return to service the borrowings.

(Paragraphs 4.3.1 and 4.9.1)

Gujarat Communication and Electronics Limited lost Rs.0.70 crore due to belated execution of two contracts of Department of Telecommunications on account of reduction in contract price and payment of liquidated damages.

(Paragraph 4.4.1)

Sardar Sarovar Narmada Nigam Limited made overpayment of Rs.3.51 crore in admitting claim for handling excess sand content in natural aggregate which was not provided in the contract and also paid price escalation applying incorrect indices.

(Paragraph 4.10.1)

Gujarat Electricity Board's failure in compilation of the required data and backlog in preferring claims had resulted in non-receipt of sales tax reimbursement of Rs.8.67 crore and consequential loss of interest of Rs.4.74 crore.

(Paragraph 4.13.1)

Gujarat State Road Transport Corporation had incurred an avoidable payment of Rs.1.04 crore towards permit fee and motor vehicle tax on the inter-state services operated on `temporary permit' basis since past many years.

(Paragraph 4.14.2)

Chapter I

1. General view of Government companies and Statutory corporations

1.1 Introduction

As on 31 March 1999 there were 41 Government companies (including six subsidiaries) and five Statutory corporations as against 38 Government companies (including four subsidiaries) and five Statutory corporations as on 31 March 1998 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by Government of India on the advice of Comptroller and Auditor General of India (CAG) as per provision of Section 619(2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit of the Statutory corporations is conducted under the provisions of the respective Acts as detailed below:

Name of the Corporation	Authority for audit by the CAG	Audit arrangement
Gujarat Electricity Board (GEB)	Section 69(2) of the Electricity (Supply) Act, 1948	Sole audit by CAG
Gujarat State Road Transport Corporation (GSRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
Gujarat State Financial Corporation (GSFC)	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and Supplementary Audit by CAG
Gujarat State Warehousing Corporation (GSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and Supplementary Audit by CAG
Gujarat Industrial Development Corporation (GIDC)	Section 19 (3) of CAG's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit entrusted by State Government to the CAG up to 2001-2002

1.2 Investment in Public Sector Undertakings (PSUs)

As on 31 March 1999 the total investment in 46 Public Sector Undertakings (41 Government companies including 6 subsidiaries and five Statutory corporations) was Rs.19222.70 crore (equity Rs.7388.78 crore; long-term loans* Rs.11507.74 crore and share application money Rs.326.18 crore) as against a total investment of Rs.17393.35 crore (equity Rs.6233.11 crore; long tern loans Rs.10789.84 crore and share application money Rs.370.40 crore) in PSUs (38 Government companies including four subsidiaries and five Statutory corporations) as on 31 March 1998. The analysis of investment in PSUs is given in the following paragraphs.

1.2.1 Government companies

Total investment in 41 companies (including 6 subsidiaries) as on 31 March 1999 was Rs.10975.88 crore (equity: Rs.6800.65 crore; long term loans : Rs.3849.05 crore; share application money: Rs.326.18 crore) as against total investment of Rs.9586.57 crore (equity : Rs.5681.89 crore; long term loans : Rs.3534.28 crore; share application money: Rs.370.40 crore) as on 31 March 1998 in 38 Government companies (including four subsidiaries).

The classification of the Government companies was as under:

* Long term loans mentioned in para 1.2, 1.2.1 and 1.2.2 are excluding interest accrued and due on such loans.

Status of companies		Number of companies	Investment (Rupees in crore) Paid up capital	Long term loans	Number of companies referred to BIFR
(a) Working companies		34 (33)	926.08 5.58** (842.46) (49.05)**	1180.47 (1184.52)	1(A) (1)
(b) Non working companies:					
(i)	Under liquidation	4(B) (4)	3.93 42.54** (3.93) (42.54)**	340.14 (340.14)	
(ii)	Under closure		--	--	
(iii)	Under merger		--	--	
(iv)	Pre-operative stage	3(C) (1)	5870.64 278.06** (4835.50) (278.81)**	2328.44 (2009.62)	
Total		41 (38)	6800.65 326.18** (5681.89) (370.40)**	3849.05 (3534.28)	1(1)

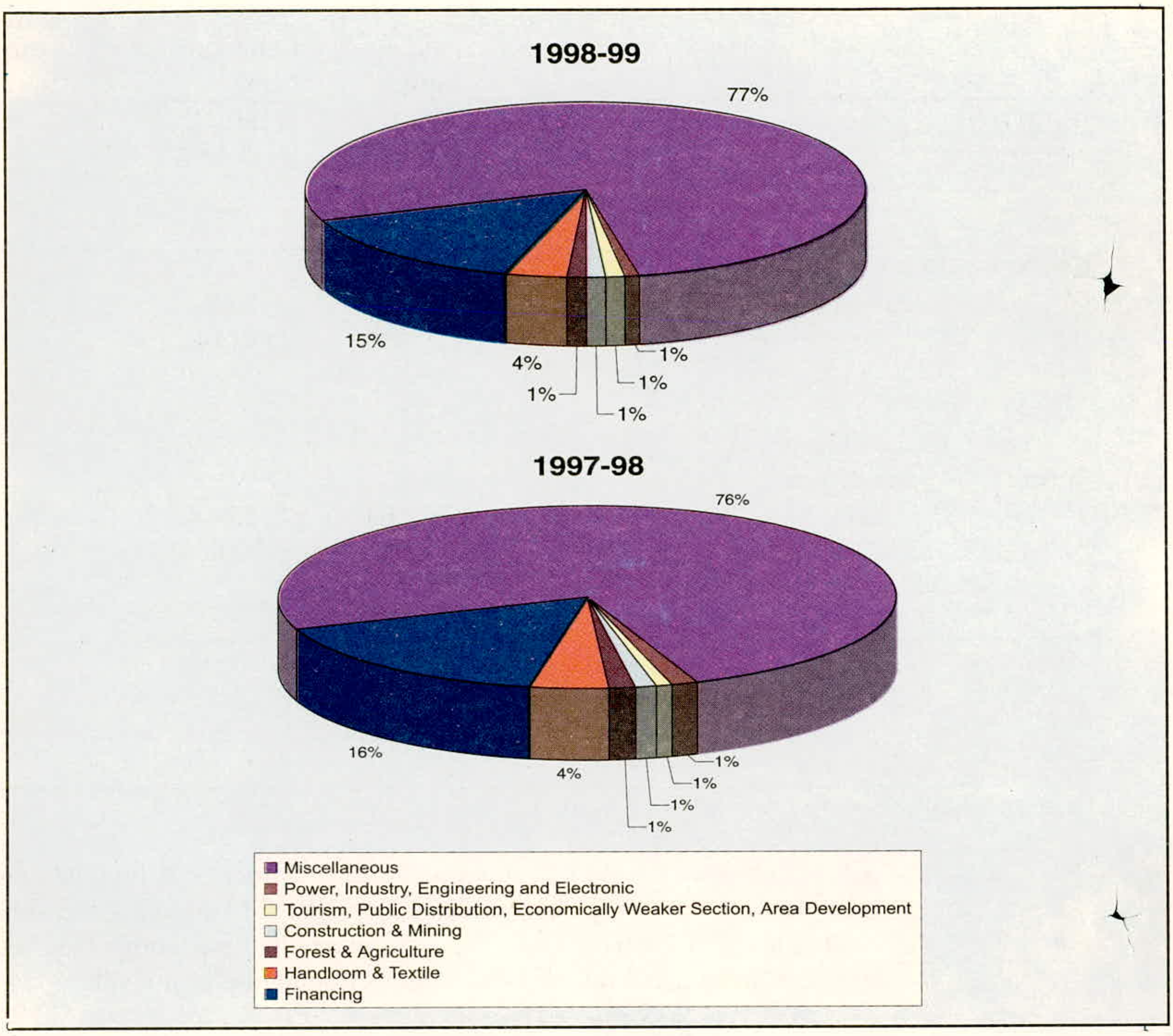
(figures in bracket are previous year figure)

As four companies were non working or under process of liquidation/closure under Section 560 of the Companies Act/merger for two years and substantial investment of Rs.386.61 crore was involved in these companies, effective steps need to be taken for their expeditious liquidation or revival.

The summarised financial results of Government companies are detailed in Annexure 2 and 3. Due to increase in equity capital the debt equity ratio as a whole of Government companies decreased to 0.57:1 in 1998-99 from 0.58:1 during 1997-98.

(A) Company at Serial Number 5 of Annexure-2
(B) Companies at Serial Number 14 to 17 of Annexure-2
(C) Companies at Serial Number 22, 38 and 41 of Annexure-2
** Share application money

Sector wise investment in Government companies



As on 31 March 1999, of total investment in Government companies, 64.94 per cent comprised equity capital and 35.06 per cent comprised loans compared to 63.14 per cent and 36.86 per cent respectively as on 31 March 1998.

1.2.2 Statutory corporations

The total investment in five Statutory corporations at the end of March 1998 and March 1999 was as follows:

(Rupees in crore)

Name of corporation	1997-98		1998-99[@]	
	Capital	Loan	Capital	Loan
Gujarat Electricity Board (GEB)	--	6016.93	--	6446.58
Gujarat State Road Transport Corporation (GSRTC)	453.69	61.02	490.21	115.14
Gujarat State Financial Corporation (GSFC)	93.53	1122.08	93.92	1073.15
Gujarat State Warehousing Corporation (GSWC)	4.00	--	4.00	--
Gujarat Industrial Development Corporation (GIDC)	--	55.53	--	23.82
TOTAL	**551.22**	**7255.56**	**588.13**	**7658.69**

The summarised financial results of all the Statutory corporations as per their latest finalised accounts are given in Annexure 3 and financial position and working results of individual Statutory corporations for the three years up to 1998-99 are given in Annexure 5 and 6 respectively.

1.3 Privatisation, Restructuring, Merger and Closure of Public Sector Undertakings in Gujarat

In October 1992, the Government of Gujarat had constituted State Finance Commission to examine the potentiality of privatisation and disinvestment of PSUs of the State Government. The recommendations of the Commission including setting up of a High Level Committee for formulating broad guidelines and constitution of a Cabinet Sub-Committee (constituted in March 1996) were reported *vide* para no.1.2.2 of Report of the Comptroller and Auditor General of India for the year ended 31 March 1998 (Commercial) - Government of Gujarat. The actions taken as a follow up to decisions of Cabinet Sub Committee up to October 1999 were as under:

(i) Privatisation

The Sub Committee decided (July 1996) to privatise two Government companies viz., Gujarat Communications and Electronics Limited (GCEL) and Gujarat Tractor Corporation Limited (GTCL). As reported by the Government in case of GTCL negotiations for 50 per cent disinvestment to strategic buyer viz., M/s.Mahindra & Mahindra Company Limited is going on and share holders agreement is yet to be signed (October 1999). In case of

[@] All figures for 1998-99 other than Gujarat State Financial Corporation are provisional and as furnished by respective Corporation.

GCEL, M/s.SBI Caps has been appointed as consultants and bids are invited with last date of bid submission as 11 October 1999.

In case of Gujarat State Export Corporation Limited the Sub Committee had decided to reduce Government's stake to 26 per cent. As a follow up to this, Government reported (October 1999) that SBI Caps were appointed as consultants, draft advertisement was ready and Government of India's approval was awaited.

(ii) Restructuring

(i) In case of Gujarat Agro Industries Corporation Limited (GAIC), Cabinet Sub Committee decided to sell uneconomic divisions/units which was agreed by the Government of Gujarat in January 1999 and communicated for initiation of action by the Department and Company.

(ii) In case of Gujarat Mineral Development Corporation Limited (GMDC) the Cabinet Sub Committee recommended for an agreement with technical collaborator to enhance capacity. It also recommended to sell inefficient/ unprofitable business units. These recommendations were agreed (March 1999) by Government of Gujarat and communicated to the Company for implementation.

(iii) Merger

The Cabinet Sub Committee recommended merger of Gujarat Rural Industries Marketing Corporation Limited (GRIMCO) with Gujarat State Leather Industry Development Corporation Limited and Gujarat State Handloom Development Corporation Limited with Gujarat State Handicrafts Development Corporation Limited. These recommendations were agreed by Government of Gujarat in July 1996. Presently, all the four companies have completed formalities and applied to Government of India for approval of merger. The draft scheme and approval were awaited (October 1999).

(iv) Closure

(i) The decision of Cabinet Sub Committee to close the Gujarat Small Industries Corporation Limited was agreed to by the Government of Gujarat in January 1999. The Company had initiated action in this regard and had offered Voluntary Retirement Scheme (VRS) to its employees.

(ii) The decision of closure with respect to The Film Development Corporation of Gujarat Limited, Gujarat Fisheries Development Corporation Limited, Gujarat State Construction Corporation Limited and Gujarat State Rural Development Corporation Limited by Cabinet Sub Committee was accepted by the Government of Gujarat on 4 September 1998. In case of Gujarat Fisheries Development Corporation Limited and Gujarat State Construction Corporation Limited the Government reported (October 1999) that the process of

VRS to the employees is nearing completion and process of winding up is in progress. In case of The Film Development Corporation of Gujarat Limited, administrative department was yet to initiate action.

1.4. Budgetary outgo, subsidies, guarantees waiver of dues

The details of budgetary outgo, subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to Government companies and Statutory corporations are given in Annexure 2 and 4.

The budgetary outgo from the State Government to Government companies and Statutory corporations for the three years up to 1998-99 in the form of equity capital, loans, grants, subsidy is given below:

(Rupees in crore)

	1996-97				1997-98				1998-99			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	12	785.93	--	--	13	1185.01	--	--	11	1073.08	1	35.00
Loans	7	2.71	1	185.00	9	59.17	1	223.55	7	40.86	2	386.58
Grants		--		--		--		--		--		--
Subsidy towards:												
(i)Projects/ Programmes/ Schemes	13	76.93	3	1235.66	13	88.41	3	1461.23	14	121.27	3	1534.33
(ii)Other Subsidy	3	6.27	--	--	3	4.26	--	--	3	7.88	--	--
(iii)Total Subsidy	14	83.20	3	1235.66	14	90.67	3	1461.23	14	129.15	3	1534.33
Total outgo	****19**	**871.84**	****3**	**1420.66**	****21**	**1336.85**	****3**	**1684.78**	****19**	**1243.09**	****3**	**1955.91**

During the year 1998-99 the Government had guaranteed loans aggregating to Rs.298.47 crore obtained by four Government companies (Rs.221.47 crore) and two Statutory corporations (Rs.77 crore). At the end of the year guarantees amounting to Rs.4199.99 crore against 10 Government companies (Rs.401.77 crore) and four Statutory corporations (Rs.3798.22 crore) were outstanding. There were no cases of default in repayment of guaranteed loans during the year. Government had forgone Rs.0.05 crore by way of loans written off in case of one company during the year. The guarantee commission payable by Government companies and by Statutory corporations during the year 1998-99

** Indicate the actual number of companies/corporations which received budgetary support in the form of equity, loans, grants and subsidies from Government during respective year was Rs.5.98 crore and Rs.57.09 crore, respectively. Of this an amount of Rs.4.79 crore was yet to be paid by Sardar Sarovar Narmada Nigam Limited and Rs.13.15 crore was yet to be paid by Gujarat Electricity Board.

1.5 Finalisation of accounts by PSUs

1.5.1 The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the legislature within nine months from the end of the financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per provisions of their respective Acts.

However, as could be noticed from Annexure 3, out of 41 Government companies, only three companies and out of five Statutory corporations only one corporation had finalised their accounts for the year within stipulated period. During the period from October 1998 to September 1999, 31 Government companies finalised 43 accounts for the year 1998-99 or previous years (40 accounts for previous years by 28 companies and three accounts for 1998-99 by three companies). Similarly, during this period four Statutory corporations finalised four accounts for 1998-99 or previous years (three accounts for previous years by three corporations). The accounts of other 38 Government companies and four Statutory corporations were in arrears for periods ranging from one year to 6 years as on 30 September 1999 as detailed below:

Sl. No.	Year from which accounts are in arrears	Number of years for which accounts are in arrears	Number of companies/corporations		Reference to Serial number of Annexure-3	
			Government companies	Statutory corporations	Government companies	Statutory corporations
1	1993-94 to 1998-99	6	2	--	13,27	--
2	1994-95 to 1998-99	5	3	--	15,16,17	--
3	1995-96 to 1998-99	4	1	--	24	--
4	1996-97 to 1998-99	3	7	--	4,7,8,14 25,30,37	--
5	1997-98 to 1998-99	2	24	2	1,2,3,5,6,9,10, 11,12,18,19, 20,23,26,28, 29,32,33,35,36, 38,39,40,41	42,46
6	1998-99	1	1	2	22	43,45
	Total		**38**	**4**		

Out of 38 Government companies, whose accounts were in arrears, four companies were non-working companies (Sl.No 14 to 17 of Annexure 3).

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures had been taken by the Government and as a result, the investment made in these PSUs could not be assessed in audit.

1.5.2 Status of placement of Separate Audit Reports of Statutory corporations in Legislature

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

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Gujarat Electricity Board	1996-97	1997-98	07.01.2000	
2	Gujarat State Road Transport Corporation	1996-97	1997-98	10.09.1999	
3.	Gujarat Industrial Development Corporation	1996-97	1997-98	Accounts not received	
4	Gujarat State Financial Corporation	1997-98	1998-99	Draft SAR issued to Government/ Corporation on 29.10.99 (Reply awaited)	
5.	Gujarat State Warehousing Corporation	1996-97	1997-98	05.01.2000	

1.6 Working results of Public Sector Undertakings

According to latest finalised accounts of 41 Government companies and five Statutory corporations, 21 companies and one corporation had incurred an aggregate loss of Rs.332.01 crore and Rs.207.66 crore respectively and the 16 companies and four corporations earned an aggregate profit of Rs.225.01 crore and Rs.167.41 crore, respectively. Companies at serial number 24 and 38 of Annexure-3 are not preparing Profit and Loss account while companies at serial number 22 and 41 are newly incorporated companies and have so far not prepared accounts.

The summarised financial results of Government companies and Statutory corporations as per latest financial accounts are given in Annexure 3. Besides working results of individual corporations for latest three years for which accounts are finalised are given in Annexure 6.

1.6.1 Government companies

1.6.1.1 Profit earning companies and dividend

The State Government has not declared any dividend policy and the Government companies have been declaring dividend as approved in their Annual General Meetings. Out of three companies (including one subsidiary) which finalised their accounts for 1998-99 by September 1999, two companies earned an aggregate profit of Rs.147.41 crore and both (Sl.No.21 and 34 of Annexure 3) declared dividend aggregating Rs.18 crore. The dividend as percentage of share capital in the above two profit making companies worked out to 34.10. The total return by way of dividend was Rs.13.87 crore to State Government which worked out to 0.20 per cent in 1998-99 on total equity investment of Rs.6800.65 crore in all Government companies as against 0.36 per cent in the previous year.

Similarly, out of 31 companies, which finalised their accounts for previous years by September 1999, 14 companies earned aggregate profit of Rs.77.60 crore and 12 companies earned profit for two or more successive years.

1.6.1.2 Loss making companies

Of the 21 loss making companies 14 companies had accumulated losses aggregating to Rs.1146.89 crore which had far exceeded their aggregate paid up capital of Rs.74.14 crore.

Inspite of poor performance which resulted in complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, conversion of loans into equity, subsidy etc. According to available information, the total financial support so provided by the State Government was Rs.83.28 crore (equity - Rs.6.36 crore, loan - Rs.4.59 crore and subsidy - Rs.72.33 crore) during 1998-99 to six companies out of these 14 companies.

1.6.2 Statutory corporations

1.6.2.1 Profit earning Statutory corporations and dividend

Out of five Corporations only Gujarat State Financial Corporation had finalised accounts for 1998-99 by September 1999 and earned a profit of Rs.16.20 crore and declared dividend of Rs.7.19 crore. Dividend as a percentage of share capital in the above profit making corporation worked out to 7.23 per cent. Total return by way of dividend of Rs.3.55* crore to State Government worked out to 0.60 per cent on total equity investment of Rs.588.13 crore in all the five Corporations, as against 0.64 per cent during the previous year.

As per latest finalised accounts of other profit making Corporations viz., GEB, GSWC, GIDC the total profit earned was Rs.167.41 crore.

1.6.2.2 Loss making Statutory corporations

Of the five Corporations, Gujarat State Road Transport Corporation incurred loss of Rs.207.66 crore for the year 1997-98 as compared to loss of Rs.72.74 crore for 1996-97. In the year 1998-99 State Government extended financial support of Rs.85.15 crore (equity - Rs.35 crore, loan - Rs.1.52 crore and subsidy - Rs.48.63 crore) to GSRTC.

1.6.2.3 Operational performance of Statutory corporations

The operational performance of the Statutory corporations is given in Annexure 7. From operational performance of GEB, it is observed that percentage of transmission and distribution losses to total power available for sale had increased steadily from 19.45 per cent in 1995-96 to 21.69 per cent in 1997-98. In case of GSRTC, there has been increase in loss incurred per kilometer from 95.85 paise per kilometer in 1995-96 to 211.25 paise per kilometer in 1997-98. In Gujarat State Financial Corporation, the total amount overdue for recovery increased from Rs.253.60 crore in 1996-97 to Rs.431.38 crore in 1998-99.

1.7 Return on Capital Employed

During 1998-99 the capital employed* as per latest available accounts worked out to Rs.8295.73 crore in 41 companies and total return** thereon amounted

---

* This excludes dividend paid to IDBI and others amounting to Rs.3.44 crore.

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

to Rs.123.18 crore which is 1.48 per cent as compared to total return of Rs.126.25 crore (1.78 per cent) in 1997-98. Similarly, during 1998-99, the capital employed and total return thereon in case of Statutory corporations amounted to Rs.9128.99 crore and Rs.889.36crore (9.74per cent) respectively against the total return of Rs.822.95 crore (9 per cent) for 1997-98. The details of capital employed and return on capital employed in case of Government companies and corporations are given in Annexure 3.

1.8 Results of Audit by Comptroller and Auditor General of India

The summarised financial results of all the 41 Government companies and five Statutory corporations based on the latest available accounts are given in Annexure 3. During the period from October 1998 to September 1999, the audit of accounts of 25 Government companies and four Statutory corporations were selected for review. The net impact of the important audit observations as a result of review of the PSUs was as follows:

Details	Number of accounts		Rupees in crore		Sl.No. of Annexure-3
	Government companies	Statutory corporations	Government companies	Statutory corporations	
(i) Decrease in profit	1	2	0.43	34.34	35,44,45
(ii) Increase in profit	--	--	--	--	--
(iii) Increase in losses	1	--	0.02	--	2
(iv) Decrease in losses	2	1	0.14	61.05	4,20,43
(v) Non disclosure of material facts	3	2	0.51	373.98	2,5,7, 43,44
(vi) Errors of classification	3	4	15.71	356.19	11,5,20, 43,44,45,46

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

A. Errors and omissions noticed in case of Government companies

The accounts of Gujarat State Land Development Corporation Limited for the year 1995-96 were certified by the Statutory Auditors before adoption of accounts for the year 1994-95 in Annual General Meeting, in violation of

** For calculating total return on capital employed interest on borrowed funds is added to net profit/ subtracted from the loss as disclosed in the profit and loss account.

provisions of the Companies Act, 1956 and also in contravention of directives issued by the Company Law Board in this regard.

B. Errors and omissions noticed in case of Statutory corporations

(a) Gujarat State Financial Corporation

(i) An amount of Rs.75.00 crore was received by Corporation from State Government in October 1996 as "Loan in lieu of Share Capital against provisioning for Non-Performing Assets". The Corporation has accounted this Capital receipt as a Revenue grant which has resulted in understatement of State Government loan pending for conversion to share capital and also overstatement of Reserve and Surplus.

(ii) As per policy of the Corporation regarding writing off of Bad and Doubtful debts no sooner the competent authority approves the sale of assets of defaulting loanees, the balance amount outstanding against these accounts should be written off. During the year 1997-98 the Corporation has sold assets of 359 units having outstanding dues of Rs.60.73 crore for Rs.26.39 crore. Thus as per the policy as well as commercial prudence the balance of Rs.34.34 crore should have been also written off during 1997-98 as the Corporation did not have any other source to recover the amount. This has resulted in overstatement of profit by Rs.34.34 crore.

(b) Gujarat State Road Transport Corporation

The balance of other charges included Rs.1.37 crore being the difference between ground balance and book balance of 1995-96 (Rs.1.29 crore) and 1996-97 (Rs.0.08 crore) debited to miscellaneous expenses without locating the causes of difference and adjusting the capital heads of materials by the divisions. In absence of the adjustment/reconciliation the extent to which capital/ revenue account is understated and loss is overstated can not be quantified.

(c) Gujarat Industrial Development Corporation

The investment of the Corporation in Bonds of Sardar Sarovar Narmada Nigam Limited (Rs.10 crore) and equity of Government companies, Deemed Government companies and a Public Limited company (Rs.15.83 crore) were in contravention to functions of the corporation defined in section 10 of Gujarat Industrial Development Corporation Act, 1962.

B(1) Audit assessment of the working results of Gujarat Electricity Board

Based on the audit assessment of the working results of the Board for three years up to 1997-98, and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual account of the Board, and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed of the Board will be as given below:

Sl. No.	Particulars	1995-96	1996-97	1997-98 (Provisional)
		<------(Rupees in crore)-------->		
1	Net surplus/(-)deficit as per books of accounts	108.00	109.90	119.48
2	Subsidy from the State Government	1111.39	1179.58	1483.10
3	Net surplus/(-)deficit before subsidy from the State Government (1-2)	(-)1003.39	(-)1069.68	(-)1363.62
4	Net increase/decrease in net surplus/(-)deficit on account of audit comments on the annual accounts of the Board	39.33	102.07	under audit
5	Net surplus/(-)deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)964.06	(-)967.61	under audit
6	Total return* on capital employed	(-)399.44	(-)359.24	under audit
7	Percentage of total return on capital employed	--	--	--

C. Persistent irregularities and system deficiencies in financial matters of PSUs

The following persistent irregularities and system deficiencies in the financial matters of PSUs had been repeatedly pointed out during the course of audit of their account but no corrective action taken by these PSUs so far:

1. Government company

Gujarat Dairy Development Corporation Limited

Capital grant received and used by the company for acquisition of fixed assets were taken to Capital Reserve, however, the depreciation charged every year on such assets was not adjusted from these reserves. This system deficiency led to unrealistic balance under the Capital Reserve (Rs.12.33 crore) in the accounts of the company as well as the accumulated losses (Rs. 71.70 crore) as at the end of 31 March 1998 by the amount of depreciation (not ascertainable).

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

2. *Statutory corporations*

(a) Gujarat Electricity Board

(i) The Board was accounting revenue assessed for theft of power/ malpractice on the assessment basis, instead of receipt basis, which was contrary to the provision 34 of Conditions and Miscellaneous charges of Supply of Electrical Energy. This system deficiency was giving unrealistic picture of revenue of the Board for any particular period.

(ii) The Board made the advance payments from Head Office for which supplies were received at field offices. At the end of year, the liabilities were being created by field offices, but the same were not being adjusted against the advances given. This resulted in overstatement of liabilities as well as advances and hence the accounts did not give true and fair picture of the affairs of the Board.

(b) Gujarat State Road Transport Corporation

The Corporation was not taking steps to clear/adjust claims of Rs.1.08 crore due from other State Road Transport Corporations *viz,* Madhya Pradesh (Rs.0.47 crore), Rajasthan (Rs.0.42 crore) and Maharashtra (Rs.0.19 crore) which were lying unadjusted from 1985-86 and onwards.

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

The status of Audit Reports (Commercial) and their reviews/ paragraphs pending for discussion (September 1999) were as follows:

Period of Audit Report	Number of reviews and paragraphs			
	Total number appeared in Audit Report		Total number pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1994-95	2	17	--	8
1995-96	4	15	4	14
1996-97	3	26	3	26
1997-98	4	26	4	26
TOTAL	13	84	11	74

The COPU had made 23 number of recommendations vide Thirteenth Report of Eighth Assembly (December 1994) and First Report of Tenth Assembly (March 1999) after the examination of Audit Reports from 1987-88 to 1992-93, which were pending for final settlement (September 1999). In case of Audit Report 1993-94, COPU has completed (February 1999) the discussion and the recommendations on the same were awaited (September 1999). The discussion on the Audit Reports for the year 1994-95 and 1995-96 was in progress (September 1999).

1.10 619-B Companies

There were nine companies covered under Section 619-B of the Companies Act, 1956. The table given below indicates the details of paid-up capital and working results of these companies based on the latest available accounts.

(Rupees in crore)

Name of Company	Year of accounts	Paid-up capital	Investment by State Government	Investment by Government companies	Investment by Others	Profit(+)/ loss (-)	Accumulated profit/(-)loss
Gujarat State Machine Tools Corporation Ltd.	1997-98	0.53	--	0.41	0.12	(-)2.41	(-)6.16
Gujarat State Electricity Corporation Ltd.	1998-99	339.00	--	--	339.00*	25.01	21.24
Gujarat Power Corporation Ltd.	1998-99	6.60	3.30	--	3.30*	1.33	9.07
Gujarat Leather Industries Ltd.	1997-98	1.50	--	0.77	0.73	(-)0.20	(-)2.50
GSFS Capital and Securities Ltd.	1998-99	5.00	--	5.00	--	0.54	0.02
Gujarat Ports and Infrastructure Development Company Ltd.	1998-99	12.00	--	--	12.00@	0.04	0.04
Gujarat Alkalies and Chemicals Ltd.	1998-99	37.50	--	12.85	24.65	(-)0.17	137.78
Gujarat State Fertilizers and Chemicals Ltd.	1998-99	112.73	--	30.66	82.07	154.01	935.30
Gujarat Industrial and Technical Consultancy Organisation Ltd.	1997-98	0.20	--	0.06	0.14	0.04	0.14

* Represents contribution of Gujarat Electricity Board

@ Represents contribution by Gujarat Maritime Board

1.11 Companies not subject to audit by Comptroller and Auditor General of India

The State Government had invested Rs.8.82 crore in three companies which were not subject to audit by the CAG as the aggregate amount of investment made by the State Government was less than 51 per cent of the share capital of respective companies. The particulars of such companies in which the investment of State Government by way of share capital was more than Rs.10 lakh in each case as on 31 March 1999 are given in Annexure 1.

1.12 Readiness of PSUs for facing Y2K problem

Out of 55 PSUs (including 9 companies under section 619-B of the Companies Act, 1956) as on 31 March 1999, three companies were incorporated during the year and in remaining 52 PSUs, four companies were under liquidation and eight companies were not using computers. Of the balance 40 PSUs, 12 companies stated having Y2K compliant systems and software. Of remaining 28 companies, five companies stated that they were using computers only for word processing process. Of the balance 23 PSUs eight companies have already (June 1999) undertaken remedial process in their computer systems anticipating Y2K problem, whereas, 15 PSUs were in different stages of ensuring Y2K compliance.

Chapter II

2. Review on recovery performance of Gujarat Industrial Investment Corporation Limited

Highlights

Percentage of recovery to total recoverables decreased to 57.35 per cent by 1998-99 from 61.86 per cent during 1994-95 and amount of Rs.111.96 crore was outstanding for recovery as on 31 March 1999.

(Paragraph 2.6.1)

Defective appraisal made by the Company in sanctioning term loans coupled with poor documentation, lapses in disbursement and ineffective recovery actions led to loss of Rs.9.28 crore in 23 cases.

(Paragraph 2.6.3.1)

In order to invoke personal guarantee of 129 promoters/directors of 117 loanee units, civil suits for Rs. 168 crore were filed by the Company which were pending in the courts.

(Paragraph 2.6.3.4)

The Company did not take action under Negotiable Instrument Act for effecting recovery against the loanee units for their dishonoured cheques amounting to Rs. 22.18 crore during 1996-97 to 1998-99.

(Paragraph 2.6.3.5)

There was no systematic approach in selection of defaulters for taking actions under section 29 of State Financial Corporations Act, 1951 and selection of defaulters was made on adhoc basis. As on March 1999, 57 cases involving Rs. 47.49 crore were pending for disposal.

(Paragraph 2.6.3.6)

The Company suffered loss of Rs. 2.70 crore while settling the dues of 3 defaulting units under One Time Settlement Scheme.

(Paragraph 2.7)

Under bill discounting and corporate loan schemes, defective policy of taking security of shares of loanee unit without insisting for transfer of title of shares in Company's favour, inadequate security and poor recovery action resulted in loss of Rs. 43.50 crore.

(Paragraph 2.8.1 and 2.8.2)

2.1 Introduction

The Gujarat Industrial Investment Corporation Limited (the Company) was incorporated as a wholly owned Government company in August 1968 with main objective to promote investment in projects and to provide financial assistance to large and medium industrial undertakings within the State (including Union Territory of Dadra and Nagar Haveli). The Company commenced other financial services such as bill discounting, re-discounting, leasing and merchant banking from October 1994 and activity of corporate loans from April 1995.

2.2 Organisational set-up

The work relating to recovery of loans and follow-up action thereof was looked after by General Manager (Recovery and Rehabilitation) upto March 1997 and thereafter this responsibility has been entrusted to respective loan appraising officers under the overall control of Managing Director .

2.3 Scope of Audit

With an aim to evaluate the efficiency attained by the Company in monitoring the operations of the assisted industrial units and thereby effecting prompt repayment of dues, adequacy of the various control mechanisms introduced by the Company for effecting maximum amount of recovery and to examine the scope for improvement of recovery and monitoring, a test check of records of the Company for the last 5 years up to 1998-99 was done in general and individual case study of available records up to 1997-98, was undertaken in audit. The observations of the audit are set out in the succeeding paragraphs.

2.4 Procedure for financial assistance

The Company grants term loan to medium and large scale projects with investment of more than Rs.2.50 crore. The application for term loan after registration with General Manager (Term Lending) is placed before investment committee, headed by Managing Director, for clearance in principle. The appraisal report including market research analysis is then submitted to the Managing Director for the loans up to Rs.1.00 crore and loans above Rs.1.00 crore to Board, for sanction. After sanction letter is issued, legal department prepares necessary documents. The concerned Regional Office inspects to certify promoters' equity contribution and creation of fixed assets. In addition to cent per cent mortgage of assets created out of loan, the Company since 1991, has started obtaining fixed quantum upto 20 to 30 *per cent* in form of shares of blue-chip companies and corporate guarantees of associate concern or pledgement of title of residential/office premises of loanee unit as collateral security. Thereafter, based on the inspection reports, disbursement of term loan is made by head office with details of interest and schedule of repayment *etc.*, to loanee units.

2.5 Inadequate generation of internal sources

Income from core activity of the Company was insufficient to meet the expenditure, and left a gap of 7 to 32 per cent during 1995-96 to 1998-99.

The table below indicates yearwise sanction and disbursement of term loans from 1994-95 to 1998-99:

Year	Sanction	Disbursement
	<---(Rupees in crore)----->	
1994-95	256.08	181.37
1995-96	284.09	172.24
1996-97	302.49	207.84
1997-98	227.11	188.41
1998-99(Provisional)	87.75	93.57

To meet the requirement of funds for disbursement, the Company availed of refinance facilities from Industrial Development Bank of India (IDBI), Small Industries Development Bank of India (SIDBI) upto 65 *per cent* of sanctioned term loan whereas rest of the funds were arranged through other debts and internal accruals (i.e. net profit after tax including depreciation). The following table summarises the sources availed of by the Company for its working from 1994-95 to 1998-99:

Sources	1994-95	1995-96	1996-97	1997-98	1998-99 (Provisional)
	<-----------(Rupees in crore)----------->				
Capital	10.00 (4.29)	--	--	--	---
Borrowings (Bonds/Bank OD LOC, Refinance from IDBI/ SIDBI,ICD, Public Deposit)	178.95 (76.81)	184.93 (87.92)	323.51 (96.50)	153.33 (78.82)	440.07 (68.92)
Internal accruals	44.06 (18.90)	25.37 (12.08)	11.72 (3.50)	41.20 (21.18)	198.40 (31.08)
Total	**233.01**	**210.30**	**335.23**	**194.53**	**638.47**

(Figures in bracket denote percentage of total sources)

Being a financial institution, the major source of Company's income was interest on loans disbursed. The table below summarises interest income with reference to total expenditure of the Company from 1994-95 to 1998-99:

Year	Interest income	Total expenditure	Percentage of interest income to total expenditure
	<--------(Rupees in crore)------->		
1994-95	75.35	74.83	101
1995-96	70.50	96.09	73
1996-97	98.72	145.38	68
1997-98	115.67	124.91	93
1998-99 (Provisional)	99.03	144.35	68

This indicates that income from its core activity in the form of interest was insufficient even to meet the expenditure except for the year 1994-95 and left a gap of 7 to 32 *per cent* in expenditure. To fill-up this gap, the Company frequently resorted to disinvestment of high market value profitable shares and generating profits at the cost of erosion of high value investments of the Company. Total profit on sale of investments was Rs.117.21 crore for the years 1994-95 to 1997-98 representing 78 to 261 per cent of profit before tax during these years. Thus, term lending activities had failed to generate sufficient funds for re-cycling and were not remunerative to the Company.

2.6 Recovery of dues

2.6.1 Recovery performance

The percentage of recovery to total term loan collectibles was decreasing year after year.

The following table indicates the position of arrears of term loan collectibles and recovery effected for the years 1994-95 to 1998-99:

	1994-95	1995-96	1996-97	1997-98	1998-99 (Provisional)
	<------------(Rupees in crore)-------->				
Opening Balance	34.05	52.80	78.62	110.90	117.81
Amount due					
Principal	66.51	79.28	93.94	106.78	100.09
Interest	52.18	79.89	111.81	134.94	128.26
Expenses debited	0.08	0.13	0.14	0.29	--
Total recoverable	152.82	212.10	284.52	352.93	346.15
Less : Recovery	94.54	129.89	171.69	205.72	198.54
Write-off, funding and re-schedulement	5.48	3.59	1.92	29.39	35.66
Closing balance	52.80	78:62	110.90	117.81	111.96
Percentage of recovery to total recoverable	**61.86**	**61.23**	**60.34**	**58.29**	**57.35**

The Company had adopted a policy of not charging any interest on the loans which became non-performing asset or where legal proceedings were initiated or where cases were referred to Board for Industrial Finance and Restructure (BIFR) in line with guidelines of Reserve Bank of India (RBI) in this matter. It was observed in audit that the amount recovered did not give the correct picture to evaluate recovery performance as it included recovery effected from written-off cases *i.e.* recovery of bad debts and recovery of outstanding instalments. Further, the Company, as a practice was adjusting recoveries with disbursement of subsequent instalment or with subsidy. Out of above outstanding dues, the amount overdue for more than three years as on 31 March 1998 was Rs.20.50 crore (principal Rs.17.95 crore, interest Rs.2.55 crore). Similar details of overdue amount as on 31 March 1999 were not made available to audit by the Company as the accounts were yet to be finalised.

2.6.2 Loan recovery procedure

On receipt of consolidated statement of accounts showing amount recoverable for each loanee unit, the recovery and rehabilitation division (R&R Division) was simultaneously taking one or more of the actions to recover the dues which included follow-up and inspection, reschedulement, settlement through BIFR and recovery through legal actions. The last action entailed recovery process under section 29 of State Financial Corporations (SFC) Act, 1951 (empowered by Government of India in April 1988), through Court proceedings or by invoking personal guarantee of the promoters through legal proceedings.

2.6.3 Deficiency in loan operations

2.6.3.1 Deficiencies in appraisal, sanction, disbursement etc. resulting in losses

Out of 136 cases of outstanding dues, 53 cases were examined in audit with a view to examine the deficiencies in appraisal, sanction, disbursement, post inspection, follow-up and inaction on the part of management in taking up effective and timely steps to recover dues which had resulted in accumulation of dues and subsequently write-off.

Defective appraisal, poor documentation, lapses in disbursement and ineffective recovery action resulted in loss of Rs 9.28 crore

It was observed that in 23, out of 53 cases test checked in audit, an amount of Rs.20.14 crore was sanctioned with aforesaid deficiencies which ultimately resulted in a loss of Rs.9.28 crore. Nine illustrative cases wherein Rs.8.62 crore were sanctioned and Rs.4.63 crore were written off are discussed below :

a) M/s.Vivek Rasayan (Promoted by Shri Dilip Desai and Dr. Bhupendra C. Trivedi)

The Company suffered loss of Rs.1.24 crore due to sanction of loan to inexperienced promoters for producing Dia-Calcium Phosphate which had only one purchaser.

A term loan of Rs.1.39 crore was sanctioned (June 1992) in favour of the firm and Rs.1.34 crore was disbursed between October 1992 and November 1993 for production of Dia-Calcium Phosphate. The unit defaulted in payment of principal as well as of interest and arrears accumulated to Rs.1.83 crore by May 1996. The Company took possession of the unit in April 1997 under section 29 of State Financial Corporations Act, 1951 (SFC Act) and sold the assets for Rs. 0.59 crore and suffered loss of Rs. 1.24 crore which was written off in 1994-95.

It was observed in audit that even though no MOU was entered into by unit with M/s. Colgate Palmolive who were the sole purchaser of their product, the Company proceeded to sanction the loan. Further, it was known to the Company at the appraisal stage that the promoters did not have experience for which services were to be hired out.

b) M/s. Blaze Alloys Private Limited (Promoted by Shri J. Wadhwa)

The Company suffered loss of Rs.0.93 crore by financing inexperienced promoters who had limited financial resources.

The unit was sanctioned (December 1990) loan of Rs. 0.87 crore, seed capital of Rs. 0.13 crore and an additional loan of Rs. 0.20 crore for setting up a project for alloy steel casting. The unit started production of mild steel ingots instead of alloy steel from March 1992. Except for an instalment of Rs. 0.08 crore the unit did not pay the dues during loan period. The Company issued notice in July 1993 and took the possession of the unit in April 1994 under section 29 of SFC Act. After issue of the notice, an alleged theft took place at the unit, machineries and equipments worth Rs. 0.10 crore were reported as stolen. In the meantime the Company wrote off Rs. 1.23 crore during March 1994. Thereafter, on sale of the assets in October/December 1995 the Company realised Rs. 0.30 crore. Thus, the Company suffered net loss of Rs.0.93 crore. Had the Company taken possession of the unit immediately after initiating action under section 29 of SFC Act, the theft and consequent loss of Rs.0.10 crore could have been avoided.

It was noticed that at the time of appraisal, the Company was aware of deficiencies like their limited financial resources and inability of the promoters to inject equity of even Rs.0.17 crore. Further, loanee unit changed product mix by manufacturing mild steel ingots while the appraisal done was for alloy steel. The Company failed in being vigilant and prompt after initiating action under SFC Act leading to alleged theft of machineries. The Company replied (September 1999) that due to urgency of fund, conditions for disbursement were relaxed by the Managing Director.

c) M/s. Ganpati Syntex Private Limited (Promoted by Shri Udayan Chinubhai)

The unit was sanctioned (March 1986) loan of Rs. 0.60 crore and Rs.0.57 crore was disbursed (July 1986 to July 1987) for setting up a sized yarn project. The unit after starting commercial production in January 1987 remained closed for more than three and a half years and was irregular in payment of dues. The Company took possession and sold the unit for Rs. 0.19 crore in September 1996. The Company, ultimately, had to write off Rs. 0.83 crore during 1993-94 and 1995-96 resulting in loss to that extent.

It was noticed that at the time of sanction of loan, corporate guarantee of the unit's sister concern (M/s Ganpati Textile Private Limited) was taken as one of the securities which itself was a loanee to the Company against a loan of Rs.0.40 crore granted separately.

The Company failed to link this vital aspect. Further, no collateral security was obtained and the civil suit for invoking personal guarantee of the promoters was filed as late as in March 1998 and outcome of the same was awaited (July 1999). The Company replied (September 1999) that the policy of taking collateral security was not introduced at that time. Further, looking to the repayment record of the sister concern, the corporate guarantee of the sister concern was obtained. The reply is not tenable as the sister concern itself had separately mortgaged to the Company the very same property covered within corporate guarantee.

d) M/s. Sinha Watch Company Limited (Promoted by Shri Sushilkumar Sinha)

Due to unsatisfactory appraisal, the Company's funds of Rs.1.15 crore are locked up.

The Company sanctioned (October 1979) financial assistance of Rs.0.60 crore by way of term loan and Rs.0.55 crore by way of equity contribution to an NRI promoter residing at Switzerland, for setting up a project to manufacture wrist watches at Kandla Free Trade Zone. The Company intimated Indian Overseas Bank (IOB) that on compliance of all the terms and conditions of sanction, it would disburse loan against opening of letters of credit for imported machineries. A confidential enquiry (September 1979) of the credentials of the promoter conducted by the Indian Embassy, Switzerland, indicated the credit worthiness of NRI promoter was dubious, therefore, the Company decided (April 1980) not to release loan amount. However, by this time, IOB had already opened (March 1980) letters of credit of Rs. 0.47 crore in favour of the promoter. The Company decided not to pay the amount of import bill to IOB in December 1980. IOB filed civil suit in July 1981 and decree was awarded in May 1992 in favour of IOB for Rs.0.37 crore *plus* 20 *per cent* interest. The Company filed appeal in High Court of Gujarat, but before admitting the appeal, the High Court ordered to deposit decretal amount (including interest) of Rs.1.15 crore in court. The Company deposited the same in April 1995 which was appropriated by IOB from High Court. Thus, unsatisfactory appraisal procedure and delayed intimation to IOB about result of scrutiny of credit worthiness of loanee resulted in locking up of Company's funds of Rs.1.15 crore for the period from April 1995 to July 1999 resulting in loss of interest of Rs. 0.73 crore at 15 per cent which will increase further till the case is finally decided in the High Court.

e) M/s.Dhanshree Enterprise(Promoted by Shri Pravinkumar Agarwal)

Inadequate verification of release of working capital loan by Bank resulted in loss of Rs. 0.83 crore.

The Company sanctioned (May 1991) term loan of Rs.0.92 crore to the unit to set up a castor oil extrusion plant and disbursed the loan amount between January 1992 and July 1993. Appraisal made by the Company revealed that the unit needed huge working capital of Rs.1.93 crore during first year of operation and 73 *per cent* of which necessarily had to be borrowed from bank.

The unit defaulted in the repayments right from inception. The Company took possession of the unit in January 1996 and the assets of the unit were sold for Rs.0.67 crore. The Company suffered loss of Rs.0.85 crore which was written off during 1996-97.

It was noticed in audit that the unit was closed due to non availability of required working capital. In violation of stipulations, the Company did not ascertain release of adequate working capital loan by the bankers before disbursement of loan amount.

f) ***M/s. Prestige Texturising Private Limited (Promoted by Shri L.N.Gupta and Mrs L.N.Gupta)***

The Company sanctioned (May 1989) term loan of Rs.0.87 crore to M/s. Prestige Texturising Private Limited (PTPL) and disbursed an amount of Rs.0.70 crore between January 1988 to March 1989. M/s. PTPL happened to be sister concern of M/s. Gupta Polyester Private Limited (GPPL), promoted by the same promoters who were known defaulter of the Company against another term loan of Rs.0.70 crore sanctioned in September 1987. M/s. PTPL intended to supply raw material to M/s. GPPL and was operating from the leased premises of M/s. GPPL. Both M/s. PTPL as well as M/s. GPPL were irregular in payment of dues. The Company, further gave benefit of automatic re-schedulement scheme under which both the units were required to pay down payment of only 20 *per cent* of dues. However, even this amount was not paid by the units. Though the Company initiated action under section 29 of SFC Act by issuing notice in April 1992, the show cause notice was issued after inordinate delay in September 1995. In the meantime, M/s. PTPL removed some machineries from the premises. The Company could take possession of unit in December 1995, sold assets for Rs. 0.50 crore and suffered loss of Rs.0.23 crore which was written off in 1997-98.

g) ***M/s. Prakash Gem Implex Private Limited (Promoted by Shri P.K.Shah, Shri Vikesh P. Shah and Shri Tejpal P. Shah)***

The unit was sanctioned (December 1990) a term loan of Rs.0.42 crore for setting up of a diamond polishing unit. Sanction of loan was *inter alia* subject to release of enhanced power connection. The loan of Rs. 0.34 crore was disbursed between November 1991 to June 1993 without ensuring the initial promoter's contribution of Rs. 0.41 crore towards equity (Rs. 0.24 crore) and working capital (Rs.0.17 crore).

As the unit was irregular in payment of dues, the Company took its possession in October 1995 but by then, the promoters of the unit had already removed assets worth Rs. 0.33 crore. The Company filed criminal complaint (December 1995) in the court. As on July 1999, the outstanding dues have accumulated to Rs. 0.53 crore (principal Rs.0.35 crore, interest Rs.0.18 crore). The Company stated that it is not in position to sell the unit as it is located in remote place and some of critical assets were missing.

It was noticed in audit that credit worthiness of main promoter Shri P.K.Shah and his two sons, who were other promoters of this unit, was not ascertained at appraisal stage. The main promoter was inexperienced and was a teacher by profession whose declared annual income was only Rs.20,000. Capability of promoters to bring equity and initial working capital of Rs. 0.41 crore was in doubt, however, this aspect was ignored at the time of appraisal. Further, the required enhanced power connection was also not obtained. Thus, the Company had disbursed the loan in violation of the terms of sanction.

h) M/s.Konark Granite and Marble Private Limited (Promoted by Shri J.H.Mungalpara, Shri P.M.Misal, Shri B.N.Parsana, Shri K.B.Patel, Shri K.P.Patel and Shri B.S.Dave)

The Company sanctioned (August 1992) a term loan of Rs. 0.73 crore for setting-up of a granite tiles unit at Surat. Even though the collateral security was not given by the unit, it failed in arranging bridge loan from the State Bank of Saurashtra and did not bring committed share capital and interest free deposit, the loan of Rs. 0.22 crore and Rs. 0.17 crore was disbursed in February 1993 and in May 1993 respectively. The unit started commercial production in June 1993 but stopped it from September 1993 for want of working capital. The Company initiated action under section 29 of SFC Act and took possession of the unit in June 1995, however, could not sell the same upto July 1999 as the machinery was of outdated technology. The outstanding amount of Rs. 0.65 crore (principal Rs. 0.43 crore, interest Rs. 0.22 crore) has remained locked up.

It was noticed in audit that the Company made disbursement without obtaining security and extended finance even when bridge loan from State Bank of Saurashtra was not received.

i) M/s.Swastik Nitro Aromatics Limited(Promoted by Shri C.B.Somani)

Rs.5.60 crore was blocked up in an unit which did never came up because of increased project cost caused due to delay.

The Company sanctioned (September 1990) a term loan of Rs. 1.50 crore to set up a unit for manufacturing Nitro Benzene and disbursed the loan amount between October 1991 and June 1993. It was noticed that at the time of appraisal, the Company was aware of the fact that the promoters were not technically qualified and have to take help of a qualified chemical engineer and did not have any related experience in the field of production of Nitro Benzene. The production process was first of its kind in India and was not time-tested. The promoters supposedly, were to bring the entire personal savings as capital contribution. It was noticed (December 1992) by the Company that due to requirement of enhanced storage capacity for imported raw material, fire fighting equipments, effluent treatment plant, the project cost had abnormally increased to Rs. 4.91 crore. The project did not come up at all and no loan instalment could be recovered.

The Company initiated action under section 29 of SFC Act in January 1998 and took possession of the unit in February 1999. At the time of taking possession, arrears against unit accumulated to Rs. 5.60 crore (principal Rs.1.50 crore, interest Rs 4.10 crore). The arrears are not yet realised (July

1999). The Company replied (September 1999) that before commercial production, they insisted upon loanee unit to put up a pilot plant. They have further insisted on the loanee unit to appoint qualified chemical engineer in the Board.

2.6.3.2 Deficiencies in follow-up/recovery methods

A review of monitoring and follow up of recovery of dues by Audit revealed that:

i) IDBI advised in April 1994 that recovery performance should be reviewed periodically (at least once in a year) and such reviews should be placed before the Board and a copy along with views/comments of the Board should be furnished to IDBI. However, no such review had been conducted and reported to the Board by the Company.

ii) Duties and responsibilities for monitoring and reporting from field level management to General Manager (R&R Division) have also not been prescribed so far.

The deficiencies mentioned above indicate absence of an effective monitoring and recovery system in the Company. With an intention to exercise control on increasing NPAs (Non Performing Assets i.e. loans, advances, hire purchase assets which does not generate income), the Company had started reviewing recovery performance relating to non-performing assets from the year 1996-97 and had framed (May 1997) a committee for One Time Settlement (OTS). OTS cases are discussed in paragraph 2.7(*infra).*

2.6.3.3 Deficiencies in post disbursement inspections

Inspection of each loanee unit, if conducted efficiently and effectively, provides an opportunity to evaluate business performance and financial soundness of the unit and facilitates monitoring and follow-up for recovering the dues. Consolidated information giving details such as total units due for inspection, unit inspected, units could not be inspected, reasons for non-inspection etc. was not maintained by the Company. Periodical progress reports/MIS showing units required to be inspected and actually inspected with due dates, directives/instructions of competent authority and follow-up action taken *etc.* were also not prepared.

The Company replied (August 1999) that they propose to maintain such records from the year 1999-2000.

2.6.3.4 Non-recovery of dues from guarantors

Civil suits filed by the Company for invoking of personal guarantee against 129 promoters/ directors of 117 units were pending in the court

The loans sanctioned were personally guaranteed by the promoters/directors for repayment within due dates. It was observed in audit that the Company, during 1986 to 1998, has filed 129 civil suits for claim amount of Rs.168 crore invoking personal guarantees against promoters/directors of 117 loanee units which defaulted in repayment of principal and interest. All these cases are pending (July 1999). In earlier five such cases involving recovery of Rs.2.52

crore, the Company was unable to execute decree (obtained during 1993 to 1997) as details of property of guarantors was not available.

2.6.3.5 Failure to take penal action for dishonoured cheques

Cheques of Rs.26.58 crore were dishonoured for which action under Negotiable Instruments Act, was taken for Rs.4.40 crore only

The Company receives payment of interest and repayment of loans by cheques. It was observed in audit that 488 cheques involving an amount of Rs.6.18 crore in 1996-97; 765 cheques involving an amount of Rs.4.05 crore in 1997-98 and 984 cheques involving an amount of Rs.16.35 crore in 1998-99 were dishonoured on presentation. Though this constitutes a criminal offence under Indian Negotiable Instruments Act, 1881, the Company filed criminal complaints only in 101 cases for an amount of Rs.4.40 crore. In the remaining cases, it issued only an intimation to concerned loanee about dishonour of cheques with a request to remit the amount in cash or by demand draft. The Company has not kept a systematic record to show whether the amounts were received from these defaulters on receipt of the notices.

The Company replied (August 1999) that merely by issuing notice under section 138, replacement for dishonoured cheques were received. However, considering the amount of outstanding dues and the number of dishonoured cheques involved, the reply is not convincing.

2.6.3.6 Recoveries under section 29 of SFC Act

Under section 29 of SFC Act, the Company had a right to take over management or possession of the assets or both of a loanee in default and to transfer the properties pledged, mortgaged, hypothecated or assigned by way of lease or sale to realise the dues.

The Company has not laid down any norms for taking action under SFC Act against the defaulters. There was no systematic approach in selection of defaulters for taking action under SFC Act. The selection of defaulters was made on adhoc basis. The yearwise details for the cases covered under section 29 of SFC Act for the period 1993-94 to 1998-99 was called-for, of which, the Company has given following details of cases disposed off, sold/settled and pending during 1996-97 to 1998-99.

Due to non disposal of assets of loanee unit, an amount of Rs.47.49 crore is locked up

As at April 1996, 4 cases (Rs.1.23 crore) were pending and during the years 1996-97 to 1998-99, 63 cases (Rs.48.31 crore) were added of which 10 cases (Rs.2.05 crore) were settled and 57 cases were pending. Of 57 cases pending as on 31 March 1999, in 55 cases (Rs.46.03 crore) action under section 29 of SFC Act were in progress and two cases (Rs.1.46 crore) were in litigation. Some of the important cases where assets of units were taken over under section 29 of SFC Act have been discussed in paragraph 2.6.3(*Supra*).

The Company replied (August 1999) that action to dispose off assets under section 29 of SFC Act had not given encouraging results even after repeated advertisement. The Company is yet to evolve procedure for obtaining tangible and marketable security before extending assistance.

2.7 Review of OTS cases

Under one time settlement scheme the Company suffered loss of Rs.2.70 crore while settling the dues of three defaulting units

In order to reduce Non Performing Assets, it was decided in May 1997 to form a Committee headed by Managing Director for one time settlement. Upto March 1998, the Committee granted OTS to 151 cases of defaulting units. Audit scrutiny of 31 cases test checked revealed that there were deficiencies in appraisal, disbursement, follow-up and recovery actions. Three important cases, on the settlement of which under OTS, the company suffered loss of Rs.2.70 crore, are discussed below:

a) Loss due to defective appraisal and belated action for recovery

The Company sanctioned (October 1982) a term loan of Rs.0.58 crore (disbursed Rs.0.50 crore) to Tourism Corporation of Gujarat Limited (TCGL) for upgradation of Chorwad holiday home. At the time of appraisal it was known that TCGL, promoted by State Government, was a loss making unit for past several years. Even projected results were negative and the loss was being financed by State Government. Recovery of loan was poor since beginning. Belatedly in September 1997, the dues of Rs.2.69 crore (principal Rs.0.50 crore, interest Rs.2.19 crore) were settled under OTS for Rs.1.00 crore. Thus, granting of loan to a sick unit and subsequent inaction on the part of the Company has caused loss of Rs.1.69 crore.

b) Undue favour to a loanee unit (Promoted by Shri Vinod Joshi)

M/s. Gandhinagar Hotels Limited was sanctioned (January 1986 to June 1991) term loans of Rs.1.50 crore in phases for setting up and expansion of a hotel project. Though the unit had defaulted in its earlier loans, an amount of Rs.1.30 crore was disbursed during July 1986 to October 1991. It was brought out, *inter alia*, in the appraisal that the promoters did not have any experience to run a three star hotel and the projections made were optimistic. The unit was granted re-schedulement even when it was making profits but was in default in payments to the Company. The Company did not take any recovery actions under section 29 of SFC Act and granted (August 1997) OTS for Rs.0.58 crore against dues amounting to Rs.1.16 crore (principal Rs.1.04 crore, interest Rs.0.12 crore). At the time of granting of OTS, the dues outstanding were supported by assets worth Rs.5.43 crore. Thus, the Company suffered a loss of Rs. 0.58 crore.

The Company replied (September 1999) that since loanee unit was facing teething problems, additional loan was granted.

c) Undue benefit to a wilful defaulter (Promoted by Shri Rajgarhia)

M/s. Rohit Petro Pack was sanctioned (January 1989) a term loan of Rs.0.55 crore and Rs.0.31 crore were disbursed during June 1989 and March 1991 to set up a plastic moulding unit. Since commencement of commercial production in December 1989, the unit was making profit but was in default in making payments to the Company. The Company had similar experience with associate concern (M/s.Shakti Packing Limited) of the unit which was also promoted by the same promoters. Despite this fact, unit was granted re-schedulement in July 1993. Belatedly in October 1997 the Company initiated legal action under section 29 of SFC Act, and in March 1998 OTS was granted for Rs.0.20 crore against dues of Rs.0.63 crore, (principal Rs.0.30 crore, interest Rs.0.33 crore) thereby, the Company had to forgo Rs.0.43 crore.

The Company replied (September 1999) that as realisation from sale of assets was likely to be less than amount received through OTS, the Company decided for One Time Settlement Scheme.

2.8 Other loans

With a view to have diversified activities such as leasing, bill discounting, corporate loans, line of credit *etc.*, the Company decided to expand into these areas between October 1994 and April 1995. A review of these activities revealed the following:

2.8.1 Bill discounting scheme

Under bill discounting scheme the Company suffered loss of Rs.20.15 crore due to defective policy

Under the Scheme, the Company disbursed the amount after deducting discount as varying between 19 to 25 *per cent* of bills drawn by seller (drawer) duly accepted by the purchaser (drawee) to whom the facility was sanctioned. The period of bill was upto 90 days in most of the cases. Eligibility criteria envisaged for the units seeking this facility were that the loanee unit should have been in commercial production for at least three years, should be profit making, should have sound financial position and should not be a defaulter to any financial institution. The facility was secured by personal guarantee of loanee unit's directors and post dated cheques. In addition, loanee was required to pledge shares of loanee company equivalent to double the amount sanctioned.

As per the established commercial practice, the bills of exchange are presented to a bank/ financial institution by drawer for discounting. Thus the entire Bill discounting scheme is conceived as a drawer-based scheme. Contrary to this, however, the Company chose to operate it as drawee based scheme and discounted the bills presented by drawees.

Under the scheme, the Company sanctioned during 1994-95 to 1997-98 Rs.432.03 crore to 130 units and had to suffer loss of Rs.20.15 crore in case of 17 units due to defaults in payments which were ultimately written off. Scrutiny of eight of these cases indicated the following:

i) Security by pledge of shares and fresh credit report were not obtained in case of M/s. Pfimax Pharma (Promoted by Shri V.Bhandari). The Company wrote off Rs.0.44 crore in this case.

ii) Security of shares of such companies which were easily marketable was not taken and the Company also did not take effective steps to transfer pledged shares in its name. Due to these lapses, the Company could not liquidate the securities and had to write off Rs.3.66 crore against M/s.Arihant Thermoware (promoted by Shri Mohanlal

Sanghvi), M/s.Denish Industries (promoted by Shri Navpat Shah), M/s.Western India Securities (promoted by Shri N.P.Gadgil), M/s.Aesculapious Remedies (promoted by Shri H.A.Parikh) and M/s.21st Centuries Management (promoted by Shri Chadramauli).

iii) Security of pledged shares were not properly verified as out of pledged shares, some shares belonged to promoters and were not transferrable upto a certain lock-in period. Due to these lapses, the Company had to write off Rs.1.09 crore recoverable from M/s. Mardia Copper (promoted by Shri Sudhir Mardia) and M/s. DSJ Finance (promoted by Shri S.B.Padode).

The Company replied (August 1999) that certain relaxations were allowed by the Board in the scheme in September 1994, thereby, the Company started accepting shares of the loanee units. The Company, however, did not furnish any reasons for failure in getting shares transferred in Company's name. In case of M/s.Pfimax Pharmaceuticals, the Company did not furnish any reason for not obtaining pledgement of shares, as was stipulated in the scheme.

2.8.2 Corporate loans

The Company suffered loss of Rs.23.35 crore due to inadequate security and poor recovery

The Company decided (April 1995) to sanction corporate loan to meet the need of working capital and partly for fixed assets, to listed companies against pledge of shares and execution of loan agreement supported by personal guarantee of directors.

During the years 1995-96 to 1997-98 corporate loans of Rs.73.95 crore were sanctioned and Rs.59.25 crore were disbursed to 29 units. Due to default in repayment, the Company had to suffer a loss of Rs.23.35 crore due to write off of these defaulted amounts during 1996-97 and 1997-98.

A test check of records of these cases revealed that the system of giving corporate loans against pledge of shares did not prove adequately prudent as the Company did not;

i) insist for pledging shares of listed blue chip companies having high credit rating, instead, it accepted shares of loanee unit,

ii) insist for transfer of pledged shares in the name of the Company before disbursement of loans,

iii) scrutinise lock in period of shares as some loanee units had pledged shares which were not transferrable.

It was observed in audit that due to lapses mentioned above, the Company failed to recover the dues in two cases M/s.Sterling Holiday Resorts (India) Limited (promoted by Shri R.M.Mohan) and M/s.Mardia Chemicals Limited (promoted by Shri R.C.Mardia) where an amount of Rs.10 crore was sanctioned during July 1995 to October 1996 and Rs.8.25 crore was written off as securities were not obtained as stipulated in the scheme.

In case of M/s.Beta Napthol (promoted by Shri Kewal K. Baveja), entire amount of Rs.2 crore sanctioned in January 1996 had to be written off as at the time of transfer of shares, it became known to the Company that the said pledged shares were also pledged to some third party as well by the promoter. The reason for inadequate verification at appraisal stage of this aspect, however, was not intimated. Further, the Company stated (September 1999) that from May 1998, Bill Discounting Scheme for private sector has been discontinued and the Company has replaced corporate loan scheme with a new scheme called Securitised Corporate Loan Scheme.

The above matters were reported to the Government in June 1999; reply had not been received (December 1999).

Conclusion

The Company was incorporated with the main objective to promote investment in projects and provide financial assistance by way of term loan and other financial services to large and medium scale industrial units. Owing to deficiencies in appraisal, sanction and disbursement of loans and other financial assistance to number of inexperienced promoters and inefficient units the performance of recovery of loans and interest remained poor and had gradually declined. As a result, a large amount was either locked up or lost resulting in inadequate generation of internal resources and thereby forcing the Company to resort to heavy borrowings and disinvestment of its investments in blue chip shares.

Chapter III

3.1 Review on the Power Purchase Agreements entered into by Gujarat Electricity Board with Independent Power Producers

Highlights

The Board had to back down central sector purchase at the rate of Rs.1.38 per unit to the extent of 1017.42 MUs in 1998-99 due to the deemed generation clause with independent power producers(IPPs) having higher cost per unit leading to extra expenditure of Rs.169.91 crore.

(Paragraph 3.1.4)

The following points were noticed in review of the power purchase agreement (PPA) with Essar Power Limited:

- **The Board suffered a loss of Rs.37.35 crore due to non recovery of damages for non achievement of development milestones (Rs.5.09 crore) and non adjustment of deemed generation and deemed non generation (Rs.32.26 crore).**
- **There was also under allocation of capacity to the Board to the extent of 1043.34 MUs from 1996-97 to 1998-99.**
- **Advance paid by Board to fuel supplier was outside the scope of PPA.**

(Paragraphs 3.1.5.1.1, 3.1.5.1.2, 3.1.5.1.4, 3.1.5.1.6 and 3.1.5.1.7)

Review of the PPA with Gujarat Industries Power Company Limited (GIPCL) (Vadodara) revealed the following:

- **There was over-capitalisation of Rs.22.18 crore due to capitalisation of costs during stabilisation period.**
- **By using costlier fuel there was additional variable cost of Rs.2.51 crore.**
- **Due to non-adjustment of deemed generation and deemed non-generation the Board suffered a loss of Rs.3.33 crore.**

(Paragraphs 3.1.5.2.2, 3.1.5.2.3 and 3.1.5.2.4)

In another PPA entered into with GIPCL (Mangrol) the Board did not recover liquidated damages of Rs.37.50 crore.

(Paragraph 3.1.5.3.2)

Review of the PPA with Reliance Power Limited revealed the following:

-- **Anticipated increase in project cost from Rs.2097.42 crore to approximately Rs.2747.51 crore due to foreign exchange variation.**

-- **Undue high cost of fuel to the extent of Rs.0.32/Kwh would lead to additional expenditure of Rs.101.38 crore per annum.**

-- **Disadvantageous terms of payment clause likely to entail loss of rebate of Rs.14.55 crore per year.**

(Paragraphs 3.1.5.4.2, 3.1.5.4.6 and 3.1.5.4.7)

3.1.1 Introduction

Gujarat Electricity Board (Board) generates power in its various thermal, hydro and gas based plants and purchases power from the central sector projects, captive power plants and independent power producers (IPPs). As on 31 March 1999, the Board had an installed capacity of 4540 MW and an allotted capacity of 3314 MW (provisional figures) through captive power plants, power purchase agreements and share in various central sector projects.

The Board estimated a peak requirement of 7191 MW by 2000 AD and consequently, a capacity requirement of 11236 MW by that time considering Central Electricity Authority (CEA) norms of 64 per cent availability of installed capacity towards peak demand. The base load demand at bus bars was estimated by the 15th Electric Power Survey (EPS) report to be around 43198 MUs by that time. The Gujarat Government while framing its power policy in 1995 planned a capacity addition of 5536 MW through IPPs to meet the above target. By 31 March 1999, the IPPs had added 1325 MW to the Board's capacity and IPPs project of 2271 MW were under advanced stages of implementation. The total available capacity of the Board which was 7854 MW on 31 March 1999 was estimated to increase to 8506 MW by 31 March 2000 as against the anticipated requirement of 11236 MW.

3.1.2 Scope of Audit

The review focuses on the impact and implementation of the four power purchase agreements (PPAs) at serial number 2, 3, 4 and 5 of Table 1 of para 3.1.3 *infra.* The projects at serial number 1, 2, 3, 6 and 7 were already commissioned whereas projects at serial number 4, 5 and 8 were yet to be commissioned. The PPA with Gujarat Torrent Energy Corporation Limited at serial No. 1 has not been covered as it was already included in Report of the Comptroller and Auditor General of India for the year ended 31 March 1996 (Commercial) - Government of Gujarat and the other three agreements at serial number 6, 7 and 8, which are with Gujarat State Electricity Corporation Limited, a wholly owned subsidiary of the Board have also not been covered.

3.1.3 Independent Power Producers

Government of India formulated in October 1991 a scheme to encourage participation of private enterprises in power generation, supply and distribution by amendment to the Electricity (Supply) Act, 1948 as well as by other consequential measures like allowing debt equity ratio of 4:1, permitting 100 *per cent* foreign equity participation in respect of licensees and IPPs, besides raising the rate of return by 3 *per cent* and allowing capitalisation of interest in respect of licensees. The amendment to the Electricity (Supply) Act, 1948 also allowed the Central Government to determine the operational parameters like PLF, rates of depreciation and returns for the new entrants, on the basis of which tariff for sale of electricity could be decided by IPPs and Board. In exercise of these powers, the Central Government, Ministry of Power issued a notification dated 30 March 1992 forming basis for tariff determination for IPPs.

During February 1994 to September1997 the Board had entered into eight PPAs with IPPs for capacities mentioned below :

Table 1

Sl. No.	Independent Power Producers	Date of PPA	Scheduled date of commissioning	Actual date of commissioning	Capacity
1.	Gujarat Torrent Energy Corporation Ltd. (GTEC), Paguthan, Bharuch	3 February 1994		December 1998	654 MW
2.	Essar Power Ltd. (EPOL), Hazira (515 MW) of which 300 MW allotted to Board	30 May 1996	July 1996-open cycle November 1996 Combined cycle	July 1996 October 1997	300 MW
3.	Gujarat Industries Power Company Ltd.(GIPCL) Vadodara	1 August 1996	October 1997 open cycle March 1998 Combined cycle	August 1997 November 1997	160 MW
4.	Gujarat Industries Power Company Ltd., Mangrol, Surat	15 April 1997	February 1999	Not commissioned	250 MW
5.	Reliance Power Ltd. (RPL), Jamnagar	15 September 1997	Not ascertainable as commented in para 3.1.5.4.3	Not commissioned	500 MW
6.	Gujarat State Electricity Corporation Ltd. (GSECL), Gandhinagar Unit V	22 January 1997	September 2000	October 1998	210 MW
7.	Gujarat State Electricity Corporation Ltd., Wanakbori Unit-7	22 January 1997	September 2000	April 1999	210 MW
8.	Gujarat State Electricity Corporation Ltd., Utran Gas based	22 January 1997	No progress after signing of PPA	N.A.	135 MW
			Total		**2419 MW**

3.1.4 Comparative study of cost of generation to cost of purchase

By purchasing costlier power of the IPPs, the Board had to back down cheaper central sector purchase and thereby it incurred an additional expenditure of Rs.169.91 crore

Table below gives an analysis of Board's cost of generation and its cost of purchase of power during each of the last five years upto 1998-99:

Table : 2

Year	1994-95	1995-96	1996-97	1997-98 (Prov.)	1998-99 (Prov.)
Installed capacity (in MW)					
Thermal and Gas	3918	3918	3993	3993	3993
Hydro	427	427	427	487	547
Total Generation					
MUs(units sent out)	19863	20859	20663	21538	22012
Cost per unit (Rupees)	1.2	1.32	1.4	1.57	1.8
Central sector purchase					
MUs	6728	8965	9481	9738	8685
Cost per unit (Rupees)	0.83	1.05	1.24	1.27	1.38
Captive plant purchase					
MUs	32	436	1000	699	162
Cost per unit (Rupees)	1.49	1.59	1.64	1.64	1.78
Independent Power Producers purchase					
MUs	294	397	775	2218	6125
Cost per unit (Rupees)	1.19	1.3	2.02	2.57	3.05
Total purchase					
MUs	7054	9798	11256	12655	14972
Cost per unit (Rupees)	0.84	1.08	1.33	1.52	2.07
Ratio of generation to purchase	73:27	68:32	64:36	63:37	59:41

During the last five years, there was a substantial increase in capacity available from IPPs resulting in a reduction in the ratio of units generated to units purchased. Though the cost of purchase was the highest in respect of IPPs, the Board due to the deemed generation clause in the PPAs with IPPs had to back down its cheaper purchase from the central sector at the rate of Rs.1.38 per unit to the extent of 1017.42 MUs in 1998-99. The extra expenditure on this account was Rs.169.91 crore. The Board, as per records, was entitled to an incentive of Rs.53.87 crore for this under drawal for which claim was under process.

The Government has stated (October 1999) in their reply that the higher cost of IPP power was mainly due to use of costlier fuel naphtha as against coal, gas and nuclear energy sourced by Board's power stations and central sector plants. It was further stated that they have overdrawn power from central sector during the past two years. Reply is not tenable as this aspect should have been taken into account while entering into PPA. Further, reasons for underdrawal from central sector in 1998-99 and consequent extra expenditure because of foregoing cheaper power from central sectors to the extent of Rs.169.91 crore were not furnished.

3.1.5 Review of Individual Power Purchase Agreements

3.1 5.1 Power Purchase Agreement with Essar Power Ltd.

3.1.5.1.1 Background of the Power Purchase Agreement

The Essar group incorporated (1993) a new company called Essar Power Ltd. (EPOL) and approached (1993) the Board, the State Government and the CEA to grant them the status of an IPP and approve their pending proposal for the captive power plant of 270 MW as a generating station which would supply power to their own group of companies and would supply surplus power to the Board. The proposed capacity which was increased from time to time was finally approved for 515 MW, of which, 300 MW was to be supplied to the Board.

The Government of Gujarat, as a special case, agreed to consider EPOL as an IPP which would supply power to its sister concerns and excess power to the Board. Prior to the signing of the PPA on 30 May 1996, three gas turbines had already been commissioned by EPOL and it started supplying power to the Board from July 1996.

3.1.5.1.2 Non recovery of damages for non achievement of development milestones

Due to absence of liquidated damages clause the Board could not recover even minimum damages of Rs.5.09 crore

As per Schedule 3.2 of the PPA, the combined cycle operation was to commence within 6 months from the date of agreement i.e. by 30 November 1996. However, the combined cycle operation commenced only from October 1997. Unlike the other PPAs entered into by the Board, the PPA with EPOL had no provision for recovery of liquidated damages for delay in achieving milestones, consequently, no damages could be recovered for the delay. Based on the minimum rate of Rs.1500/ day / MW adopted in the Reliance PPA, the loss to the Board worked out to Rs.5.09 crore.

The Government stated (October 1999) that all PPAs were not similar in all respects and that there may be variations in the PPA parameters on account of individual characteristics. Further, they stated that even while operating the plant in open cycle mode, variable cost as per combined cycle station heat rate was paid. Reply is not acceptable as liquidated damages clause is essential for the efficient performance of any contract and damages clause is for capacity not coming into existence within the scheduled time and the same has no relation to the lower variable cost paid during open cycle generation.

3.1.5.1.3 Unwarranted increase in capital cost

Capital cost increased as foreign exchange variation was granted

The capital cost at which the IPP sets up the generating station has a bearing on the extent of fixed cost recovery from the Electricity Boards. The capital cost of the project for the Board's allocated capacity of 300 MW was pegged at Rs.945 crore (Rs.3.15 crore per MW) and the same was incorporated in the

PPA. The foreign exchange component of this cost was Rs.508 crore comprising 161.24 million US dollars at exchange rate of Rs.31.25 and rupee component was Rs.437 crore. The agreement did not envisage any increase in this project cost for any reason. It was, however, noticed that the Board granted exchange rate variation on the foreign exchange component and, thereby, accepted an increased project cost of Rs.986 crore for the purpose of tariff calculations by considering exchange rate at Rs.34.04 per US dollars, making foreign exchange component Rs.549 crore and the per MW cost Rs.3.29 crore.

The Government stated (October 1999) in its reply that the services of M/s.Crisil were engaged to determine the base foreign exchange rate for working out the project cost. As per the working of M/s.Crisil, the real average tariff would be one paise less if the exchange rate of Rs.35.17 per US dollar was adopted instead of Rs.31.50 per US dollar and hence, the increase in project cost was approved. Reply is not acceptable as the basic issue of whether a capital cost once negotiated and decided upon in the PPA could be increased was left undecided. Even the Government of India notification dated 17 January 1994 clearly lays down that if a ceiling was fixed on the project cost the same could not be exceeded. It was also noticed in audit that the actual rate paid by the Board to Essar Power for the year 1998-99 was Rs.3.62 per kwh, which if discounted for a period of three years at 8 per cent would give a rate of Rs.3.07 per kwh which was much higher than the real average tariff calculated by M/s.Crisil, i.e. Rs.2.46 per kwh.

3.1.5.1.4 Under allocation of dedicated capacity

As a result of EPOL routing its entire generation through Essar Steel there was reduced allocation to the Board to the tune of 1043.34 MUs during 1996-97 to 1998-99

As per Article 3 of the PPA, the Board was to get 192 MW (1681.92 MUs per annum) out of 330 MW (2890.80 MUs per annum) created in open cycle mode and 300 MW (2628 MUs per annum) out of the combined cycle capacity of 515 MW (4511.40 MUs per annum) created by EPOL. As against this, shortfall in the allocation to the Board was 392.28, 281.7, 369.3 MUs in 1996-97, 1997-98 and 1998-99 respectively, as detailed in *Annexure-8*.

The reduced allocation to the Board was the result of EPOL supplying its entire generation to Essar Steel, which in turn, after utilising the power required, transferred the surplus power available to Board. Under the terms of PPA, there was no penalty clause for such under allocation and the Board continued to accept whatever surplus power that was transferred.

The Government while admitting (October 1999) the under allocation stated that this did not result in any adverse financial impact on the Board as payment was based on allocated capacity. Reply is not acceptable because due to the inadequate allocation, the Board was paying a higher per unit fixed cost than was payable for the PLF of 70 to 75 per cent achieved in the total plant.

3.1.5.1.5 Higher fixed and variable cost per unit

The Board paid fixed and variable cost higher than anticipated

The Fixed cost of EPOL was expected to increase from Rs.1.31/unit to Rs.1.39/unit between July 1996 and February 1999 if the plant was able to operate at 85 per cent PLF. As the plant did not achieve even the normative PLF of 68.5 percent during the above period, fixed cost increased from Rs.1.32 per unit to Rs.1.46 per unit. Similarly, it was seen in audit that the anticipated increase in variable cost was from Rs.1.38 /unit to Rs.1.67/unit between July 1996 and February 1999, as against which, the actual variable cost increase was from Rs.1.59/unit to Rs.1.72/unit during the above period. As a result of higher variable cost than anticipated the Board paid additional variable cost of Rs.36.23 crore for the period July 1996 to February 1999. The Board paid a tariff of Rs.3.62 per unit to EPOL for 1998-99 which was the highest paid to any IPP.

3.1.5.1.6 Loss due to non accountal of deemed generation and deemed non generation units

The Board did not adjust deemed generation and deemed non generation during the period from July 1996 to December 1997 and thereby lost Rs.32.26 crore

Deemed generation, as per schedule 7.4.2 of the PPA, was the shortfall in power as per any dispatch instruction issued by the Board, as compared to the power declared to be available by EPOL. Similarly, deemed non-generation, as per schedule 7.4.3 of the PPA, was the electrical output which EPOL was unable to generate as per the schedule declared by it. For the purpose of determining units to be billed for fixed charges, the units of deemed generation were to be added and units of deemed non generation were to be subtracted from the units delivered.

However, this adjustment was not done for the period from July 1996 to December 1997 though it was done thereafter. Based on the average reduction of 19 *per cent* in the fixed cost units for the period January 1998 to February 1999, the loss to the Board for the period July 1996 to December 1997 was worked out to Rs.32.26 crore.

The Government stated (October 1999) that the availability declaration from January 1998 are being called for and Board has started to make adjustments on account of deemed generation and deemed non-generation.

3.1.5.1.7 Insufficient fuel allocation and improper payment to fuel supplier outside the scope of PPA

The Board granted advance to fuel supplier of EPOL outside the scope of PPA and even this advance to the extent of Rs.19.29 crore was used for supplying power to Essar Steel

EPOL entered into an agreement with Indian Oil Corporation Limited (IOC) for fuel supply on 19 April 1996, which was subsequently approved by the Board. The agreement was for a period of 10 years and minimum contracted quantity was 3,00,000 tonnes of NGL/Naphtha per annum. It was observed in audit that the minimum contracted amount of fuel would give a PLF of 35.5 *per cent* in the total plant capacity of 515 MW and 60.88 *per cent* PLF in Board's allocated capacity of 300 MW.

The yearly average PLF achieved by EPOL in respect of the total plant and towards the capacity allocated to Board is tabulated below:

Table 3

Yearly PLF achieved

Year	Board's allocated capacity of 192 MW upto September 1997 and 300 MW thereafter	Total plant generation 330 MW upto September 1997 and 515 MW thereafter
1996-97	33.05 *per cent*	56.46 *per cent*
1997-98	61.09 *per cent*	77.46 *per cent*
1998-99	56.86 *per cent*	72.95 *per cent*

In audit analysis it was revealed that the minimum quantity of 3,00,000 MTPA of Naphtha was insufficient to achieve the PLF obtained in the total plant capacity, hence, it would mean that either EPOL was having fuel supply other than IOC or it was drawing more than the minimum quantity from IOC.

Board's capacity allocation was restricted to the minimum contracted quantity of fuel

Audit analysis further revealed that in any case delivery to the Board was being restricted to the minimum contracted amount of fuel of 3,00,000 MTPA and this was insufficient to achieve normative PLF of 68.5 *per cent.* At 68.5 *per cent* PLF entire fixed cost stands recovered and then onwards incentive is payable which would result in lower tariff for the Board. Since plant restricted supply to Board due to insufficient allocation of fuel, this benefit of lower tariff was not passed on to Board.

The Board had further taken upon itself, outside the scope of the PPA, to pay advance to IOC on behalf of EPOL and adjust the advance with 18 *per cent* interest against monthly bills of EPOL. Audit scrutiny revealed that during the months of October 1996, November 1996, December 1996 and May 1997, the Board had given an advance of Rs.91.50 crore for which the Board should have been delivered 398.7 MUs, as against which delivery was only to the tune of 315.08 MUs leading to excess advance of Rs.19.29 crore, which would mean advance given by the Board was used for generating power for Essar Steel Ltd.

The Government (October 1999) did not state how additional fuel was available to the IPP and why it was not proportionately being used for generating power for the Board. As regards the advance, the Government only stated that it was given to tide over power crisis.

3.1.5.1.8 Non invocation of adverse discrimination clause

Article 12.11 of the PPA provided that EPOL would pass on all the benefits to the Board on account of more favourable terms and conditions in the PPA with Essar group companies during the term of the agreement. In absence of knowledge of the rates charged by EPOL from its sister concerns, the Board was unable to take advantage of this clause. There was no evidence on record whether the Board made any effort to ascertain the rates charged by EPOL.

The Government stated (October 1999) that the Board had merely approved the PPA entered into by Essar Power Limited with Essar Steel Limited. However, the reply did not describe the mechanism evolved by the Board to keep a tab over the rates currently charged by Essar Power to Essar Steel so as to derive benefit from this clause.

3.1.5.2 Power Purchase Agreement with Gujarat Industries Power Company Ltd. (GIPCL) (Vadodara)

3.1.5.2.1 Background of the project

GIPCL set up a plant of 160 MW capacity fully dedicated to the Board, subject only to a 10 *per cent* capacity allocation to the promoters of GIPCL. For this, a PPA was signed on 1 August 1996. The plant commenced open cycle generation from August 1997 (Scheduled date October 1997) and combined cycle generation from 18 November 1997 (Scheduled date March 1998).

3.1.5.2.2 Capitalisation of cost during stabilisation period resulting in undue benefit

GIPCL capitalised costs of Rs.22.18 crore after project's entry into commercial service thereby increasing the capital cost and tariff

The capital cost under the agreement was fixed at Rs.380 crore and the per MW cost was estimated to be approximately Rs.2.38 crore. The actual capital cost on completion of the project was Rs.367.15 crore giving a per MW cost of Rs.2.29 crore, the lowest in comparison to other IPPs, due to sourcing plant and machinery from within India.

It was observed in audit that the capital cost could have been even lower if capitalisation had been stopped on the date of entry into commercial service. GIPCL entered into commercial service in open cycle mode from August 1997 and in combined cycle mode from 18 November 1997 and Board from that date started paying two part tariff in accordance with the GOI notification of 30 March 1992. However, GIPCL, Vadodara plant regarded itself in trial run upto 21 February 1998, therefore, the expenditure of this period was capitalized and included in the above capital cost of Rs.367.15 crore. The approximate over capitalization as a result of the above worked out to Rs.22.18 crore. Due to this over-capitalization, the annual outgo on account of interest, depreciation and O and M charges stands increased by Rs.5.91 crore every year.

The Government stated (October 1999) that it had noted the contents for appropriate action.

3.1.5.2.3 Use of HSD as fuel resulting in higher variable cost

The Board had to pay additional variable cost of Rs.2.51 crore due to allowing GIPCL to use costlier fuel HSD instead of Naphtha

GIPCL entered into an agreement with IOC for supply of fuel to the 160 MW power plant; 216000 (Metric Tonne Per Annum) MTPA of naphtha was allotted to GIPCL. Though this quantity was sufficient to achieve an 80 *per cent* PLF, yet GIPCL was using large quantities of HSD, a costlier fuel, especially in the initial stages. This was possible because only the PPA entered into with GIPCL Vadodara allowed using HSD as a primary fuel. Consequently, the Board paid additional variable cost of Rs.2.51 crore for the period September 1997 to December 1998.

The Government stated (October 1999) that use of HSD alongwith Naphtha was unavoidable to maintain the viscosity of Naphtha. Reply is not acceptable considering the quantity of HSD consumed, it was not restricted only as a start-up fuel. The Naphta was also used as a primary fuel, which was allowed as per the terms of the PPA.

3.1.5.2.4 Failure to calculate deemed generation and deemed non-generation unit during stabilisation period

The Board incurred additional expenditure of Rs.3.33 crore due to non adjustment of deemed generation and deemed non generation during August 1997 to February 1998

In this project the gas turbine entered in to commercial service on 21 August 1997. As was the case of PPA with EPOL brought out in para 3.1.5.1.6 supra, here also the adjustment for deemed generation and deemed non generation did not take place from 21 August 1997 but was done from March 1998. Taking into account the average reduction of 8.8 *per cent*, as a result of adjustment due to deemed non generation and deemed generation during the period from March 1998 to December 1998, the Board could have saved Rs.3.33 crore for the period August 1997 to February 1998 during which this adjustment was not carried out.

The Government accepted (October 1999) the observations, however, the remedial action taken was not indicated.

3.1.5.2.5 Insurance policies not endorsed in favour of Board

Insurance policies were not endorsed in favour of Board

Article 10 of the PPA laid down the provisions relating to insurance, though unlike the PPA with EPOL, insurance policies were not endorsed in favour of the Board and Board was not granted any insurable interest to take out insurance policies. The Government (October 1999) agreed to insist on such a provision.

3.1.5.3. Power Purchase Agreement with Gujarat Industries Power Company Ltd., Mangrol (Surat)

3.1.5.3.1 Background of the project

The Government of Gujarat in its meeting of June 1994 decided (endorsed by the Board in October 1994) to assign 2 x 120 MW Lignite Based Power Project at Surat to Gujarat Industries Power Company Ltd (GIPCL). Alongwith the Power Project, the mining rights of lignite, which was to serve as the primary fuel for the power project, was also assigned to GIPCL by Government of Gujarat. The CEA accorded techno economic clearance to the project on 26 August, 1996. PPA was signed on 15 April, 1997.

The project was to consist of two units of 1 x 125 MW each to be commissioned on 31 December, 1998 and 28 February, 1999 respectively.

As per the techno economic clearance by CEA, the project cost was estimated to be Rs.1169.91 crore including US dollars 44.538 million (Rs.155.88 crore at exchange rate of 1 dollar = Rs.35), DM 4.92 million (Rs.11.3 crore at exchange rate of 1 DM = Rs.23) and Rs.999.99 crore (totals up to Rs. 1167.17 crore approximately). The approved project cost gave a per MW cost of Rs.4.68 crore. Over and above this, it was estimated that the setting up the mining facilities would cost Rs.267 crore which would be recovered as a component of the variable fuel cost for the power project.

Financial closure scheduled to have been completed by 15 April 1998 had been delayed and the Board granted extension of time upto 31 March 1999. Actual project cost had already increased from the initial cost of Rs.1436.91 crore (including mining facilities of Rs.330 crore.) to Rs.1530 crore till July 1999. The actual project cost on completion of the project was yet to be provided by the Board, as only one unit of 125 MW was synchronised as on 30 October 1999.

3.1.5.3.2 Non recovery of liquidated damages for postponement of date of commencement

The Board did not claim liquidated damages of Rs.37.50 crore from GIPCL though dates of entry into commercial service were extended due to GIPCL's default

The first unit of the GIPCL plant was scheduled to enter into commercial service on 31 December, 1998 and second unit on 28 February, 1999. As financial closure was not achieved by the scheduled date, the dates of entry into commercial service were also extended by 6 months. The decision to extend the date of financial closure and dates of entry into commercial service was taken by the Board on 11 March, 1999. Though the extension was necessitated by GIPCL's event of default, no claim for liquidated damages was made. As per Article 3.6.1. of the PPA, Board was entitled to liquidated damages of Rs.37.50 crore for the delay up to 31 December 1999.

The Government stated (October 1999) that the Board had taken up the matter regarding liquidated damages with GIPCL. The reply did not indicate as to how the recovery of liquidated damages would be affected.

3.1.5.3.3 Injudicious incentive for excess lignite production

Government of Gujarat had entrusted GIPCL with the implementation of the Mangrol lignite based power project alongwith the mining rights of lignite. The fuel price mechanism, based on the cost plus approach, was approved by the Board on 27 October, 1997 with a cost ceiling based on lignite stripping ratio. Over and above this cost, the fuel price mechanism also entitled GIPCL to an incentive for every extra tonne of lignite produced over and above the standard level of production at the rate of fixed cost per tonne of the standard level of production.

The clause granting incentive for excess lignite production was unnecessary

This clause of incentive was superfluous as the Board was already paying incentive for every one per cent additional power generated over 68.5 *per cent* PLF. This itself should have been incentive enough for additional mining to the extent required for the power plant. As GIPCL would be recovering full fixed cost of the mining operation at the standard level of production and additional production may or may not benefit the Board, there was no requirement on the part of the Board to encourage lignite production. Further, as the price capping did not apply to incentive, it would lead to excess production and increase in the variable cost for a particular month. Government approval to the agreement was awaited.

The Government (October 1999) stated that the mining project was also an independent project entitled to its profits. Reply is not acceptable as under the GOI notification of 30 March 1992, fuel cost is only a pass through cost in determining the tariff for the sale of electricity. Further, reply did not furnish reasons justifying payment of additional variable costs due to incentive payable on excess lignite production.

3.1.5.3.4 Insurance policies not endorsed in favour of Board

The agreement did not confer any insurable interest on the Board to take out insurance policies in the event of GIPCL failing to do so and neither did the agreement specify the manner of utilization of insurance proceeds. Such provisions existed in the PPA entered with Essar Power. The Government in reply (October 1999) stated that it would insist on such a provision.

3.1.5.3.5 Defective termination and buy out clause

Under clause 9.14.1 of the PPA, in the event of a GIPCL's event of default, the buy out price would be the sum of outstanding loans and 25 *per cent* of equity and reserves of GIPCL deployed in the project and, under Article 9.14.4, the buy out price at the end of the term i.e. 30th year would be the book value of the generating station. In light of the two clauses, if GIPCL defaulted around the 16th or 17th year of the agreement, by which time all assets would be fully written off, it would get more in terms of the buy out price as compared to what it would get at the end of the term of agreement of PPA which was 30 years. The buy out price should have relation to the time of default and net book value of the power station to prevent such anomaly.

The Government replied (October 1999) that the insistence should have been to allow a fair market value as a buy out price though such provisions did not exist in the PPAs.

3.1.5.3.6 No provision for sharing hidden benefits

Provision for sharing hidden benefits did not exist

Fixed costs like interest on loans, return on equity, insurance expense and maintenance expenses are recovered on a monthly basis from the Board but the same are paid to the financial institutions and shareholders either yearly or half yearly. The IPP thus earned interest on the amount received in advance. Provision for sharing such hidden benefits existed to the extent of foreign loans in the PPA entered with EPOL but the same did not exist in the other PPAs. Absence of the required provision went to the disadvantage of the Board. Further, only in the GIPCL (Mangrol) PPA provision existed for passing on benefits arising out of better station heat rate, auxiliary consumption etc., but in the other PPAs even provision for sharing of such hidden benefits did not exist.

The Government stated (October 1999) that benefit of interest against foreign currency in respect of PPA with EPOL was because of its typical status.

3.1.5.4 Power Purchase agreement entered into with Reliance Power Limited

3.1.5.4.1 Background of the project

M/s Reliance Industries Limited (RIL) represented to the Government of Gujarat that they would be able to produce petroleum coke as a byproduct to the extent of 1.6 million metric tonnes from their proposed petroleum refinery at Jamnagar. The byproduct would be sufficient to generate power to the extent of 1000 MW capacity. For this purpose, RIL incorporated a company called Reliance Power Ltd. (RPL) and, with the approval of Government of Gujarat, entered into an MOU with the Board on 9 December, 1994 for sale of the power generated from the first phase of 500 MW plant capacity. The CEA gave in principle clearance for this project in March 1995. PPA was signed on 5 September, 1997. The techno economic clearance for the project from CEA was received in May 1999. The power station is of 500 MW (2 x 250 MW). The project is yet to be commissioned (December 1999).

3.1.5.4.2 Escalation due to foreign exchange variation and delay in financial closure

Project cost has already increased from Rs.2097.42 crore to Rs.2550.74 crore and is expected to increase further to Rs.2747.51 crore due to foreign exchange variation

As per schedule 8 of the PPA, the project cost was to be the lower of the cost as per techno-economic clearance by CEA in US dollars and Rupees or actual cost on completion of the project as certified by an Independent Auditor proposed by RPL or amount equal to the sum of 458.18 million US dollars and Rs.654.15 crore. CEA had accorded techno economic clearance to the project in May 1999 for an estimated completed cost of 434.36 million US dollars plus Rs. 726.43 crore at foreign exchange rate of Rs.42 per US dollar.

The project cost ceiling as per the PPA was equivalent to Rs.2097.42 crore (at the PPA exchange rate of 1 US dollar = Rs.31.5), which gave a per MW cost of Rs.4.19 crore. However, due to the time gap in the CEA clearance, the CEA approved project cost due to foreign exchange variation worked out to Rs.2550.74 crore, giving a per MW cost of Rs.5.10 crore. As the foreign currency element in the project cost is nearly 72 *per cent* and the project cost is subject to further escalation due to variation in foreign exchange during approved construction period of 39 months, the project cost is likely to escalate to approximately Rs.2747.51 crore (per MW cost Rs.5.50 crore) calculated at an average construction period exchange rate of Rs.46.53 per US dollars* .

As per the terms of the PPA, the financial closure was to be achieved within 335 days from signing of the PPA i.e by 4th August, 1998, which had not been achieved so far (December 1999).

3.1.5.4.3 Undue extension of Zero date by Board

This PPA had a novel concept of a zero date which was reckoned as the 365th day from the date of signing of PPA. The zero date should have ordinarily been achieved on 4 September 1998 but it had not been achieved as the development milestones like fuel supply contract, financial closure, Government of Gujarat guarantee had not been reached. The Board had extended the zero date upto 4 September 1999 and later upto 4 september 2000, though there was no specific provision for the same in the PPA.

Extension of zero date was disadvantageous to Board

The novel concept of zero date agreed to by the Board and further extended went to the advantage of the IPP as it got extra time for entry into commercial service, as dates for all subsequent construction activities were determined from the zero date. By extending the zero date, the Board had taken upon itself the risk of increase in the average exchange rate during the extended construction period besides denying itself the right to claim liquidated damages.

In all other PPAs all development milestones were determined from the date of agreement and liquidated damages were payable for non achievement of such milestones. However, in this PPA all milestones for the non achievement of which liquidated damages were payable were determined from the zero date.

The Government stated (October 1999) that no obligation accrues prior to zero date, therefore, there is no scope for recovery of damages. The reply is not

* Average foreign exchange rate projected for construction period of 39 months, considering scheduled commissioning by 2002 A.D.

convincing as this aspect of zero date is unique to this particular PPA and through this novel concept, IPP is allowed extra time without liability.

3.1.5.4.4 Defective liquidated damages clause for delay in commissioning

Article 6.5 of the PPA laid down that if the successful completion of the last unit had not occurred until 90 days after the construction target dates for successful completion of the last unit and it was not by reason of *force majeure*, or Board's event of default, then RPL would pay liquidated damages of Rs.1500 per MW per day of delay. It was observed that though the project had a gestation period of 42 months after achievement of zero date, yet liquidated damages were not payable for delay in entry into commercial service as in the case of other PPAs but it was payable for delay in successful completion of the second unit, which was 180 days after entry into commercial service. Thus, the RPL got more time than other IPPs before it would pay liquidated damages. Further by getting its zero date extended twice, RPL had automatically got further extension for completion of the units without incurring any liability.

The Government in its reply (October 1999) did not give any reason for the additional time given to PPA with RPL.

3.1.5.4.5 Escalation in fixed cost

Levelised tariff is likely to be Rs.4.24 per Kwh against Board's estimate of Rs.3.94 per Kwh

Based on the CEA approved project cost of Rs.2550.74 crore and fuel cost of Rs.1799 / MT, the Board anticipated levelised tariff# to be Rs.3.79/Kwh at 80 per cent PLF. However, as project cost is subject to escalation based on average construction period exchange rate, the levelised tariff at 80 per cent PLF at the estimated completed cost of Rs.2747.51 crore and after loading principal devaluation on loan repayments is likely to be Rs.4.06/Kwh.

3.1.5.4.6 Undue high cost of fuel

The Board would bear an additional burden of Rs.101.38 crore per annum due to CEA fixing the price of fuel higher than the production cost of fuel

As per Article 12.2 of the PPA, RPL was to procure fuel from Reliance Industries Ltd. The price of fuel was to be determined by CEA. CEA in its techno economic clearance approved a price of Rs.1799/MT of petrocoke as on 9 March 1999 based on imported coal price as the least cost option and subject to escalation on the basis of crude oil price and imported coal price. The cost of fuel fixed by CEA was higher than RIL's F.O.R. cost of US dollars 24.9 per MT (i.e. Rs 1046 per MT at 1US dollars = Rs.42). The two part tariff being a cost plus approach with assured post tax returns, the higher fixation by CEA was unnecessary and would entail an additional expenditure

To calculate the levelised tariff 25 years projection of the tariff is made which is then discounted at 12 *per cent* per year and weighted average of such discounted tariff for 25 years is calculated.

to the Board of Rs.0.32/Kwh on the base cost itself and Rs.101.38 crore per annum at 80 *per cent* PLF.

The Government stated (October 1999) that the CEA had determined the relevant price of petrocoke after discussion and examination of the issue by an expert committee. However, the fact remains that CEA fixed the price of petrocoke higher than its production cost.

3.1.5.4.7 Improper invoicing and terms of payment clause

The Board is likely to suffer rebate loss of Rs.14.55 crore per annum due to disadvantageous terms of rebate clause

Article 11.7.4 of the PPA laid down that the due date of payment of any invoice would be 25 days after the date of presentation of the invoice. A rebate of 1 *per cent* would be allowed for payments made within the due date and a delayed payment charge of 2 *per cent* over the working capital interest rate would be charged for payments made after that date.

The above provisions regarding invoicing and payment were different from other PPAs and were more to the disadvantage of the Board. In the other three PPAs detailed above, a rebate of 2.5 *per cent* was allowed for payments within due date (which was 7 days from date of presentation) and 1 *per cent* for payments made within one month of date of presentation. Further, delayed payment charges were levied only after 60 days from date of presentation. The disadvantage to the Board in respect of the rebate loss would be to the tune of Rs.14.55 crore per annum at 80 *per cent* PLF.

The Government admitted (October 1999) that PPA with RPL was having different payment terms as compared to other PPAs.

3.1.5.4.8 Subsidization of power to Group companies

Due to absence of capacity allocation to group companies, RPL could subsidise power to its group concerns

As per the Article 8.1 of the PPA, RPL was liable to provide target availability of average 80 *per cent* of the capacity of the plant to the Board. The Article further provides that generation above the target availability would be supplied by RPL to Reliance Group of Companies located in State of Gujarat and Dadra and Nagar Haveli and that the power would be wheeled by the Board. This provision of PPA has resulted in two fold benefit to RPL, firstly entire 100 per cent fixed cost would be payable by the Board eventhough availability above 80 per cent is earmarked for RPL group, who would not be sharing the fixed cost at all. Secondly, as brought out in para 3.1.4.6, the Board in any case is paying a higher cost for the fuel. Optimum use of fuel paid for by the Board can be taken advantage of by RPL group by more efficient utilisation of plant parameters and not by the Board. Thus, a condition may emerge where RPL group would neither be paying for fixed cost nor for the variable cost.

3.1.5.4.9 Insistence on Government Support Agreement

Provision for Government support agreement was not necessary

The PPA under Schedule 2 laid down the execution of a Government support agreement as one of the development milestones to be achieved within 60 days from date of signing of PPA. This agreement was yet to be signed (July 1999). However, PPA with RPL had been entered into through the MOU route, therefore, such an agreement was not essential on the part of the Government. Only in PPAs entered into through the competitive bidding route, such an agreement was necessary for providing the developer with infrastructural facilities outside of the plant boundary, access to raw materials, assistance in obtaining permits, licenses, clearances etc. In this PPA, such responsibilities should be vested with RPL only.

The Government stated that Government support agreement was given to show the keenness of the Government in implementing the project.

Conclusion

The Board had gone in a big way into PPAs with IPPs during the last three years though the cost of purchase of power from IPPs was much higher than the cost of generation or cost of central sector purchase. Even in the PPAs signed the Board could have been more selective by giving preference to projects with lower capital cost, using cheaper fuel, having lower gestation period and lower foreign currency element so as to reduce the per unit cost of power. Some of the clauses in the PPAs dealing with termination, insurance, subsidisation to sister concerns, billing and terms of payment and liquidated damages should have been negotiated with more legitimate advantage to the Board. In the year 1998-99 itself, the cost per unit of IPP purchase was Rs. 3.05 as against the cost of generation by the Board of Rs. 1.8 per unit and central sector purchase of Rs. 1.38 per unit. The capacity addition programme should also have been linked to the actual maximum demand and actual registered demand.

3.2 Performance of Electro Static Precipitators in Gujarat Electricity Board

Highlights

All the five units in Ukai Thermal Power Station (TPS) and the six units in Wanakbori TPS did not meet the statutory norm of 150 mg/Nm^3 for suspended particulate matter (SPM) emission.

(Paragraph 3.2.3)

In spite of failure in achievement of specified level of emission of SPM in units I and II of Ukai TPS, neither penalty was imposed on Bharat Heavy Electricals Limited nor bank guarantee of Rs.1.55 crore was encashed.

(Paragraph 3.2.5.1)

Rapid erosion of induced draft fans in Ukai TPS caused generation loss of 30.33 MUs and consequent revenue loss of Rs.4.61 crore.

(Paragraph 3.2.5.2)

The replacement work of Electro Static Precipitators (ESPs) in two units of Ukai TPS was delayed by a period of 15 and 13 months respectively. Further, the contract for augmentation work of ESPs in six units of Wanakbori TPS did not specify any date of completion of the work.

(Paragraph 3.2.5.3)

Due to delay in augmentation of ash handling system, Board suffered generation loss of 51.113 MUs valued at Rs.7.77 crore.

(Paragraph 3.2.6)

3.2.1 Introduction

Electro Static Precipitators (ESPs) reduce `Suspended Particulate Matter' (SPM) in the flue gases coming out from coal fired boilers in Thermal Power Stations (TPS). Excessive SPM not only increases atmospheric pollution but also causes erosion of induced draft (ID) fan impellers necessitating the frequent replacement and shut down of generating units leading to loss of generation. ESP is used to collect SPM from the flue gases. SPM so collected slide down into hoppers. The collected ash is then mixed with water to form ash slurry which is finally discharged to ash pond through ash handling system.

As on 31 March 1999, Gujarat Electricity Board (Board) was operating 20 units, of which 3 units were lignite fired in Kutch Lignite TPS and 17 units were in four coal fired TPS (5 units in Ukai TPS, 6 units in Wanakbori TPS, 4 units in Gandhinagar TPS and 2 units in Sikka TPS). Gujarat Pollution Control Board (GPCB) under Environment (Protection) Act, 1986 had prescribed (October 1991) a statutory norm of 150 mg/Nm^3 (milligrams per nominal cubic metre) of SPM emission at stack for thermal power plants located in protected area*. All the power plants of Board are within the protected area. Hence, the statutory norm of 150 mg/Nm^3 of SPM is required to be maintained for all the thermal power plants of Board.

3.2.2 Scope of Audit

The review covers the performance, maintenance, augmentation/ replacement work of ESPs, planned and carried out by Board between the period 1992-93 and 1998-99.

3.2.3 Status of Electro Static Precipitators

The ESPs were designed for coal calorific value of 3800 to 5380 Kcal/kg with ash content between 25 to 40 *per cent*. Against this, the actual calorific value of coal received by Board was 3100 to 3992 Kcal/kg with ash content between 33 to 48 *per cent*. It was seen in audit that due to poor quality of coal, SPM emission level at stack exceeded the norms prescribed by GPCB. The SPM emission level at 9 units in 3 TPS was within the permissible limits. The details of high SPM emission level in the 11 units of 2 TPS where the emission level was beyond permissible limits before replacement/ augmentation is given below.

* Area in close to vicinity of residential area is declared as protected area.

Sl. No.	Name of the TPS and units	Installed capacity (MW)	Emission level (Suspended Particulate Matter) (mg/Nm^3)			Whether ESP is replaced/ augmented or not
			GPCB/ Designed norm	Period of reading	Maximum level before augmentation (Month & Year of reading)	
1.	**Ukai**					
	Unit-I	120	150	April 1992 to November 1995	5584 (December 1993)	Yes
	Unit-II	120	150	April 1992 to October 1996	5082 (April 1996)	Yes
	Unit-III	200	150	April 1992 to March 1999	969 (March 1998)	*
	Unit-IV	200	150	-- do --	650 (January 1998)	*
	Unit-V	210	150	-- do --	800 (February 1998)	*
2.	**Wanakbori**					
	Unit-I	210	150	April 1992 to November 1997	648 (October 1996)	Yes
	Unit-II	210	150	-- do --	889 (October 1996)	Yes
	Unit-III	210	150	-- do --	4876 (September 1996)	Yes
	Unit-IV	210	150	April 1992 to December 1997	567 (December 1996)	Yes
	Unit-V	210	150	-- do --	406 (February 1997)	Yes
	Unit-VI	210	150	-- do --	410 (March 1997)	Yes

All the units of Ukai TPS and Wanakbori TPS did not meet the statutory norm for SPM emission

Against the statutory norm of 150 mg/Nm^3, the maximum SPM emission at unit I and II of Ukai TPS was 5584 mg/Nm^3 and 5082 mg/Nm^3 respectively whereas it ranged between 650 mg/Nm^3 and 969 mg/Nm^3 for units III, IV and V.

In case of units I, II and III of Wanakbori TPS, the maximum SPM emission ranged from 648 mg/Nm^3 to 4876 mg/Nm^3 whereas it ranged between 406 mg/Nm^3 and 567 mg/Nm^3 at units IV, V and VI. The high SPM emission was mainly due to poor quality of coal and old design of power stations.

3.2.4 Replacement/Augmentation of electro static precipitators

High SPM emission level causes higher atmospheric pollution and rapid erosion of induced draft (ID) fan impellers and their liners leading to generation loss due to operation of TPS at reduced load. To arrest the erosion of ID fans and to reduce the SPM level, the existing mechanical precipitators/ ESPs needed replacement/ augmentation. Accordingly, replacement of existing mechanical precipitators with electro static precipitators (ESPs) in

* The augmentation work of Unit-III, IV & V is under progress

Unit I and II of Ukai TPS was carried out, by the Board through Bharat Heavy Electricals Limited(BHEL) at the cost of Rs.15.60 crore in December 1995 and November 1996. Augmentation of ESPs of Unit III and IV at Ukai TPS by filling up dummy fields in existing ESPs and installation of Micro Processor controllers in units III, IV and V at the cost of Rs:5.51 crore had been taken up (July 1998) by BHEL and were still in progress (June 1999).

Augmentation work of ESPs of Units I to VI at Wanakbori TPS by filling up and charging up of existing dummy fields and installation of Micro Processor controllers was carried out by the Board through BHEL at the cost of Rs.9.07 crore in December 1997/January 1998.

3.2.5 Performance of electro static precipitators after their Replacement/Augmentation

3.2.5.1 Non achievement of guaranteed emission norms

Board did not prescribe the statutory norm of SPM emission for ESP augmentation work at Wanakbori TPS

The contract for work at Ukai TPS stipulated a guaranteed reduction of SPM emission level to 150 mg/Nm^3 in each unit. Though the emission level of 150 mg/Nm^3 to be achieved was not stipulated by the Board for work at Wanakbori TPS for which reasons were not furnished to Audit, BHEL had assured to bring the SPM emission level to 250 mg/Nm^3 in Stage I (Unit I to Unit III) and 150 mg/Nm^3 in Stage II (Unit IV to Unit VI).

The range of SPM emission level after commissioning of the replaced/augmented ESPs was as follows :

Name of TPS and unit	Date of commissioning of replaced/ augmented ESPs	Stack SPM emission level after commissioning/ execution of work upto March 1999 (mg/Nm^3)		
		During Performance Guarantee tests (Year)	Maximum level (Year)	Minimum level (Year)
Ukai				
I	22.12.1995	77 (March 1997)	244 (January 1999)	64 (March 1997)
II	14.11.1996	136 (March 1997)	663 (February 1998)	57 (December 1996)
Wanakbori Stage - I				
I	2.12.1997	200 (February 1998)	367 (November 1998)	21 (April 1998)
II	28.7.1997	*	866 (October 1998)	37 (February 1998)
III	25.9.1997	*	1165 (January 1999)	15 (May 1998)
Stage - II				
IV	1.1.1998	*	174 (January 1999)	22 (December 1998)
V	30.8.1997	144 (February 1998)	297 (August 1998)	35 (March 1998)
VI	24.10.1997	*	263 (October 1998)	33 (June 1998)

Even after replacement/ augmentation of ESPs at Ukai TPS and Wanakbori TPS, the SPM emission level still remained beyond statutory norm

It was observed that though the SPM emission in the above units reduced drastically from pre-replacement/augmentation period, it still remained beyond the statutory norm. Moreover, the SPM emission levels which were achieved during the PG tests could not be maintained during the actual operation. Board/Government replied (September 1999) that sustained performance of ESPs within the GPCB norm is not reached due to poor quality of coal, absence of availability of plant shutdown for maintenance of ESPs and other technical parameters of the plant. Board further stated that additional paths of ESPs would have to be provided which would require heavy expenditure to ensure achievement of GPCB norm.

In spite of failure to achieve the guaranteed SPM emission level in Ukai TPS (units I and II), Board neither imposed penalty on BHEL in terms of the contract nor did they encash bank guarantee of Rs.1.55 crore obtained for satisfactory performance of the contract.

Though it was expected of Board to stipulate SPM emission norm of 150 mg/Nm^3, as prescribed by GPCB, the contract work for augmentation of ESP at Wanakbori to BHEL did not specify any guaranteed emission norm. In

* Performance Guarantee tests not undertaken

absence of guaranteed emission norm of 150 mg/Nm^3 in the contract, not only requirement of GPCB remained unfulfilled but the efficiency of the performance of the contract could also not be examined by management with reference to any norm.

3.2.5.2 Forced shutdown due to excessive SPM emission

Loss of Rs.4.61 crore due to rapid erosion of ID fans

The excessive SPM emission from the flue gases resulted in frequent erosion of induced draft (ID) fans requiring replacement/ repair. During the period from 1995-96 to 1998-99, there were 13 instances in Ukai TPS of erosion of ID fans or failure of ID sequence leading to forced outages. This led to loss of potential generation of 30.33 MUs valued at Rs.4.61 crore during the above period. Board/Government stated (September 1999) that intervals for replacement of ID fans has increased after replacement of ESPs

3.2.5.3 Delayed commissioning and non levy of penalty

Replacement work of ESPs in two units of Ukai was delayed by 15 and 13 months respectively

As against the targetted date of commissioning of new ESPs at Ukai TPS (Unit-I & Unit-II) in September 1994 and October 1995, the same were commissioned in December 1995 and November 1996 respectively. The contract conditions attracted penalty for any delay beyond agreed completion period at the rate of ½ *per cent* per week of contract value subject to maximum of 10 *per cent*. BHEL attributed the reasons for delay on the part of Board such as delay in finalisation of drawings of control building and delay in completion of civil works. The Board/Government in reply (September 1999) stated that the delay was attributable to late receipt of materials and delayed finalisation of drawings. Board further stated that the case of recovery of penalty and granting of extension in time as sought by BHEL is under consideration by the Board.

The ESPs at Wanakbori TPS were commissioned in December 1997/January 1998. The contract did not prescribe scheduled date of completion. However, it was seen in audit that it took 22 months in supply and commissioning of controllers and creation of dummy fields. In absence of scheduled time frame for completion, proper followup could not be ensured for the delay, if any. The Board/Government stated (September 1999) that the work of augmentation was carried out during overhauling and shutdown period only, as a result, it took 22 months for completion. The reply, however, did not state reasons for absence of scheduled date of completion in the contract.

3.2.6 Forced shutdown due to defects in Ash Handling system

Due to delay in augmentation of ash handling system, Board suffered generation loss of 51.113 MUs valued at Rs.7.77 crore

Loss of Rs.7.77 crore due to delay in augmentation of ash handling system

To cater to the burden of additional ash precipitation from new ESP at unit I of Ukai TPS, the augmentation of associated ash handling system was needed. To ensure that new ESP is hooked up with the augmented ash handling system for smooth operation of TPS, Board decided to augment the existing ash handling system. For this, Board floated tender in March 1994 and finalised the same in September 1995. Contract was awarded to M/s. Indure Limited at a negotiated cost of Rs.2.38 crore. Since the work of ESP installation of Unit-I was to be completed by December 1995, Board decided in consultation with the contractor to hook up temporarily the newly erected ESP hoppers of Unit-I with the existing hydrovector tower of old ash handling system till the new hydrovector tower was erected. This temporary arrangement was made to avoid delay in commissioning of new ESP and to avoid generation loss. The work of temporary hook up was completed by the contractor on 4 December 1995 and Unit-I with newly erected ESP was commissioned on 22 December 1995. However, deflection on ESP's load structure was noticed on 31 Janua4ry 1996. Due to this, high level of ash got piled up in the ESP's hoppers leading to excessive loading on the ESP's structure. This pile up of ash was due to non working of newly erected level indicators inside the hoppers. Consequently, the Unit-I had to be shutdown on 1 February 1996 and the repair work of structure was carried out by a local agency at a cost of Rs.13.20 lakh which was not recovered from M/s. Indure Limited. The unit was recommissioned on 20 March 1996 after stoppage of 1145 hours. Due to delay in augmentation of ash handling system, Board suffered a loss of potential generation of 51.113 MUs valued at Rs.7.77 crore. Board/Government stated (September 1999) that the temporary hook up arrangement was made to minimise the generation loss.

3.2.7 Maintenance of electro static precipitators

No records of plant operation on reduced load were maintained

For routine and regular maintenance, Board has system of preventive maintenance. Over and above, for minor maintenance, Board had put into operation in the various TPS two pass systems aligning the various ESPs with one of the two passes. This was done to by-pass and take care of minor repair works in ESP during which period the plant runs on reduced load. In absence of records of the duration of operation of plant on single pass, the potential loss of generation for the period of operation on reduced load could not be worked out in audit.

Further, though the good industry practice demanded installation of on line SPM monitors at the stack, however, it was seen in audit that none of the TPS had installed on line systems to monitor continuously the level of SPM emission. Board/Government stated (September 1999) that SPM monitoring system is in infant stage in Board's plants.

Critical spares were not stocked adequately

In case of Ukai TPS, it was seen in audit that critical spares were not stocked adequately. Inadequate storage of the critical spares has resulted in loss of generation, the quantification of which could not be worked out in audit.

Board/Government stated (September 1999) that they have issued instructions to all the TPS to daily monitor working of ESPs.

3.2.8 Consequences of non-conformation to specifications of GPCB

Due to non-maintenance of prescribed norm of 150 mg/Nm^3 of SPM emission, Ukai TPS was served with show cause notices between the period March 1995 and February 1999 on eight occasions by GPCB. For similar such violation of Air Act, Wanakbori TPS was served with show cause notices between the period January 1995 and September 1998 on 6 occasions. Though no penal action was taken against Board, violation of the provisions of Air Act by Board continued, who kept on investing in retrofit, augmentation and renovation of ESP system. Board/Government stated (September 1999) that action is being taken on short term and long term measures to control the pollution parameters within the GPCB norm.

Conclusion

As the SPM emission level in all the units of Ukai and Wanakbori TPS did not meet the statutory norm fixed by GPCB, Board went for replacement/ augmentation of ESPs by incurring heavy expenditure. Even after replacement/ augmentation, two units (unit I and II) of Ukai TPS and all the units of Wanakbori TPS failed to achieve statutory norm of SPM emission and have caused loss of potential generation because of forced shutdown on erosion/replacement of induced draft fans.

In order to avoid loss of generation and penal action from GPCB, Board needs to take immediate steps to bring down SPM emission level and also strengthen its preventive maintenance.

3.3 Physical and financial performance of power sector in VII Five Year Plan

Highlights

At the end of the VI Five Year Plan the installed generating capacity in Gujarat was 3384 MW. As against a target of 1730 MW fixed for VII Five Year Plan period, actual addition to the installed capacity was 1508 MW (87.17 *per cent*). Against financial target of Rs.1272.56 crore required to be spent by the Gujarat Electricity Board (Board), out of overall financial target of Rs.1466.50 crore for power sector, actual amount spent by the Board was Rs.1474.21 crore.

(Paragraphs 3.3.2 and 3.3.4(i),(ii))

Against target of 3044 CKMs of transmission lines for 220 KV and above in VII Plan document, Board completed transmission lines of 1852 CKMs (60.84 *per cent*)

(Paragraph 3.3. 4(i))

The average Plant Load Factor (PLF) of the Board's power stations during VII Plan period ranged between 53.2 *per cent* and 60.6 *per cent* which was above the national average but below average achieved by the State.

(Paragraph 3.3.5.3.)

Even though the transmission and distribution loss decreased from 25.59 *per cent* (1985-86) to 22.09 *per cent* (1989-90), it still remained higher than the norm of 15 *per cent* prescribed by Central Electrcity Authority thereby resulting in loss of 5754 MUs of power valued at Rs.478.70 crore.

(Paragraphs 3.3.5.4(a) and 3.3.13.1)

Though the power generation by the Board increased from 10718 MUs (1985-86) to 17191 MUs (1989-90), registering an annual growth rate of 12.73 *per cent* during VII Plan period, the auxiliary consumption at its power stations remained higher than the norm prescribed by the Government of India resulting in excess consumption of 867 MUs of power valued at Rs.68.56 crore.

(Paragraphs 3.3.5.4 and 3.3.5.5)

During VII Plan period, Gujarat remained deficit in power supply during peak hours in each year which ranged between 340 MW and 693 MW.

(Paragraph 3.3.5.8.)

The per unit cost of power supply in Board had increased from 82.98 paise in 1985-86 to 105.44 paise in 1989-90 mainly due to higher cost of fuel and interest charges.

(Paragraph 3.3.6.1)

Delays in execution of nine projects during VII Plan resulted not only in escalation in the costs of these projects ranging between 107.35 *per cent* and 1022.66 *per cent* of the approved cost but also in loss of generation of 14922 MUs valued at Rs.1144.12 crore.

(Paragraph 3.3.7.3)

3.3.1 Introduction

Gujarat was formed as a separate State on 1 May 1960. Determined effort to initiate development in different regions of the State in a systematic way was made during the III Five Year Plan (1961-66). The Plan performance from 1961 to 1985 (third plan to sixth plan) measured in financial terms aggregated to Rs.6,712 crore against the total plan outlay of Rs.6268 crore.

The VII Five Year Plan for the period from 1985-86 to 1989-90 had envisaged a total investment of Rs.6,000 crore of which Rs.4,948.33 crore was to be financed from State's own resources and Rs.1,051.67 crore from central assistance.

3.3.2 Power position in the State

The insatalled generating capacity of the State increased from 315 MW (1960-61) to 4823 MW at the end of 1989-90

The Gujarat Electricity Board (the Board) was established (May 1960) under section 5 of Electricity (Supply) Act, 1948 by Government of Gujarat, for generation and supply of electricity. At the time of formation of Gujarat State in 1960, electricity was available only in few pockets of the State. In 1960-61, the installed power generating capacity of the State was 315 MW only. The installed power generating capacity increased to 907 MW in 1970-71, 2384 MW by 1979-80 and 3384 MW by 1984-85. At the end of VII Plan, VIII Plan and March 1998, the installed capacity for Gujarat was 4823 MW (net of additions of 1508 MW and retirement of 69 MW), 6630 MW and 7582 MW respectively. The number of villages electrified was 823 in 1960-61 which increased to 3566 in 1970-71, 10867 in 1979-80, 16135 in 1984-85, 17,897 in 1989-90 and 17936 at the end of March 1998.

3.3.3 Scope of Audit

Out of Rs.6,000 crore investment planned for VII Five Year Plan, the power sector was allotted Rs.1,466.50 crore. The scope of this review is limited to the physical and financial performance of the power sector during VII Five

Year Plan, by State of Gujarat in general and activities carried out by the Board in particular.

3.3.4 Broad outline on target and achievements

The targets specified for the power sector and actually achieved thereagainst during VII Five Year Plan (1985-86 to 1989-90) were as follows:

3.3.4(i) Physical targets

Particulars	Unit	Target	Achievement	Percentage of achievement
Installed capacity	MW	1730	1508	87.17
Transmission line 200 KV and above	CKM	3044	1852	60.84
Village electrification	Number	2208	2040	92.39
Energisation of tubewells and pumpsets	Number	105000	145273	138.36
Electrification of *peta paras**	Number	1200	467	38.92

3.3.4(ii) Financial targets

The Board had spent Rs.1474.21 crore during VII Planagainst the target of Rs.1272.56 crore

In VII Five Year Plan, an overall target of Rs.1,466.50 crore was fixed for power sector, of which Rs.1,272.56 crore (86.78 per cent) was to be spent by the Board. Against this an amount of Rs.1,551.89 crore (105.82 *per cent*) was spent in this sector of which the Board's share was Rs.1,474.21 crore, leading to 5.82 *per cent* increase in outlay.

3.3.5 Physical performance

3.3.5.1 Capacity mix and capacity utilisation

The Board owned 77.71 *per cent* of installed capacity

The total installed power generation capacity of Gujarat (including share from Central Electricity Utilities *viz.*, National Thermal Power Corporation (NTPC) and Tarapur Atomic Power Station (TAPS)) at the beginning of VII five year Plan was 3384 MW, which was raised to 4823 MW by the end of the Plan (March 1990) (after retirement of small power stations having the capacity of 69 MW) at an average annual growth rate of 7.70 *per cent.* At the end of VII Plan period, out of the total capacity, 91.31 *per cent* was from thermal projects (including nuclear projects), 1.12 *per cent* was from gas based projects and 7.57 *per cent* was from hydel projects. Out of this total installed capacity, 77.71 *per cent* (3748 MW) was owned by the Board, 12.03 *per cent* (580 MW) was the share from Central Electricity Utilities and 10.26 *per cent* (495 MW) was of one Independent Power Producer *viz.* Ahmedabad Electricity

* Cluster of dwellings in a village.

Company Limited (A.E.C.). Due to the running of very old and small power stations, loss of 121 MW (the Board - 6 MW, A.E.C.-85 MW and TAPS-30 MW) was estimated owing to deration. Thus, the net available installed power producing capacity in the State at the end of VII Plan was 4702 MW only.

3.3.5.2 Capacity additions

Against a target of 1730 MW the actual addition to the installed capacity was 1508 MW

An overall target of 1730 MW for additions in the installed capacity was planned during VII Plan. Against this, the actual addition made was 1508 MW (87.17 *per cent*) only. The details of the year-wise targets fixed were not available, however, the year-wise achievement by various agencies and the mode of generation are tabulated below:

Particulars	1985-86	1986-87	1987-88	1988-89	1989-90	Total
	<------------------------(in MW)------------------------>					
I Mode						
Thermal	210	210	330	261	432	1443
Hydro	--	--	5	--	60	65
Total	**210**	**210**	**335**	**261**	**492**	**1508**
II Ownership						
State	210	210	335	--	340	1095
Central	--	--	--	151	152	303
Private	--	--	--	110	--	110
Total	**210**	**210**	**335**	**261**	**492**	**1508**

3.3.5.3 Plant availability and capacity utilisation

The PLF of the Board was in the range of 53.2 *per cent* to 60.6 *per cent*

The availability of the power plant (Plant Availability Factor)@ for operation and efficiency at which it operates (Plant Load Factor)# are the two main aspects of power generation. The following table shows year-wise comparative statement of average plant load factor (PLF) and plant availability factor (PAF) of National, Gujarat State and that of the Board:

	1985-86		1986-87		1987-88		1988-89		1989-90	
	PAF	PLF	PAF	PLF	PAF	PLF	PAF	PLF	PAF	PLF
	<---------------------(in percentage)-------------------->									
Nationwide	73.5	52.4	70.7	53.2	72.6	56.5	73.6	55.0	73.7	56.5
Gujarat State	76.2	55.1	70.8	55.0	75 5	60.4	75.5	57.3	76.4	61.4
Gujarat Electricity Board	75.6	53.2	70.2	54.0	75.1	60.0	74.5	56.1	74.9	60.6

While the average PLF of Gujarat State was better than that of national, the performance of the Board though increased from 53.2 *per cent* in 1985-86 to 60.6 *per cent* in 1989-90, was below the PLF achieved by the State. This

@ Plant availability factor indicates the hours during which the unit is available for generation during a certain period.

Plant load factor indicates the percentage of full load operation.

indicates that the PLF of other participants *viz.* Central Electricity Utilities and Independent Power Producers was much better than the average PLF of the Board. The above data also show that in each year the average PAF of Gujarat State was more than that of National level. The average PAF of the Board had decreased from 75.6 *per cent* in 1985-86 to 74.9 *per cent* in 1989-90, indicating that the outages of power stations of the Board were more during the period from 1986-87 to 1989-90.

3.3.5.4 Generation and sales

(a) The table below gives the data on generation and sales of power by the Board during the VII Plan.

	1985-86	1986-87	1987-88	1988-89	1989-90
	<--------------------(in MUs)------------------>				
Generation	10718	12543	15127	15741	17191
(Percentage of increase)	(--)	(17.03)	(20.60)	(4.06)	(9.21)
Auxiliary consumption	1159	1373	1639	1689	1782
(Per cent)	(10.81)	(10.95)	(10.83)	(10.73)	(10.37)
Net generation	9559	11170	13488	14052	15409
Power purchase	2556	2399	2512	3100	3620
Total power available for sale	12115	13569	16000	17152	19029
(Percentage of increase)	(--)	(12.00)	(17.92)	(7.02)	(10.94)
Units sold to agricultural consumers	1703	2186	3840	4402	5145
Export to other states	40	58	434	581	573
Total sale	9015	10267	12555	13769	14826
(Percentage of increase/ growth rate)	(--)	(13.89)	(22.28)	(9.67)	(7.68)
Total T&D loss	3100	3302	3445	3383	4203
Percentage of Transmission loss	9.30	9.37	8.94	8.27	8.02
Percentage of Distribution loss	16.29	14.96	12.59	11.46	14.06
Percentage of total T&D loss	25.59	24.33	21.53	19.73	22.09

Eventhough the power generated by the Board increased from 10718 MUs in 1985-86 to 17191 MUs in 1989-90, a detailed analysis of growth rate of generation revealed that the growth rate increased at 17.03 *per cent* and 20.60 *per cent* in 1986-87 and 1987-88 respectively and thereafter it decreased drastically to 4.06 *per cent* in 1988-89 and in 1989-90 it was 9.21 *per cent* only. The lesser growth rate during 1988-89 was attributed to the retirement of power plants having total capacity of 53.5 MW (Shapur, Kandla and Utran power stations of Board) and the negative growth in the increase of additional capacity.

(b) Generation of power by units commissioned during VII Plan

The following table gives details of target and actual generation of power by various power units commissioned by the Board during VII Plan.

	1986-87		1987-88		1988-89		1989-90	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	<-------------------------------(in MUs)------------------------------->							
Wanakbori-4 (210 MW)	500	744.6	1000	1459.5	1118	1081.6	1030	1221
Wanakbori-5 (210 MW)	200	566.0	1000	1350.9	1152	988.3	1025	1418
Wanakbori-6 (210 MW)	--	--	--	350.2	1130	1000.3	1005	1276
Sikka-1 (120 MW)	--	--	--	--	275	373.1	500	556
Kadana (60 MW)	--	--	--	--	--	--	80	Nil

(Note: The data of generation by Ukai Left Bank Canal (5 MW) was not readily available)

Targetted generation was not achieved in 1988-89

It was observed that, except in 1988-89, all newly commissioned thermal power units had achieved the targeted generation. However due to delay in annual overhauling, none of the three units at Wanakbori TPS had achieved the targetted generation in 1988-89. Further, though a target of 80 MUs was set during the year 1989-90 for Kadana Hydro Power Station (60 MW), there was no generation during this year as the project was commissioned only on 31 March 1990.

3.3.5.5 Auxiliary consumption

Auxillary consumption was in excess of the norms

The auxiliary consumption of the Board's power stations which stood at 10.81 *per cent* and 10.37 *per cent* during 1985-86 and 1989-90 respectively, was always above the norm (9.5 *per cent*) prescribed by the Central Government. Such excess consumption of 867 MUs of power over the norm resulted in revenue loss of Rs.68.56 crore to the Board during the plan period.

3.3.5.6 Purchase of power

The shortage of power against the total requirement of Gujarat was purchased from Central Electricity Utilities (CEUs) *viz.* NTPC and TAPS , neighbouring State (Maharastra State Electricity Board) and other private sources within the State. The data regarding power purchased by the Board during the VII Plan period was as follows:

Particulars	1985-86	1986-87	1987-88	1988-89	1989-90
Power purchase from:			(in MUs)		
(i) CEUs (NTPC & TAPS)	1549 (60.60)	1536 (64.03)	1804 (71.82)	2657 (85.71)	3049 (84.23)
(ii) MSEB	698 (27.31)	692 (28.85)	524 (20.86)	384 (12.39)	491 (13.57)
(iii) Other private sources in Gujarat	309 (12.09)	171 (7.12)	184 (7.32)	59 (1.90)	80 (2.20)
Total	2556	2399	2512	3100	3620

(Note: Figures in bracket indicate percentage)

Contribution from CEUs (NTPC and TAPS) was increasing

It was noticed that the contribution of CEUs of total power purchased had increased from 60.60 *per cent* in 1985-86 to 84.23 *per cent* in 1989-90.

3.3.5.7 Sale of power

(a) The Board was the major supplier of power to the State. Following table gives the data on total sale of energy in Gujarat (including sale from Ahmedabad Electricity Co. Limited (AEC)) during VII Plan period:

Year	Total sales (in MUs)	Growth in total sales (in percentage)	Sales by the Board (in MUs)	Share of the Board in total sales (in percentage)
1985-86	10353	Base year	9015	87.08
1986-87	11570	11.76	10267	88.74
1987-88	13404	15.85	12555	93.67
1988-89	14597	8.90	13769	94.33
1989-90	15993	9.56	14826	92.70

Sale of power increased at an average growth rate of 11.52 per cent

Though, the sale of electricity in Gujarat had increased with an average annual growth rate of 11.52 *per cent*, the actual growth rate had decreased and dropped below targeted level of 10 *per cent* from 1988-89.

(b) The following table gives the data on category-wise/sector-wise sale of energy in million units by the Board during VII Plan period (Figures in bracket indicate *percentage*).

Category	1985-86	1986-87	1987-88	1988-89	1989-90
	<--------------------(in Million Units)------------------>				
Domestic	726 (8.05)	845 (8.23)	882 (7.03)	1046 (7.60)	1226 (8.27)
Commercial	164 (1.82)	200 (1.95)	231 (1.84)	273 (1.98)	323 (2.18)
Industries	4914 (54.51)	5269 (51.32)	5247 (41.79)	5721 (41.55)	5973 (40.29)
Agriculture/ Irrigation	1704 (18.90)	2187 (21.30)	3841 (30.59)	4402 (31.97)	5145 (34.70)
Railway traction	163 (1.81)	190 (1.86)	215 (1.72)	216 (1.57)	243 (1.64)
Outside state	40 (0.45)	58 (0.57)	434 (3.46)	581 (4.22)	573 (3.86)
Others	1304 (14.46)	1517 (14.77)	1705 (13.57)	1530 (11.11)	1343 (9.06)
Total	**9015** **(100)**	**10267** **(100)**	**12555** **(100)**	**13769** **(100)**	**14826** **(100)**

Rapid growth of sale in the lower yielding category

Though the average realisation per unit from industrial consumer was increasing year after year, the percentage of sale of units to this category of consumer to the total sale of the Board was decreasing showing a negative growth in this high revenue earning category. The sale to agricultural sector was increasing from year to year, though the average realisation per unit was decreasing from this category. The rapid increase in the consumption by agriculture sector had direct impact on the financial health of the Board as the tariff rate for this category was much lower compared to that of industrial consumer.

3.3.5.8 Power supply position in Gujarat

The following table indicates the power supply position in Gujarat during the period between 1985-86 and 1989-90 :

Particulars	1985-86	1986-87	1987-88	1988-89	1989-90
Peak availability (MW)	2303	2474	2890	3194	3398
Peak load (MW)	2967	3167	3230	3571	4035
Surplus (+)/Deficit (-)	(-) 664	(-) 693	(-) 340	(-) 377	(-) 637
Percentage of deficit to peak load	22.38	21.88	10.53	10.55	15.78

There was a deficit of power demand between 340 MW to 693 MW during peak hours

Gujarat was always facing the deficit in power supply during peak hours in the VII Plan period. The deficit was ranging between 340 MW (1987-88) and 693 MW (1986-87). A comparison of the deficit with reference to the peak demand revealed that deficit declined from 22.38 *per cent* in 1985-86 to 10.53 *per cent* in 1987-88 and again increased to 10.55 *per cent* and 15.78 *per cent* in 1988-89 and 1989-90 respectively.

3.3.5.9 Per capita consumption

Per capita consumption was above the national average

The per capita consumption in Gujarat was 260 units in 1984-85. During VII Plan period, it increased considerably and was above the national average as well as the average of western region as detailed below:

Year	Gujarat (in KWH)	Growth rate (in percentage)	National Average (in KWH)	Western Region Average (in KWH)
1985-86	275	Base year	178	259
1986-87	301	9.82	191	275
1987-88	343	13.58	201	297
1988-89	363	5.83	217	314
1989-90	382	5.51	236	334

Though there was an increase in the per capita consumption in Gujarat, the growth rate had declined sharply from 13.58 *per cent* in 1987-88 to 5.51 *per cent* in 1989-90 as increase in population outweighed increase in power sale.

3.3.6 Financial performance

The Board played a major role in Gujarat's generation, transmission and distribution of electricity. Various financial indicators of the functioning of the Board during VII Plan are discussed in the succeeding paragraphs.

3.3.6.1 Unit cost of power supply and components of cost

At the beginning of VII Plan (1985-86), the average unit cost of power sale of the Board was 82.98 paise per unit which increased to 105.44 paise per unit by the end of the plan (1989-90) and it remained higher than the national average unit cost during all the years of VII Planexcept 1988-89. The component-wise cost is tabulated below:

Particulars	1985-86	1986-87	1987-88	1988-89	1989-90
	<---------------------(Paise per unit)------------------->				
Power purchase	53.21	58.93	55.44	45.14	49.38
Fuel and Oil	36.55	43.03	48.79	48.79	57.34
O & M and Others	5.03	3.56	4.31	5.61	4.05
Employee cost	10.77	10.76	11.04	12.15	12.23
Depreciation	5.44	4.94	5.12	5.33	5.80
Interest	10.10	11.07	10.17	11.79	13.96
Total average cost	**82.98**	**87.13**	**90.53**	**89.59**	**105.44**
National average cost	**74.59**	**80.37**	**88.96**	**91.20**	**101.50**

Huge cost on transportation of coal

As the power stations of the Board were mainly coal based and situated far away from the coal fields, the Board had to incur huge cost in transporting the coal resulting in higher fuel cost. While reduction in cost of fuel was a difficult task, the Board could have opted for speedier implementation of Hydro/Gas based power stations to minimise the cost of generation. Further, the capital requirement of the Board was met by way of loans from the State Government, the public, the banks and other financial institutions carrying varying rate of interest from 4 *per cent* to 12 *per cent* as a result of which the burden on interest and finance charges increased from year to year.

3.3.6.2 Expenditure on power purchase

To meet the demand of power supply of the State, the Board was drawing power from the CEUs as per pre-determined allotted share. The following table gives the details of cost of power purchase, its cost per unit and its comparison with the cost per unit of power generation.

Sl. No.	Particulars	1985-86	1986-87	1987-88	1988-89	1989-90
1.	Power Purchase (in MUs)	2556	2399	2512	3100	3620
2.	Cost of power purchase (Rupees in crore)	136.03	141.39	139.28	139.89	178.72
3.	Cost of power purchase per unit (paise/unit) (Sl No. 2) *divided by* (Sl No. 1)	53.21	58.93	55.44	45.13	49.38
4.	Cost of generation per unit (Paise/unit)	44.24	48.21	55.50	60.08	66.41

Cost of generation was higher than the cost of power purchase from 1987-88

As could be noted from above table, the cost of power purchased was much less compared to the cost of generation by the Board during the period from 1987-88 to 1989-90.

3.3.6.3 Average tariff and revenue realisation

a) The table below gives the year-wise details of average tariff of the Board and its comparison with cost of power generated as well as the national average tariff during VII Plan period.

Particulars	1985-86	1986-87	1987-88	1988-89	1989-90
	<----------(Rupees per unit)------------->				
(a) National average tariff	0.56	0.61	0.66	0.69	0.76
(b) Average tariff of Board	0.77	0.90	0.76	0.76	0.76
(c) Average Cost of power sold by Board	0.83	0.87	0.91	0.90	1.05
(d) Per unit operational loss(-)/ profit (+) of Board(c)-(b)	(-) 0.06	(+) 0.03	(-) 0.15	(-) 0.14	(-) 0.29

Introduction of horse power based tariff to agricultural consumers from 1987-88 resulted in operational loss to the Board

During VII Plan period, the average tariff of the Board was higher than the national average except for 1989-90 due to higher cost of generation in units of the Board. Further, the average realisation per unit was stable at Rs.0.76 per unit from 1987-88 to 1989-90 and it was lesser than the cost of power sold in all the four years except for 1986-87. The operational loss during the year 1987-88 to 1989-90 was due to introduction of horse power based tariff for agricultural consumers from 1 June 1987. This lesser realisation of revenue had affected the profitability of the Board.

b) An analysis of consumer-wise/category-wise average tariff for sale of energy by the Board during VII Plan revealed that the revenue from sale of power to High Tension (HT) industrial consumers had shown significant increase from Rs.0.86 per unit in 1985-86 to Rs.1.25 per unit in 1989-90, with an average growth rate of 10.11 *per cent.* However, the revenue from sale of power to agricultural sector had registered a negative growth rate of 63.93 *per cent* from 1987-88 due to introduction (June 1987) of horse power based tariff to agricultural consumers. The realisation from agricultural consumers in 1989-90 was Rs.0.16 per unit, which was 30.77 per cent of the realisation (Rs.0.52 / unit) from this category in 1985-86.

3.3.7 Execution and performance of schemes

At the end of the VI Five Year Plan (1984-85), the total installed power generating capacity in the State was 3384 MW. The Working Group on Power Development in VII Plan had estimated the demand for power in the State by the end of VII Plan at 4038 MW. This required an installed capacity of 7047 MW with an average PLF of 57.30 *per cent.* During VII Plan, it was expected that the aged power stations having 219 MW would retire from service and, accordingly, to meet the expected demand, an additional installed capacity of 3882 MW was required. It was proposed to meet this by commissioning new projects of the Board having 1345 MW capacity and by procuring 491 MW from CEUs. The balance of 2046 MW was to be met by implementing various schemes submitted to Central Electricity Authority (CEA). A target of net addition in installed capacity of 1730 MW was envisaged in the Plan documents. Of this, 1345 MW with an expenditure of Rs.655.52 crore was to be executed by the Board through 10 projects. Against this physical target, the total addition made to the installed capacity during this plan period was 1508 MW (Board -1095 MW, NTPC's share 303 MW and AEC - 110 MW) and the small power stations of the Board having the capacity of 54 MW and that of AEC having 15 MW capacity were retired. Thus, the net additional capacity established during VII Plan was 1439 MW only and total installed capacity in the State stood at 4823 MW. The major role in the power sector development in State was vested with the Board and the total amount spent during the period by the Board was Rs.882.46 crore. The detailed targets of physical and financial in respect of each power station and the actual execution during VII Plan with reasons for delay, cost overrun and time overrun are discussed in the succeeding paragraphs.

3.3.7.1 Financial arrangement for the projects

Erratic budget allocations for spending on projects

Proper monitoring and timely availability of funds are the basic needs for execution of project. It was seen in audit that in none of the Project Reports, the source of finance was tied-up and the progress of the work was dependent on the erratic budget allocations. Due to this, payment to the suppliers *viz.*, Bharat Heavy Electricals Limited, etc. for supply of material was delayed and resulted sometime in non-synchronisation with other project activities.

For executing various power generating stations, an overall outlay of Rs.823.86 crore was fixed by the Board during VII Plan period. The table below gives the year-wise details of amount sanctioned and the amount spent by the Board.

Year	Gujarat state (Rupees in crore)	Board (Rupees in crore)	Share of Board (in *per cent*)	Amount spent by Board (Rupees in crore)	Achievement by Board (in *per cent*)
1.	2.	3.	4.	5.	6 (5/3)
1985-86	136.78	115.98	84.79	138.33	119.27
1986-87	173.46	134.92	77.78	194.56	144.20
1987-88	201.17	173.01	86.00	170.20	98.38
1988-89	225.06	214.69	95.39	165.20	76.94
1989-90	N.A	185.26	N.A.	214.17	115.61
Total		**823.86**		**882.46**	**107.11**

The amount spent on each project and its comparative position with the physical progress of the work are discussed in succeeding paragraphs:

3.3.7.2 Expenditure incurred on the power stations commissioned in VI Plan

The Wanakbori TPS (Stage-I), consisting of three units of 210 MW each and Unit V of Ukai TPS (210 MW) were completed and commissioned during VI Plan. Though, a provision of Rs.15.69 crore was made in the VII Plan to meet the final payments on these projects, the actual payment incurred was Rs.31.17 crore.

3.3.7.3 Expenditure incurred on the power stations commissioned in VII Plan

Loss of generation of 14922 MUs due to delayed commissioning of the power station was valued at Rs.1144.12 crore

At the beginning of the VII plan, the execution of six projects in various stages were on hand with the Board. Further, approval for three projects were received during VII plan. All relevant data since the approval till the execution are tabulated vide *Annexure-9*. The projects were executed with a delay ranging between 3 months and 131 months. This led to escalation in the cost of the project which was in the range of 107.35 *per cent* to 1022.66 *per cent* of the cost of the projects approved by the Planning Commission. The delays in commissioning of projects had resulted in loss of potential generation of 14922 MUs valued at Rs.1144.12 crore (calculated as per the averave PAF, PLF and realisable value per unit in the respective years). The delays were mainly on account of non- sequential supply of material by BHEL, shortage of funds, poor monitoring of the works by the Board. These aspects and other irregularities in execution of the projects were discussed in the Report of the Comptroller and Auditor General of India for the years 1987-88, 1988-89, 1989-90, 1992-93 and 1996-97 (Commercial) - Government of Gujarat.

3.3.8 Renovation and modernisation during VII Five Year Plan

Additions/modifications of existing plants were considered essential for optimum utilisation and minimisation of maintenance cost of power stations. A proposal for renovation of Ukai, Gandhinagar and Dhuvaran TPS at a total cost of Rs.69.74 crore during VII Plan was submitted by the Board and CEA approved an outlay of Rs.39.39 crore. Though an amount of Rs.21.74 crore was spent during VII Plan period from this outlay and Rs.28.36 crore from Board's own funds, the physical completion of the work was completed only in VIII Plan. Though it was estimated that on completion of above schemes, additional generation of power to the tune of 560 MUs will be available, actual availability has not been ascertained by the Board.

3.3.9 Transmission and distribution system

The Board had 21179 CKMs of Transmission lines with 367 sub-stations

The power generated at various power stations is required to be transmitted to the farthest corner of the State. To keep pace with increase in generation capacity on one hand and requirement of the consumers on the other hand, the development of transmission and distribution (T&D) system required special attention. Under 66 KV to 400 KV system, the Board had the transmission lines of 17604 CKMs and 270 sub-stations at the end of VI Plan. During the VII Plan, the Board had spent Rs.371.51 crore for increasing the transmission network which stood at 21179 CKMs and 367 sub-stations at the end of VII Plan. The yearwise details of physical and financial targets and achievements during VII Plan were as given in *Annexure-10.*

Comments on time, cost overrun and revenue loss on account of the delay in completion and commissioning of various lines/substations under VII Plan, were incorporated in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1996 (Commercial) - Government of Gujarat.

3.3.10 Rural electrification scheme

2040 villages were electrified against a target of 2208 villages

At the time of formation (May 1960) of Gujarat State, only 823 villages and 5400 wells were electrified. For accelerating the electrification programme in rural areas, the Board was receiving loan/assistance from Rural Electrification Corporation, National Bank for Agriculture and Rural Development (NABARD) and the State Government. The electrification of all villages identified in 1981 census report was achieved by the State in 1988-89. During the period 1985-86 to 1989-90 the Board electrified 2040 villages as against the target of 2208 villages and energised 145,273 agriculture wells/tubewells against the target of 105,000 agriculture wells/tube wells at a total cost of Rs.106.35 crore.

3.3.11 Special Component Plan Scheme

The State Government was allocating funds under Special Component Plan Scheme to provide electricity facility to localities dominated by backward class beneficiaries. Out of 25,534 such localities, 25,469 localities were already electrified during VII Plan period. Electrification in remaining 65 localities were not technically and economically feasible.

3.3.12 Tribal Area Sub-plan Scheme

Of the 5668 tribal inhabited villages, electrification in 40 villages was not considered feasible because these villages used to get submerged. Remaining 5628 villages were electrified during VII Plan period.

3.3.13 Transmission and Distribution losses

Energy is carried from the generating stations to the consumers through T&D network and during the process some energy is lost. This is accounted for as technical loss and commercial/unaccounted loss. Technical losses occur due to inherent characteristics of the equipment and conductors used for transmitting and distributing power. Stepping up of power at generating stations and stepping down at sub-transmission and distribution stations through power and distribution transformers involves losses which is termed as transmission losses. Transmission, sub-transmission and distribution losses occur due to resistance in the conductors through which the energy passes over long distance. Commercial/unaccounted losses occur due to theft of energy and defects in the meters, errors in reading or recording of readings and other human errors.

3.3.13.1 Computation of losses

The Board keeps quantity accounts of the energy generated and sold by metering. The metering covers energy generated by the Board including purchased from various sources and energy sold to consumer other than the agricultural consumers to whom energy supply is unmetered. The feeder-wise energy received and sold through sub-transmission and distribution system is worked out by the Board, but computation of system losses is not based on this information.

For computation of the distribution loss, the system losses are computed as the difference between the total power available for sale and the power sold within and outside the State. From the difference, the actual transmission losses are deducted and the balance is treated as distribution loss.

The T & D loss in excess of norm was valued at Rs.478.70 crore

The total system loss as computed by the Board during VII Plan and tabulated under para 3.3.5.4 (a) *supra* shows that the T&D losses marginally decreased from 25.59 *per cent* in 1985-86 to 24.33 *per cent* in 1986-87 and to 19.73 *per cent* in 1988-89. However, it increased to 22.09 *per cent* in 1989-90. The norms of T&D loss prescribed by the CEA was 15 *per cent* as a whole (4 *per cent* for transmission loss and 11 *per cent for* sub-transmission and distribution loss). During the VII Plan period, the annual average of T&D loss was 22.65 *per cent*, which exceeded the norms prescribed due to poor achievement of physical targets of various transmission lines. The Board had not analysed the reasons for T & D loss of 5754 MUs valued at Rs.478.70 crore over and above the norm during VII Plan period.

3.3.13.2 Sub-transmission and distribution lines

The following table shows the generation and distribution capacity of the State during VII Plan period.

Sl.No.	Particulars	1985-86	1986-87	1987-88	1988-89	1989-90
1.	Generating capacity (MW)	2916.50	3126.50	3461.50	3408.00	3748.00
2.	11 KV lines (KMS)	73400	76245	81636	88206	92932
3.	LT lines (CKMS)	101522	109220	118783	128050	136894
4.	11 KV lines per MW of generating capacity (CKMS)	25.17	24.39	23.58	25.88	24.80
5.	LT line per MW of generating capacity (CKMS)	34.81	34.93	34.32	37.57	36.52

The extension to the distribution system were not made in a planned manner on a long term basis considering the increase in generation of power. Consequently, the system was characterised by high energy losses and low standard of quality and reliability of power supply leading to high T & D losses.

During 1985-86 to 1992-93 the Board approved 71 schemes at an estimated cost of Rs.66.71 crore for improvement of T&D system in rural areas. These were implemented with loan assistance of Rs. 496.90 crore from REC upto 1992-93. Comments on the review of 20 schemes completed under the RE schemes indicating the non-evaluation of the savings by ascertaining the actual cost in 11 works and inadequate savings due to absence of necessary follow up measures in three works were suitably incorporated in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1994 (Commercial) - Government of Gujarat.The above matters were reported to the Government/Board in July 1999; their replies had not been received (December 1999).

Conclusion

In spite of the actual expenditure being more than the financial target, the Board could not achieve the physical targets fixed for VII Plan period for increasing installed capacity, transmission lines and electrification of villages. The projects for VII Plan period could not be completed resulting in shortfall of availability of power which was met from import from other sources. The average availability of plants and plant load factor in the Board during each of the year in VII Plan remained below than that achieved by the State which indicated that the PLF of the other participants was much better than the Board. The auxiliary consumption as well as T & D loss were higher than the norms and the State remained power deficit during peak hour in VII Plan period. Though the average tariff of the Board remained higher than the national average, still the Board incurred operational loss per unit in VII Plan period except in 1986-87 indicating higher cost of power sold.

3.4 Review on outstanding dues of Gujarat Electricity Board

Highlights

The total outstanding dues payable by the Board rose steeply from Rs.679.12 crore at the end of 1994-95 to Rs.1853.42 crore at the end of 1997-98 of which Rs.710.17 crore related to purchase of power.

(Paragraph 3.4.4)

Outstanding balance of revenue collection from consumers increased from Rs.374.15 crore in 1994-95 to Rs.746.91 crore in 1997-98.

(Paragraph 3.4.5.1)

Lack of effective measures to recover enhanced security deposit of Rs.40.02 crore from high tension consumers resulted in loss of interest of Rs.42.29 crore.

(Paragraph 3.4.5.2)

Lack of synchronisation in procurement of two transformers at a cost of Rs.8.03 crore with the progress of erection work of a 400 KV line resulted not only in the loss of interest of Rs.2.77 crore but also deprived the Board of the warranty of the equipment and non availability of funds for liquidation of outstanding dues.

(Paragraph 3.4.5.3(a))

Installation of 400 KV sub-station which was switched off for 16 months after test charging for want of staff, resulted not only in idle investment of Rs.45.73 crore but also in avoidable transmission loss.

(Paragraph 3.4.5.3(b))

Procurement of excess conductors valued at Rs.2.98 crore resulted in loss of interest of Rs.1.06 crore on the locked up funds.

(Paragraph 3.4.5.3(c)(ii))

NTPC, TAPP and NPC levied surcharge/delayed payment charges amounting to Rs. 209.22 crore owing to non payment of their dues in time.

(Paragraph 3.4.6.2 (a), (b) and (c)

3.4.1 Introduction

Gujarat Electricity Board (the Board) generates power through thermal, hydro and gas based power stations and also procures power from National Thermal

Power Corporation Limited (NTPC), Nuclear Power Corporation (NPC), Tarapur Atomic Power Project (TAPP), Maharashtra State Electricity Board (MSEB) and other Independent Power Producers (IPPs). In order to run their plants, the Board is procuring coal, oil, gas, *etc.*, from various sources. Liabilities on these accounts are liquidated by collection of revenue from sale of energy, loans from the State Government and banks.

3.4.2 Organisational set-up

The Finance Department of the Board is headed by the Member (Finance) who is assisted at Head Office by an Executive Director (Finance), General Manager (Accounts), four Chief Finance Managers (each for Budget & Planning, Project & Planning, Revenue and Accounts), four Controllers of Accounts (each for Cash, Budget & Planning, Project & Planning and Accounts) and by Accounts Officers at field level.

3.4.3 Scope of Audit

The position of dues outstanding against the Board as well as liquidation thereof for the period 1994-95 to 1998-99 was reviewed in audit. The result of this review are discussed in the succeding paragraphs.

3.4.4 Dues outstanding against the Board

Table below indicates the major dues outstanding against the Board at the end of the last four years upto 1997-98.

Particulars	**1994-95**	**1995-96**	**1996-97**	**1997-98**
	<----(Rupees in crore)--->			
Dues towards				
Purchase of power	102.01	272.31	539.45	710.17
Coal	97.52	95.11	137.68	197.27
Railway for coal receipt	40.70	33.01	40.36	79.79
Fuel	71.59	153.49	175.72	313.69
O & M supplies/works including capital items	261.45	307.36	383.71	361.10
Other dues*	105.85	93.10	88.77	191.40
Total	**679.12**	**954.38**	**1365.69**	**1853.42**

(Annual accounts for the year 1998-99 were not compiled by the Board till August 1999)

* It includes electricity duty & tax on sale of electricity payable to Government and other unpaid expenses.

Of the total dues outstanding as on 31 March 1998, dues against purchase of power were 38.31 per cent.

3.4.4.1 Dues against purchase of power

The table below indicates position of dues against purchase of power at the end of past four years upto 1997-98 from major suppliers of power to the Board:

Power purchased from	1994-95	1995-96	1996-97	1997-98
	<-------------(Rupees in crore)---------->			
NTPC	60.07	164.74	207.32	279.33
NPC	23.44	49.85	219.04	186.68
MSEB	4.18	13.90	21.41	75.40
PGCIL#	2.21	3.70	8.51	26.51
Others	12.11	40.12	83.17	142.25
Total	**102.01**	**272.31**	**539.45**	**710.17**

3.4.4.1.1 Review of dues of NTPC

Non-reconciliation of dues between NTPC and the Board resulted in under statement of net liability to the extent of Rs.69.71 crore.

As per the reconciliation statement between NTPC and the Board, the amount payable to NTPC by Board for purchase of power as per NTPC as on 31 March 1998 was Rs.209.62 crore. However, the amount payable to NTPC as on this day as per the Board's audited accounts was Rs.279.33 crore. The difference of Rs.69.71 crore between the two figures as on 31 March 1998 was due to following reasons.

		(Rupees in crore)
(i)	Payment made to NTPC through L/C, however not accounted by the Board	76.50
(ii)	Credit notes issued by NTPC to the Board, which were not accounted by the Board	20.20
(iii)	Payment directly made by Central Government to NTPC which was not accounted for by the Board	9.30
(iv)	Revised energy bills (Credit) issued by NTPC not accounted by the Board	0.29
(v)	Rebate allowed by NTPC for the energy bills of February 1998, not accounted by the Board	2.88
(vi)	Differential amount of Umpire award not rectified by NTPC	(-) 3.54
(vii)	Income tax liability for the year 1997-98 not agreed and not provided for by the Board	(-) 35.92
	Total	**69.71**

Power Grid Corporation of India Limited

3.4.4.1.2 Review of dues of NPC

Review of dues of NPC revealed that out of total outstanding of Rs.186.68 crore, as on 31 March 1998 an amount of Rs.82.19 crore pertained to the year 1996-97. Adequate efforts were not made by the Board to liquidate this liability eventhough the bills are free from any dispute. The balance amount of Rs.104.49 crore pertained to the year 1997-98 for which payment is held up for want of funds.

3.4.4.1.3 Review of dues of MSEB

Rs.8.13 crore were payable to MSEB since 1990-91

Review of the dues of MSEB revealed that out of total outstanding of Rs.75.40 crore as on 31 March 1998, an amount of Rs.27.97 crore pertained to the period 1990-91 to 1996-97. Adequate efforts were not made by the Board to liquidate this liability. It was seen in audit that of this amount, Rs.8.13 crore pertained to the year 1990-91. The reasons of the non-payment of these dues were not available on record.

3.4.4.1.4 Review of dues of PGCIL

Duplication of liability led to creation of additional liability.

As on 31 March 1998, there existed a liability of Rs.26.51 crore towards PGCIL. The PGCIL prefers monthly bills on the Board which are routinely cleared within one to six months. It was seen in audit that the Board duplicated the liability for the charges for the month of October 1997. Originally, a bill of Rs.4.17 crore was preferred in November 1997 which was revised to Rs.5.23 crore in March 1998. The Board, without verifying the revised liability for the month of October 1997, treated the same to be an additional liability hence duplication has resulted in creation of excess liability of Rs.4.17 crore.

3.4.4.2 Coal related dues

Against the total liability towards coal of Rs.197.27 crore, the Board has preferred unilateral claims of grade difference of coal with respective collieries amounting to Rs.216.73 crore. These claims of the Board are yet to be accepted by various collieries. Eventhough the system of joint sampling has been dispensed with, the liability of Rs.1.24 crore on this account continues to be shown in the books of the Board since 1992-93 and no action has been taken to liquidate/ write off the same.

3.4.4.3 Dues of Railway for coal receipt

Out of the total dues of Rs.79.79 crore towards Railways as on 31 March 1998, the dues of Rs.24.89 crore were cleared during the year 1998-99. The balance dues of Rs.54.90 crore represent dues payable to Railways towards diverted internal/external and unconnected wagons (Rs.53.83 crore) and towards pending claim (Rs.1.07 crore) for the year 1997-98 in connection with the wagons involved in accident, which are awaiting acceptance by Railways.

3.4.4.4 Dues on account of purchase of fuel

Due to rate difference for purchase of gas, Rs.22.27 crore of dues of ONGC were outstanding for more than 10 years

Out of Rs.313.69 crore dues for purchase of fuel, Rs.31.83 crore was outstanding as on 31 March 1998 for purchase of gas. Out of this, an amount of Rs.22.27 crore was pending due to rate difference for gas received during the period April 1986 to August 1988 and Rs.0.53 crore was pending towards penal interest for delayed payments for the years between 1992 and 1994. In absence of rate agreement between ONGC and the Board, the amount of Rs.22.27 crore continues to be shown as outstanding for more than ten years. Effective measures have not been taken by the Board to liquidate this liability.

3.4.4.5 Dues on account of operation & maintenance supplies/ works and capital items

As on 31 March 1998, Board had shown a liability of Rs.361.10 crore towards operation & maintenance supplies/ works including capital items. Against this an amount of Rs.259.16 crore was shown recoverable from various suppliers towards advances given to them for purchase of material, which has not been reconciled with the liabilities towards the materials purchased from such suppliers.

3.4.5 Factors leading to pendency of high outstanding dues

3.4.5.1 Poor debt collection

Decline in revenue collection during last four years upto 1997-98 resulted in significant increase in debtors

It was seen in audit that the revenue due for collection during the year 1994-95 rose from Rs.3582.67 crore to Rs.6716.82 crore by 1997-98, whereas the amount collected rose from Rs.3208.52 crore in the year 1994-95 to Rs.5969.91 crore in 1997-98. Consequently, balance receivable at the end of above years increased significantly from Rs.374.15 crore to Rs.746.91 crore indicating an increase of 99.63 *per cent.*

The category wise details of major outstanding debtors of electricity at the end of each of the four years up to 1997-98 were as below:

Category	1994-95	1995-96	1996-97	1997-98
	<-----------(Rupees in crore)----------->			
Industrial (HT)	104.10	187.03	260.81	247.58
Public lighting and water works	14.31	25.64	46.36	74.67
Permanently Disconnected consumers (Net after adjusting Security Deposit)	93.16	132.26	159.18	207.45

The above table indicates that the debt recoverable from Industrial HT, public lighting and water works and permanently disconnected consumers had increased to 138 *per cent*, 422 *per cent* and 123 *per cent* respectively in 1997-98 as compared to those recoverable in 1994-95 while the overall increase in the same period was only 90.63 *per cent*. The Board had not taken any effective measures to arrest the increase in debtors outstanding for recovery from these category of consumers.

3.4.5.2 Delay in collection of additional security deposit

Non collection of security deposit from HT consumer resulted in loss of interest of Rs.42.29 crore

With a view to meet the growing demand of working capital, attributable to increase in price of coal, fuel, oil and railway freight, all of which required payment in advance, the Board increased the security deposit from one month of the bill amount to one and half months of the bill amount from the existing as well as new HT consumers having contract demand of 5000 KVA and above with effect from February 1992 and from the consumers having contract demand of 1000 KVA and above with effect from December 1992.

A test check in audit revealed that an amount of Rs.40.02 crore from 52 consumers, in the form of enhanced security deposit, had not been recovered so far (March 1998) which resulted in loss of interest of Rs.42.29 crore to the Board on this locked up amount.

3.4.5.3 Locking up of funds in incomplete works and idle inventory

It was further seen in audit that Board does not have system of project-wise budgetary allocation of funds in absence of which funds allocations to various ongoing projects remained on *adhoc* basis. Further, stocking of material at a level more than required inventory level resulted in locking-up of funds and deprived the Board of the advantage of warranties.

Had the Board efficiently planned the utilisation of funds on works and procurement of materials, unnecessary locking up of funds could have been avoided and these locked up funds could have been utilised to reduce the outstanding dues of the creditors and penalties imposed by them for non/delayed payments of these dues would have been avoided. Some illustrative cases of locking-up of scarce funds in incomplete works and idle inventory are discussed in succeeding paragraphs.

(a) Locking-up of funds due to delay in erection of 400 KV Soja-Zerda line

The Board awarded (October 1996) the work of erection of 400 KV Soja-Zerda line (135 kms.) to Kalpataru Power Transmission Ltd. at a cost of Rs.2.77 crore with schedule of completion by October 1997. Contrary to instructions of Purchase Committee with regard to synchronisation of the delivery schedule of transformers with the progress of the erection work, the Board placed (June 1995) order with M/s.Crompton Greaves Ltd., for supply of one of 315 MVA Auto Transformer at a cost of Rs.3.66 crore, which was received by the Board in August 1996 much ahead of completion of erection work of the line.

The Board also placed (June 1996) an order with BHEL for supply of similar transformer at a total cost of Rs.4.37 crore, which was received by the Board in June 1998. It was observed in audit that the erection/stringing work was carried out only to the extent 15 *per cent* of the total work (20.852 kms.) so far (August 1999).

Non-synchronisation of procurement of transformers with the construction of line resulted in loss of interest on locked up funds

Thus, procurement of transformers without matching the delivery schedule with the progress of the stringing work resulted not only in locking up of Board's scarce funds to the extent of Rs.8.03 crore (Rs.3.66 crore for 35 months and Rs.4.37 crore for 13 months) with consequential loss of interest of Rs.2.77 crore but also deprived the Board of coverage of 18 months warranty against materials, workmanship and performance as well as liquidation of outstanding dues of creditors.

(b) Delay in recommissioning of Kasor Sub-station

Sub-station had to be switched off for sixteen months for non posting of staff

Installation of a 400 KV Kasor sub-station under Karamsad (Construction) Division was proposed during VIII five year plan, for transmission of power from Gandhar Gas based project and for stability and improvement of voltage in Saurashtra region. The sub-station was constructed at a total cost of Rs.45.73 crore and was test charged and switched off on the same day (31 January 1996) for want of staff. In the meantime, the load of 400 KV Jetpur sub-station had increased resulting in voltage fluctuation to as low as 320 KV and 326 KV (September 1996). To improve voltage in Saurashtra region, the sub-station was subsequently recommissioned in June 1997. The delay of 16 months in recommissioning the sub-station resulted not only in locking-up of Board's funds amounting to Rs.45.73 crore but also in avoidable transmission loss due to voltage fluctuation.

(c) Overstocking of materials

(i) The stock position of cables and accessories at Sikka Power Station showed a rise from Rs.0.23 crore (April 1991) to Rs.3.22 crore (December 1993) over a period of less than three years though the yearly average value of the cables issued to works for the period of four years from April 1991 to March 1995 was Rs.0.43 crore. Had the Board kept minimum justifiable inventory, it could have avoided locking up of funds to the tune of Rs.1 crore besides loss of interest of Rs.2.22 crore over a period from January 1992 to June 1997.

Management stated that the accumulation of huge stock was attributable to the transfer of cables from various other units due to belated supplies by the suppliers. It was, however, observed in audit that huge quantities were indented for the Sikka Power Station during the period from October 1992 to June 1993 ignoring the stock position and consumption pattern of the project leading to overstocking of materials.

(ii) A test check of records in audit of the Construction Division, Bharuch for the year 1997-98 and 1998-99 revealed that, as against the requirement of 652.49 kms. of conductors valued Rs.9.28 crore, the Division office procured 862.188 kms. of conductors valued Rs.12.27 crore. This resulted in locking up of Board's funds to the extent of Rs.2.98 crore being the value of conductors remaining unutilised (May 1999) apart from the loss of interest Rs.1.06 crore on the locked-up funds.

3.4.5.4 High Transmission & Distribtion losses

Transmission and distribution losses were higher than the norm

The Central Electricity Authority (CEA) had recommended (May 1992) a norm of 15.5 per cent for transmission & distribution (T&D) loss. Against this, the actual T&D losses in the Board were between 19.45 per cent and 21.69 per cent during the last five years up to 1997-98 as detailed in *Annexure-11*. Due to T&D losses in excess of the norm, the Board suffered loss of 7420 million units (MUs) of power valued at Rs.1187.17 crore during the above period in its system. Had the Board been able to restrict its T&D losses within the norm, it could have saved Rs.1187.17 crore and utilise the same for liquidation of dues outstanding against it to that extent during the above period.

3.4.5.5 Shortage of working capital

The irregularities highlighted in the review on Cash and Financial Management in Board in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997 - (Commercial) - Government of Gujarat still persisted. The accumulation of receivables towards enhanced security deposit has resulted not only in the short term borrowing and availment of overdrafts from the banks to meet the shortage of working capital but also payment of interest on these borrowings/overdrafts. This has ultimately resulted in the accumulation of dues towards purchase of power, fuel and other supplies besides payment of delayed payment charges due to shortage of funds.

3.4.5.6 Non maintenance of suspense register in respect of advances to suppliers

Non maintenance of suspense register for advance payment to suppliers resulted in non reconciliation of liabilities

The Board makes 80 to 95 *per cent* advance payment to the suppliers for purchase of material against transport receipt certificate and balance amount is paid after verification of supplies at site. The liability so created has to be squared up after verification of material and issue of stores receipt note. It was seen in audit that the Board has not maintained a suspense register in respect of advance payments made to various suppliers. In the absence of this essential record, the Board is not in a position to reconcile the difference between advance paid to various suppliers with liabilities on account of material received. The Board replied (December 1997) that steps are being taken to maintain the register.

3.4.5.7 Non prioritisation for liquidation of dues in budgets.

A study of the budgetary proposals in audit for the period 1994-95 to 1997-98 revealed that there was no specific allocation or priority fixed in the budgets relating to expenditure for clearance of old/current dues.

3.4.5.8 Excess payment made due to calculation error

Wrong calculation of delayed payment charges resulted in overpayment of Rs.0.22 crore

As per terms of Bulk Power Supply Agreement entered into between NPC and State Electricity Boards of western region, delayed payment charges in the form of interest were to be levied at the rate of two *per cent* per month to be counted for each day of delay from thirtieth day of the presentation of bill. NPC, however, calculated the interest to be 0.067 *per cent* per day of delay considering 360 days in a year, whereas, the same should have been 0.066 *per cent* considering 365 days in a year. Due to this mistake, NPC charged Rs.0.22 crore more to the Board for the period from April 1995 to March 1999. The Board is yet (July 1999) to take up the matter with NPC for reimbursement of the amount.

3.4.6 Consequences of delay in payment of dues

3.4.6.1 Cut in Central Plan Allocation

Delay in payment of dues to NTPC led to cut in Central Plan Allocation

(a) Due to delay in payment of dues of NTPC by the Board, an amount of Rs.9.30 crore was directly paid by the Central Government to NTPC on behalf of the Board during 1997-98 by making a cut in the Central Plan allocation meant for the State of Gujarat. This consequently also adversely affected the development activities of the Gujarat state. Amount was finally adjusted by the Board only in 1998-99 in books of accounts.

The Board could not pass on proportionate incentive incremental cost of Rs.0.97 crore to the Southern Region

(b) NTPC booked Rs.11.82 crore in 1995-96 (Rs.10.86 crore) and 1996-97 (Rs.0.96 crore) for recovery for the years 1992-93 and 1993-94 respectively on account of higher than normal plant load factor (*i.e.* 68.5 *per cent*). This claim was preferred under Section 43(A) of the Electricity (Supply) Act, 1948 read with Government of India Notification dated 10 April 1994 and 10 March 1995. The Board, while not accepting the claim initially, referred (June 1995) it to Western Regional Electricity Board (WREB) on the plea that the said notification is applicable to private generating companies. Also, they argued that since the incentive so claimed was for Korba and Vindhyachal Power Projects of NTPC, which came into existence much before the Government of India notification dated 10 April 1994, the incentive charged is not applicable to these projects. The Board further argued that during 1992-93 and 1993-94, they had supplied power to Southern Region at the instance of WREB but for want of specific provision in the tariff, the Board could not pass on the proportionate incremental cost of Rs.0.97 crore to the constituents of Southern Region. The Central Government released the payment of Rs.11.82 crore to NTPC (Rs.8.44 crore in September 1995, and Rs.3.38 crore in June 1995) by reducing Central Plan Allocation of State of Gujarat. In reply, the Board stated (September 1999) that issue of passing proportionate incremental cost of Rs.0.97 crore to Southern Region shall be taken up with WREB.

3.4.6.2 Payment of surcharge

Liability towards surcharge of Rs.111.85 crore was not provided

(a) The NTPC raised surcharge bills amounting to Rs.111.85 crore towards liabilities outstanding from April 1992 to December 1998. The Board is further subjected to the reimbursement of income tax on this surcharge as it forms a part of total income of NTPC. The Board has so far (September 1999) neither accepted nor created any liability towards surcharge or income tax in their books of accounts.

(b) For delay in making payment against purchase of power from Tarapur Atomic Power Project, the Board in 1997-98 paid delayed payment charges to the tune of Rs.6.51 crore calculated at the rate of 2 per cent per month. The monthly bill payments were delayed every month owing to which delayed payment charges were paid even though there were sufficient funds lying in the current account during the same period. The Board had neither analysed the reasons for delays in payment of monthly bills nor fixed the responsibility of its concerned employees.

(c) On account of delayed payment of monthly energy bills by the Board, NPC had demanded Rs.90.86 crore as surcharge in respect of the energy bill of December 1996 to March 1998. The Board neither paid this amount nor accounted the liability in its books of accounts.

The above matters were reported to the Government in July 1999, reply was awaited (December 1999).

Conclusion

The Board lacked a system of project wise fund allocation and of fixing priorities of liquidation of outstanding dues in budget estimates due to which the allocation of funds to various projects and liquidation of dues continued on adhoc basis which resulted in creation of idle/ incomplete assets and mounting of dues payable. The Board's inability to realise enhanced security deposits from and revenue from sale of energy from its customers adversely affected the strategy to garner the resources of the Board and led to a situation of financial crunch which aggravated the position of outstanding dues payable by the Board and consequential imposition of penalty by creditors.

Unless the Board evolve a better mechanism to ensure efficient and effective system to realise the dues from its customers and fix priorities for expenditure on various projects/schemes in its budget estimates, the outstanding dues of the Board would continue to mount.

Chapter IV

Miscellaneous topics of interest relating to Government companies and Statutory corporations

A. GOVERNMENT COMPANIES

4.1 Gujarat Small Industries Corporation Limited

4.1.1 Non recovery of dues

The Company's failure in obtaining adequate security while extending financial assistance to a firm, resulted in unrecoverable dues of Rs.1.48 crore.

The Company entered (September 1996) into an agreement with M/s.Unimetal Ispat Limited (firm) and opened (October 1996) a Letter of Credit (L/C) for Rs.4.35 crore with overseas sellers for supply of metallurgical coke to the firm who, in turn, were to supply 5,150 MT pig iron at the rate of Rs.7350 per MT *plus* excise duty before February 1997 to the Company, which was then to be sold to small industries in the State.

Although the Company had a lien over stock of coke, it failed to exercise the control over it

The firm could supply only 4214.58 MT of pig iron valuing Rs.337.07 lakh up to August 1997. Thereafter, the firm discontinued the supply as they had exhausted stock of coke and stopped manufacturing activity. Although the Company had a lien over the coke it also failed to exercise its control over it. As such, an amount of Rs.148.36 lakh (principal amount of Rs.95.10 lakh *plus* interest of Rs.53.26 lakh up to July 1999) was outstanding against the firm for which the Company had not initiated any legal proceedings (March 1999). Audit scrutiny of the transaction revealed the following:

i) Eventhough the firm had defaulted upon supply of 800 MT of pig iron costing Rs.68.17 lakh under a previous L/C opened in June 1996 in a similar arrangement, the Company proceeded to open a new L/C in September 1996.

ii) The Company did not insist upon the firm to deposit the margin money of Rs.100 lakh in cash in advance to safeguard liquidity position and also did not obtain any other security from the firm for providing the assistance.

iii) The Company had the lien over the coke imported through L/C opened on behalf of the firm and was free to sell the same in case of default by the firm in supply of pig iron. The Company failed to exercise their legal right, eventhough, the dispatches of pig iron from the firm were slow and sporadic and the supply of inferior pig iron was in notice of the Company from January 1997. In the meantime, the stocks of coke had been exhausted by the firm.

The matter was reported to Government/Company in May 1999 and their replies were awaited (December 1999).

4.2 Gujarat Mineral Development Corporation Limited

4.2.1 Loss in settlement of dues of supplier

The Company lost Rs.0.41 crore due to failure in ensuring a reasonable discount from the supplier keeping in view then prevalent bank borrowing rate.

The Company obtained a credit of Rs.2081.51 lakh from M/s.Takraf Export/Import GMBH Berlin (Germany) which was approximately 85 *per cent* of cost of plant and machinery supplied by them on turnkey basis for lignite project of the Company. As per agreement made in November 1984/December 1985, the loan was repayable in 16 half yearly instalments with interest *at the rate of* 4.5 *per cent per annum* commencing from March 1990.

With unification of two Germanies, the East German supplier who was to wind up his operation made a proposal (December 1993) for discounting of the outstanding dues with the Company and for the premature recovery of dues keeping into consideration the then prevailing interest rate in financial market of India for allowing discount on dues. As observed in audit, an amount of Rs.910.66 lakh with Rs.81.96 lakh interest was payable from September 1994 to September 1997 in seven instalments. In July 1994, the Company executed an agreement with the supplier and paid Rs.719.42 lakh as full and final settlement against the principal amount outstanding and thereby secured Rs.191.24 lakh discount calculated *at the rate of* 10.50 *per cent per annum* being the difference of interest rate prevailing (*i.e.* 15 *per cent*) and interest to be charged by the supplier (*i.e.* 4.5 *per cent*).

The Company ignored the then prevalent bank rate while arriving at settlement

Audit analysis however revealed that the borrowing rate under cash credit arrangement with bank then prevalent was 17.25 *per cent per annum* whereas the Company agreed to consider the rate of 15 *per cent per annum* as a result of which it could get discount at the rate of 10.5 *per cent per annum* instead of 12.75 *per cent per annum* (17.25 *per cent minus* 4.50 *per cent*). Thus, the Company lost Rs.40.98 lakh by way of lesser discount by ignoring prevalent bank rate of 17.25 *per cent*. Though the Company agreed to premature repayment of loan, it did not bargain with advantage particularly knowing that M/s Takraf had their compulsion due to their imminent winding up.

The Company replied (May 1999), which was also endorsed (August 1999) by the Government, that the discount rate of 10.5 per cent obtained was considered adequate and reasonable by the Company at that time, however, no reason for ignoring the borrowing rate of 17.25 per cent was given.

4.3 Gujarat Industrial Investment Corporation Limited

4.3.1 Imprudent investment of funds

The Company lost Rs.0.79 crore on an investment made in Gujarat Alkalies and Chemicals Limited, which did not earn remunerative return to service the borrowings.

For raising funds for caustic soda and captive power project, Gujarat Alkalies and Chemicals Limited (GACL) approached (February 1996) the Company, who is one of the GACL promoters, to subscribe to equity shares at a price of Rs.136.50 per share. GACL was also planning to raise part of the finance required for the project through "Euro Issue". The Company made payment of Rs.2.22 crore in June 1996 being 10 *per cent* of total value of Rs.22.17 crore of 16,24,100 shares. In the meantime, GACL abandoned (November 1997) the proposal for "Euro Issue" and instead of refunding the amount of Rs.2.22 crore collected, approached the Company to subscribe in its privately placed 14 *per cent* Fully Convertible Debentures (FCDs) by utilising the retained amount. The Company therefore applied (December 1997) for allotment of 20,81,400 number of FCDs against the conversion price of Rs.72.50 per share totalling to Rs.15.09 crore. For this, the Company in addition had paid an amount of Rs.12.87 crore in December 1997 by transferring fund which were kept under inter-corporate deposit (ICD) with GACL carrying interest of 17.5 *per cent*. As the "Euro Issue" was abandoned by GACL in November 1997, the Company should have insisted for refund of Rs.2.22 crore.

The Company suffered a loss of Rs. 67.58 lakh due to transfer of fund from ICD to FCD and further loss of Rs.11.37 lakh due to lower interest rate

The transfer of Rs.12.87 crore from 17.5 *per cent* ICD to 14 *per cent* FCDs by the Company directly resulted in loss of revenue of Rs.67.58 lakh during December 1997 to May 1999. Even on the fund of Rs.2.22 crore, the Company lost an income of Rs.11.37 lakh from June 1996 to May 1999, as the interest earned was less than the Company's borrowing rate during the period, resulted in total loss of Rs.78.95 lakh to the Company. The investment decision of the Company was also not in conformity with the recommendations made by the Committee on Public Undertakings (22nd Report of Seventh Assembly), who had directed to invariably follow the principle of reasonable return even while making investment in the companies promoted by the Company.

The Company replied (July 1999) which was also endorsed (August 1999) by the Government, that being a main promoter of GACL, the Company invested in order to help GACL in completion of the project. They further replied that funds kept in ICD with GACL was surplus available with the Company. The reply is not tenable as the fact remains that decision of the Company to invest the funds was imprudent and against the interest of the Company since ICD was fetching a higher rate of return.

4.4 Gujarat Communications and Electronics Limited

4.4.1 Avoidable loss due to payment of liquidated damages and reduction in price

The Company lost Rs.0.69 crore due to belated execution of two contracts of DOT on account of reduction in contract price and payment of liquidated damages

Department of Telecommunications (DOT) placed two purchase orders with the Company in June 1996 and October 1996 for procurement of C-DOT SBM exchanges and for the Electronic Push Button Telephone Instruments (EPBTI) at a cost of Rs.4.03 crore and Rs.4.48 crore respectively. Delivery time was allowed upto October 1996 and February 1997 respectively. However, the Company could effect delivery by March 1997 and May 1997 respectively. As per the provisions of the contract, DOT recovered liquidated damages at the rate of 0.5 *per cent* of the value of the delayed supply for each week amounting to Rs.19.07 lakh and Rs.10.88 lakh in both cases. Moreover, in both the cases, the Company had to forgo Rs.5.84 lakh and Rs.33.92 lakh on the ordered price on account of downward revision of price by DOT on the belated supply, based on lowest rates obtained by DOT for procurement of similar items in the subsequent tenders. Audit analysis on the execution of these contracts reveals that :

Execution of contract after the delivery schedule led to loss of Rs. 5.84 lakh

(i) In the case of order for supply of C-DOT SBM Exchanges, the Company could send the first lot of supply only by November 1996 due to late procurement of critical imported components. As, the Company could execute the entire contract only after the expiry of original delivery schedule by which time DOT had revised the contract price from Rs.4.03 crore to Rs.3.97 crore on which the Company suffered a loss of Rs. 5.84 lakh.

The Company spent three months in mould modification process which led to delay in delivery of EPBTI and loss of Rs.33.92 lakh

(ii) In case of order for supply of 95,000 numbers of EPBTI, the Company was aware (September 1996) that the EPBTI prescribed by DOT required complicated plastic moulds and would take at least two months in mould modification process. Despite this, the Company accepted the order (October 1996) and spent three months in the mould modifications and could establish the production only by January 1997. As such, the Company could execute its obligation under contract only in May 1997 by which time DOT revised the contract price of Rs.471.15 per unit to Rs.425.00 per unit, effective from 12 March 1997. As the Company had completed delivery of only 21,500 numbers of EPBTI up to 12 March 1997, the delivery of balance 73,500 numbers entailed loss of Rs.33.92 lakh.

The Company replied (May 1999), which was also endorsed by the Government (September 1999), that they accepted DOT terms as other manufacturers had also accepted the same. Linkage of the delivery schedule with production facility was done with view to utilise production facility. Company further replied that they intended to invoke clause of arbitration regarding price reduction made by DOT in EPBTI. Reply is not tenable as

Company should have endeavoured to complete the delivery as per schedule particularly since the rate at which order was obtained was fixed by DOT. Further, the Company's justification for going to arbitration is not clear as they had willingly accepted DOT terms and conditions.

4.4.2 Evasion of excise duty and payment of fine and penalty

The Company incurred an avoidable expenditure of Rs.0.17 crore towards fine and penalty for evading excise duty.

Central Excise Department captured excisable goods of the Company cleared under fake gate pass showing fictitious entry in Personal Ledger Account (PLA) after interception of the truck carrying these goods on 18 October 1985. A raid conducted on 19 October 1985 on its factory revealed that:

(i) Goods worth Rs.28 lakh were removed (18 October 1985) without payment of excise duty by using fake gate pass and by showing fictitious PLA entry.

(ii) Clearance of goods worth Rs.1.57 crore were earlier made between November 1983 and July 1985 to Doordarshan Kendra, without payment of excise duty.

An order was passed by the Collector of Central Excise and Customs in June 1988 for recovery of excise duty of Rs.40.51 lakh, appropriation of cash security of Rs.7.35 lakh of the Company towards fine and a penalty of Rs.15 lakh for various irregularities committed by it. The penalty was reduced to Rs.10 lakh by Customs, Excise and Gold (Control) Appellate Tribunal in August 1997 on the appeal made against the order of the Collector by the Company and this was paid in November 1997. The legal opinion sought by the Company negated availability of any further remedy (May 1998).

The Company evaded payment of excise duty by using fake gate pass

It was noticed in audit that there was a specific provision in the order placed by Doordarshan Kendra in July 1982 for reimbursement of excise duty and other taxes to the Company. Despite this provision the Company evaded payment of excise duty by using fake gate pass, by making fictitious PLA entry and by non-adherence to statutory provisions for making entry in RG-1 register (Stock Register). The Company confirmed (January 1999) that it had recovered from Doordarshan Kendra, the excise duty paid as per Excise Collector's order in June 1988.

Apart from the avoidable payment of fine and penalty of Rs.17.35 lakh, the very existence of irregularities of such a magnitude reflect adversely on reputation of a Government company.

The Company replied (May 1999), which was also endorsed by the Government (September 1999), that the goods were semi-finished equipment and were removed for testing purpose, however, in view of urgency, Company did not obtain necessary permission from excise department and used the gate pass from a book which was not in use. Regarding clearance of goods worth Rs.1.57 crore, it was stated that since bought out and imported equipment were supplied to Doordarshan Kendra, the Company opined that excise duty was not payable on such goods. It was further stated that appropriate disciplinary action was taken by the Company against the official concerned for these lapses. However, the fact remains that the Company flouted the statutory provisions for which it had to pay avoidable fine and penalty.

4.5 Gujarat State Seeds Corporation Limited

4.5.1 Unwarranted purchase of potato seeds

The abnormal procurement of potato seeds without conducting proper survey and subsequent failure of the Company to off-load the stock at the then prevailing market rate resulted in loss of Rs.0.38 crore to the Company

The Company has been procuring potato seeds since 1993-94 for the distribution among the farmers of Gujarat state. The seeds are procured every year during the quarter ending March and are stored upto November. However, the Company has no system of compiling the data in order to plan the probable seed production to be organised in the State nor it has any system of conducting any survey before the procurement of seeds. It was observed in audit that during 1996-97, the Company decided to purchase huge quantity of 8329 Quintals of potato seeds measuring nearly double the quantity purchased in 1995-96 at a cost of Rs.38.00 lakh. Abnormally high quantity was procured without any market survey or potential sales assessment. Further, sale price of Kufri Badshah Potato seed was fixed at Rs.875 per Quintal and that of H.O.S 1/13 potato seed variety at Rs.2375 per Quintal. The sale price fixed was not in accordance with prevailing market rate which had taken a nose dive due to glut of potato from Haryana, Punjab, Himachal Pradesh. Instead of buying certified seeds, farmers had resorted to using their own produce as seeds and were even distributing the same on credit. Under such depressed market situation, the Company reduced the price, however, it turned out to be much higher than prevailing market price.

Bulk of potato seeds were sold as vegetables

In the process, the Company incurred cold storage preservation cost amounting to Rs.12.16 lakh of potato seeds. The Company could sell only 640 Quintal as seeds (Rs.3.15 lakh), 5971 Quintal potato seeds as vegetable (Rs.8.80 lakh). The balance quantity of 1718 Quintals of potato seeds got spoiled. Thus, the Company incurred a loss of Rs.38.21 lakh in the activity.

The Company replied (August 1999), which was endorsed (September 1999) by Government, that the data regarding area and expected production of seeds in the State and the Country as whole was not available with the Company at the time of planning for the procurement of seeds. The reply of the Company neither contained justification for the abnormally high procurement of seeds during 1996-97 nor any reason was assigned for keeping price of potato seeds higher than prevailing market rate.

4.6 Gujarat State Forest Development Corporation Limited

4.6.1 Inadmissible facilities extended to the Chairman

The Company incurred an expenditure of Rs.0.11 crore by extending inadmissible facilities to the Chairman.

The then Chairman, Dr.Mansingh V. Bhamat, of the Company, who was appointed in August 1990, made a representation to State Government for change of his headquarters from Vadodara, the place of registered office of the Company, to Santrampur, the place where he had his own house. The State Government gave the permission (June 1991) to change his headquarters with conditions that no personal staff will be provided at Santrampur and that expenses on travel of the Chairman to and from head office at Vadodara will not be reimbursed.

In disregard to Government order the Company continued to extend the inadmissible facilities to the Chairman

It was observed in audit that the Company incurred expenditure of Rs.5.78 lakh towards pay and allowances of personal staff of the Chairman posted at Santrampur and towards cost of fuel and maintenance expenses of car provided to the Chairman during August 1990 to March 1994. The Company also incurred inadmissible expenditure of Rs.5.66 lakh in connection with accommodation provided to the Chairman at the guest house of the Company at Vadodara during the same period. The Company continued to extend the inadmissible facilities to the Chairman during the period from March 1993 to March 1994 even after the specific orders of the State Government reiterated in March 1993, specifying inadmissibility of the facilities extended. A committee proposed (January 1995) to be constituted under the directions of the State Government to report on the extent of inadmissible facilities extended by the Company to the Chairman was not constituted. The Company had not recovered dues of Rs.11.44 lakh from the Chairman who enjoyed inadmissible benefits in violation of the conditions of his service and against the specific orders of Government.

The matter was reported to the Government/Company in June 1999. The Company replied (August 1999) that recovery towards pay of personal staff and car running and maintenance expenditure can be waived by Government order with retrospective effect. Further no reason was given in reply for non-constitution of the committee as per State Government instructions. The reply of the Government was awaited (December 1999).

4.7 Gujarat State Land Development Corporation Limited

4.7.1 Excess appropriation of grant

In violation of Government of India guidelines, the Company appropriated Rs.0.53 crore in excess towards establishment and management expenditure for implementation of the centrally sponsored scheme.

The `National Watershed Development Project for Rainfed Areas' (NWDPRA) was a centrally sponsored scheme. Of the total project allocation, 75 *per cent* of the fund was given as grant-in-aid and 25 *per cent* as loan to the State Government by the Union Government, for ensuring proper and integrated development of arable and non-arable lands and drainage lines, through various programme measures such as survey, conservation, production, training of staff, treatment of drainage lines *etc.* The Company was receiving these funds through the State Government and was entitled to claim 10 *per cent* of the total cost incurred as establishment and management expenditure for implementing the project.

The excess claim and appropriation of grant was made by the Company in violation of Government of India guidelines

A test check of records of the Company relating to receipt and utilisation of the funds under the Scheme for the year 1993-94 to 1995-96 revealed that the Company had incurred an expenditure of Rs.2502.60 lakh and was entitled to claim Rs.250.26 lakh being 10 *per cent* of the total project expenditure incurred as establishment and management expenditure. However, against total entitled claim of Rs.2752.86 lakh(Rs. 2502.60 lakh plus Rs. 250.26 lakh), the Company had claimed and appropriated Rs.2806.14 lakh resulting in net excess claim of Rs.53.28 lakh which was appropriated against the grant. The excess claim and appropriation was not in conformity with the guidelines of Government of India for implementation of the NWDPRA scheme. The Government of India had clarified (May 1998) that excess expenditure, if any, on the scheme should be borne by the respective State Governments.

The matter was reported to the Government/Company in July 1999. The Company replied (August 1999) that this being an on going scheme it would be ensured that necessary adjustments would be made in the subsequent year accounts. The reply of the Company neither contain any justification nor reason for such excess appropriation of grant. The reply of the Government was awaited (December 1999).

4.8 Gujarat Rural Industries Marketing Corporation Limited

4.8.1 Avoidable payment of Income Tax

Failure in regular filing of tax returns resulted in avoidable payment of income tax of Rs.0.38 crore.

As per Section 139(1)(a) of the Income Tax Act, 1961, an assessee Company with income exceeding non-taxable limit has to file a return of income by

November/December of the assessment year. Similarly, in case of loss, it can file return of such losses under Section 139(3) of Income Tax Act to avail set off of such losses against chargeable income of subsequent years.

Audit scrutiny (November 1998) revealed that though the Company continued to incur loss from 1979-80 to 1990-91 except for 1987-88 and earned profit every year from 1991-92 onwards, it neither filed return of loss nor income during these periods on the plea of delay in finalisation of accounts and audit thereof. Moreover, the Company did not get tax audit conducted under Section 44AB of Income Tax Act.

Non-filing of return alongwith audited accounts which entailed excess payment of income tax

In order to avoid penalty for concealment of income due to non filing of returns, the Company took recourse in December 1997 to Voluntary Disclosure of Income Scheme 1997 (VDIS). The Company declared an income of Rs.304.08 lakh for the assessment years from 1992-93 to 1997-98 (including provisional figure for 1995-96 and 1996-97) and paid tax of Rs.106.43 lakh alongwith interest of Rs.2.58 lakh in December 1997 and February 1998. As the VDIS did not allow set off of losses of previous accounting years, the losses so incurred could not be allowed as set off.

In disregard to the provision of Section 210(3) of the Companies Act, 1956, the Company was in arrears in the finalisation of accounts. The Company had finalised accounts up to 1995-96 (January 1999) with a delay of 24 months to 48 months since 1983-84. Had the Company ensured timely finalisation of accounts, audit thereon and filing of the Income Tax return regularly, it could have set off its losses during the years 1983-84 to 1986-87 and 1988-89 to 1990-91 against the income earned during year 1991-92 and onwards and would have paid income tax approximately Rs.68.85 lakh only and could have saved an avoidable payment of Rs.37.58 lakh.

The matter was reported to the Government/Company in May 1999. The Company admitted (June 1999) in its reply that accounts were in arrears and they had discontinued filing of tax return since 1980-81 due to this reason. The reasons for lack of adequate efforts in expeditious completion of audit of accounts and failure in keeping the assessment open till then were however not furnished by the Company. The reply from Government was awaited (December 1999).

4.9 Gujarat State Investments Limited

4.9.1 Imprudent investment of funds

Imprudent decision of the Company to invest funds in Gujarat Alkalies and Chemical Limited had resulted in loss of Rs.0.90 crore, as the returns on the investment was less than the cost of borrowing of funds.

The Company failed to get refund of Rs.3.69 crore from GACL on abandoning of Euro issue

In order to raise funds for caustic soda and captive power project, Gujarat Alkalies and Chemicals Limited (GACL) approached (February 1996) Gujarat State Investments Limited (the Company) being one of its promoters to subscribe to its equity shares at a price of Rs.136.50 per share intended to be allotted on preferential basis. GACL was also planning to raise part of the finance required for the project through "Euro Issue". The Company made payment in June 1996 of Rs.3.69 crore being 10 *per cent* of total value of shares. GACL made in June 1996 allotment of warrants convertible with equity shares in favour of the Company. The remaining 90 *per cent* of the total value of the shares was to be paid by the Company before December 1997. In the meantime, GACL abandoned (November 1997) the proposal of "Euro Issue" made in June 1996. Instead of refunding the amount of Rs.3.69 crore collected for preferential allotment of shares not finally issued, GACL approached the Company to subscribe to its privately placed 14 *per cent* Fully Convertible Debentures (FCDs) by utilising the amount so retained by GACL. The Company in November 1997, considered the offer of GACL and applied for allotment of 983,400 number of FCDs against the conversion price of Rs.72.50 per share totalling to Rs.7.13 crore and an amount of Rs.3.44 crore was paid by the Company in November 1997 after taking into account 3.69 crore already retained by GACL.

It was observed in audit that the interest that was received by the Company was 12 *per cent per annum* on Rs.3.69 crore retained by GACL till December 1997 and thereafter, at the rate of 14 *per cent per annum* on FCDs. During the same period the Company had borrowed *at the rate of* 19 *per cent per annum* from UTI. The Company should have avoided this investment as it lost Rs.90.38 lakh by way of differential interest during June 1996 to May 1999 (till the conversion of FCD in to equity shares) on account of this investment.

The Company replied (June 1999), which was also endorsed (August 1999) by the Government, that it could get interest at the rate of 12 *per cent per annum* on the funds retained by GACL, till the allotment of FCDs in December 1997. However, the fact remains that the borrowed rate was much higher than the rate of return.

4.10 Sardar Sarovar Narmada Nigam Limited

4.10.1 Irregular payment of claim of excess sand in concrete work

The Company made overpayment of Rs.3.51 crore by admitting claim for handling excess sand content in natural aggregate which was not provided in the contract and also paid price escalation by incorrect application of indices.

The work of construction of dam across River Narmada was awarded to M/s.J.P. Associates (JPA) by the Company at a tendered cost of Rs.320 crore in April 1987. The contract specified that the natural aggregate required for production of concrete required for dam was to be obtained from the shoal of the river at Tilakwada.

M/s.JPA put forth a claim (January 1991) that sand obtained from the shoal of the river contained 38 *per cent* sand content as against 28 *per cent* indicated in the tender. As per the mix design approved for concrete, the sand content level was restricted to 21 *per cent*, therefore, M/s.JPA pleaded that the excess sand *i.e.* 17 *per cent* handled required compensation on account of quarrying, transportation, handling, disposal *etc*. The claim was examined by Sardar Sarovar Construction Advisory Committee (SSCAC) comprising representatives of Maharashtra, Rajasthan and Madhya Pradesh Governments who rejected (June 1996) the claim. However, the Company had already approved (November 1994) 50 *per cent ad hoc* payment arising out of the claim of concrete for each *per cent* of extra sand and had agreed for price escalation based on price indices of fourth quarter of 1985. The Company, therefore, made an *ad hoc* payment of Rs.3.81 crore on account of 52.21 lakh *cum.* of concrete work executed between April 1987 and September 1995 and also released an amount of Rs.3.58 crore towards price escalation and Rs.2.45 crore on account of incentive price escalation for the same period. Audit analysis revealed:

1) It was stipulated in the contract that the contractor will not be entitled to any additional compensation for the "material wasted from the deposit which includes crushed fines and excess material of any size". In view of this specific stipulation, approval of such a claim required justification within the four corners of contract. The Company had also not examined the circumstances and justification of excess sand having been taken to the dam site from shoal of the river.

Over payment of Rs.1.75 crore was made on handling charges claim

2) Though the contract indicated 28 *per cent* sand content in the natural aggregate taken from shoal of the river and the tenderers had quoted their rates accordingly, Company's Standing Committee allowed payment for every *per cent* of sand content in excess of 21 *per cent*. The Committee should have considered the excess sand beyond 28 *per cent* as was indicated in the tender and on which basis the quotations were received and accordingly if at all, should have paid Rs.2.06 crore instead of Rs.3.81 crore and should not have paid price escalation and incentive price escalation on sand handled beyond 28 *per cent*.

An excess amount Rs.1.76 crore was paid due to incorrect application of price indices

3) The Company also irregularly paid Rs.1.76 crore price escalation and incentive price escalation considering indices of the quarter ending March 1995 instead of considering the indices of the period in which the work was earlier executed.

The matter was reported to the Government/Company in July 1999; their replies had not been received (December 1999).

4.10.2 Undue financial assistance

The Company's failure in securing a valid bank guarantee and undue granting of advance against the provision of contract has exposed the Company to loss. In addition, the objectives for which the expenditure was incurred has also remained unfulfilled.

An advance of Rs.50 lakh was given to the firm although there existed no provison in the agreement

The Company decided to install 35 computers at five centers of Narmada Main Canal and placed (March 1991) an order on M/s.Concept Computers Private Limited (firm) for their supply, installation, commissioning and servicing at a cost of Rs.83.87 lakh. Though the work of commissioning of computers in these five centers was to be completed by September 1991, the firm did not execute any work till September 1991. The Company also failed in getting the validity of bank guarantee given by the firm renewed after expiry of the same in October 1991. Even though there was no provision in the agreement, the Company advanced Rs.50 lakh for opening a letter of credit (L/C) for importing the computer equipment to the firm in January 1992. As per terms of sanction of advance, the advance was to be recovered with interest at the rate of 18.5 per cent per annum through Running Account (RA) bills based on the receipt of imported equipment. The Company paid Rs.23.65 lakh in March 1992 through RA bill for the equipment imported by the firm instead of adjusting it against the advance granted.

The firm did not complete supply and failed in installation of computers in all the five centers and the work executed was not as per specifications of the agreement. In the meantime, the Company incurred an expenditure of Rs.23.39 lakh for creation of infrastructure in these centers. The firm abandoned the work in March 1993 and the Company filed a civil suit in September 1994 against the firm with no progress so far (July 1999). Since none of these centers are functioning due to incomplete work, the expenditure of Rs.47.04 lakh (Rs.23.65 *plus* Rs.23.39 lakh) remained infructuous for more than seven years. In addition, an amount of Rs.180.18 lakh (Rs.50 lakh advanced for opening L/C *plus* interest up to July 1999) has also remained unrecovered from the firm as the same was not backed by any tangible security. The Company had not fixed responsibility for the lapse. The Company replied (October 1999) that though there was no provision in the contract to extend advance of Rs.50 lakh it was extended on the request of the firm. Reasons for non adjustment of advance and instead payment of Rs.23.65 lakh through RA Bills were not given by the Company on the plea that concerned officials had retired. The reply of the Government was awaited. (December 1999).

4.10.3 Non achievement of objective in construction of staff quarters

Investment of Rs.0.90 crore towards the construction of residential quarters for accommodating specific service staff remained idle due to vacant quarters resulting in loss of interest of Rs.0.79 crore to the Company.

Constructed staff quarters were not utilised for the purpose

A mention was made in Report of Comptroller and Auditor General of India for the year 1992-93 (Commercial) - Government of Gujarat, vide para 4A.8.1 regarding idle investment of Rs.225 lakh on 516 numbers of residential quarters, constructed at Kevadia for work charged staff, lying vacant due to improper assessment of demand.

Eventhough the above quarters were lying vacant, the Company awarded during 1991-92 the work of construction of quarters for the service staff of medical, fire fighting and circuit house near the respective work places with a view to avail round the clock services. Therefore, 15 quarters for fire station staff at the cost of Rs.26.89 lakh, 19 for circuit house staff at the cost of Rs.20.42 lakh and 37 for medical staff at the cost of Rs.42.56 lakh, were completed in October 1993, November 1994 and April 1995 respectively. These quarters, however, remained vacant since construction.

Audit scrutiny revealed that the quarters for fire service were ready by October 1993, eventhough the staff for this service was yet to be recruited (July 1999). It was also seen that the Company failed to ensure utilisation of quarters built for the staff of medical and circuit house services as it had never obtained willingness of the staff to move from general pool quarters to new quarters.

Hence, the very purpose of construction of these staff quarters was defeated and also the Company lost interest of Rs.78.70 lakh (calculated at the rate of 18.5 *per cent* per annum) on the investment of Rs.89.87 lakh which remained idle for the past 3 to 5 years.

The Company replied (August 1999), which was also endorsed by the Government (September 1999), that recruitment of fire fighting staff is under consideration and medical and circuit house staff would be moved to these quarters shortly.

4.11 Gujarat State Police Housing Corporation Limited

4.11.1 Extra expenditure in awarding of contract

The Company incurred extra cost of Rs.0.14 crore due to frequent retendering

Frequent retendering led to change in Schedule of rates

The Company invited tenders in January 1997 for construction of police staff quarters at Chanasma, Mehasana district, estimated to cost Rs.69.91 lakh, based on Schedule of Rates (SOR) for 1995-96. Against the tender, 18 bidders responded, however, all the bids were rejected on the ground that solvency certificate was not produced by the lowest bidder while the solvency certificates of the second lowest and the third lowest were found inadequate. Consequently, fresh tenders were invited in April 1997 whereby, among the three bidders who responded, Payal Builders offered the lowest rates at 8.21 *per cent* above SOR (Total cost : Rs.75.65 lakh). Under the assumption that more competitive rates would be obtained, the management again decided to call for sealed offers and ignored the second round of bids. In the third round in May 1997, M.L.Patel, who were second lowest in the second round of bidding, emerged the lowest at 4.75 *per cent* above SOR (Total cost : Rs.73.23 lakh). However, instead of accepting this offer, the management again rejected the bids under the apprehension of legal complications considering that different parties had emerged as the lowest bidders in each of the three rounds of bidding. There was, however, no legal opinion on record to justify this apprehension. One more round of bidding was ordered in September 1997. By this time, the SOR was revised for 1996-97 and the estimated cost had increased to Rs.83.33 lakh. This round of bidding indicated M.L.Patel as the lowest at 11 *per cent* above SOR at the total cost of Rs.92.50 lakh and the work was awarded (December 1997) to him. Audit analysis reveals that repeated tendering involving uncertain approach to decision making resulted in increasing the total cost of the work by Rs.14.08 lakh (after taking into account Rs.5.19 lakh towards a new item of work included in subsequent tender) involving 19 *per cent* increase in a time span of 7 months apart from causing avoidable waste of administrative expenses incurred during tendering process on three occasions.

The Company replied (June 1999), which was also endorsed by the Government (September 1999), that in addition to revision of SOR, the deletion of price escalation clause in the tender of September 1997 had led to total increase in cost of work. They further replied that repeat tendering was done to avoid legal complications and to obtain more competitive rates. The reply is not tenable as in third round competitive rates to the extent of 4.75 *per cent* above SOR were obtained and speculations about legal complication was not based on valid reasons.

4.12 Gujarat State Financial Services Limited

4.12.1 Doubtful recovery of dues

Failure of the Company in adherence to prudent financial practices and disregard to prescribed procedures resulted in doubtful recovery of dues amounting to Rs.0.28 crore.

The Company, with a view to diversifying the risk and with the expectation that returns would be more than 25 *per cent*, launched (October 1994) Commercial Vehicle Finance Assistance Scheme. The scheme envisaged pre-approval field investigation report and checks after approval of the proposal. The scheme was abruptly discontinued in September 1996 and an amount of Rs.68.74 lakh was outstanding (May 1999) against 25 parties under the scheme. Test check of the records in audit between December 1994 and

August 1995 revealed that an amount of Rs.27.90 lakh was disbursed under the scheme against 5 parties who had defaulted after paying only two monthly instalments in one case and between 7 to 17 monthly instalments in other cases. Audit analysis of five cases revealed the following:

(i) All the checks envisaged at the pre-approval stage were not carried out. In one case, an amount of Rs.2.81 lakh was financed (August 1995) to a loanee without ascertaining his credibility and capacity to repay the loan. As observed in audit, the loanee had by fraudulent means utilised the fund without purchasing the vehicle and not repaid the loan. An amount of Rs.4.33 lakh remained outstanding (May 1999).

(ii) Though the Scheme envisaged hypothecation of vehicles in favour of the Company and consequential entries in the registration book and insurance policy, 4 vehicles continued to be shown as owned by the lessees who transferred these vehicles to third parties. An amount of Rs.23.84 lakh was outstanding against the lessees.

Original documents were not taken into custody

(iii) Process of recovery was hampered in litigation because original documents of registration of a number of vehicles were not in the custody of the Company.

Imprudent financial practices and non-adherence to the prescribed procedures by the Company resulted in doubtful recovery of dues amounting to Rs.28.17 lakh.

The matter was reported to the Government/Company (August 1999). The Company replied (September 1999) that it had carried out the relevant checks at the pre-approval stage and had initiated suitable legal action for the recovery. They further stated that original documents of registration of vehicles were not kept in the custody of the Company, as is the practice in this business.

The reply of the Company is not tenable as series of checks prescribed in pre-approval stage were not adequately followed. Further, as per agreement executed with loanees, the Company was to keep in custody the original documents of registration of vehicles. Moreover, the Company did not putforth any reasons for failure in ensuring hypothecation entries in Registration Book and insurance policy. The reply of the Government was awaited (December 1999).

B. STATUTORY CORPORATIONS

4.13 Gujarat Electricity Board

4.13.1 Loss of interest due to delay in claiming sales tax reimbursement

The Board's failure in compilation of the required data and backlog in preferring claims resulted in non-receipt of sales tax reimbursement of Rs.8.67 crore and consequential loss of interest of Rs.4.74 crore.

The Government of Gujarat, in January 1978, instructed all Public Sector Undertakings (PSUs) not to load Gujarat Sales Tax on supplies received by them while comparing the price of Gujarat based suppliers with those of outside suppliers and intimated that the amount spent extra in application of this procedure was reimbursable to PSUs by Government of Gujarat.

For preferring claims for reimbursement of sales tax, the Board, in turn, prescribed a quarterly statement showing claims based on the execution of supply contracts made during the quarter, which were to be preferred to the Sales Tax Department.

Audit scrutiny of relevant records revealed that there was a severe back-log in the Board in filing the claims with the Sales Tax Department and claims amounting to Rs.248.82 lakh were preferred by the Board during 1979-80 to 1994-95 covering the stores supply contracts awarded during 1979 to 1991. On this claim preferred, the Board had only received Rs.13.63 lakh (July 1999) and remaining amount of Rs.235.19 lakh was not yet received (July 1999). Thereafter, no claims were preferred by the Board. The Board intimated (January 1999) that action was being taken to prefer the claims for remaining period, the details of which were being compiled.

The claims were not preferred due to inadequate action

In Audit a test check was carried out (January 1999) to ascertain the amount blocked up in claims to be made for reimbursement of sales tax in the orders placed with suppliers of the Board for the procurement by a specific store group during 1992-93 to 1997-98. It was revealed that the Board should have preferred the claims for Rs.866.93 lakh on these orders. However, these claims have not been preferred by the Board due to inadequate action in the Board, resulting in loss of interest of Rs.473.93 lakh (calculated *at the rate* of 18.5 *per cent per annum*) on the blocked up funds.

The matter was reported to the Government/Board in May 1999; their replies were awaited (December 1999).

4.13.2 Avoidable expenditure due to non-invocation of risk purchase clause

Due to its own default the Board could not invoke risk purchase clause against the defaulting suppliers resulting in avoidable expenditure of Rs.3.12 crore in procurement of conductors.

The Board in March 1991 floated tender for supply of 2100 Kms. of 400KV ACSR Moose conductors and accorded approval for placement of order with nine firms. Bombay Conductors ("B"), the firm with whom orders for supply of 500 Kms. of Moose conductors was placed (October 1991), with due date for completion of supply by September 1992, could supply only 187 Kms. of conductors upto January 1992 and stopped supply thereafter on the plea that the Board had not released the payment in time. The Board cancelled the order with firm "B" in December 1993 without any financial liability on either side.

Follow up action after issue of risk purchase notice was not taken

In the meantime the Board had floated another tender in March 1992 for procurement of similar item of quantity 2990 Kms. and accepted the offer of eight firms. Ranka Cables ("R"), the firm with whom the order for supply of 430 Kms. of Moose conductors was placed in September 1992 with the due date of completion of supply by June 1993, supplied no material. Though the Board had issued "risk purchase notice" against the firm "R" in November 1993 the process was not followed.

The Board in March 1994, invoked the "repeat order clause" of March 1992 tender, and procured the unsupplied quantity of 743 Kms. of defaulting two firms (*i.e.* 313 Kms. of firm "B" and 430 Kms. of firm "R"). This resulted in extra expenditure of Rs.312.01 lakh to the Board on account of higher cost of procurement. Audit analysis revealed that:

1. As per the advice (October 1993) of legal cell, the Board could not invoke the risk purchase clause against firm "B" apprehending litigation as the payments were delayed by the Board. Thus, the Board owing to its own default in financial management was unable to recover Rs.153.55 lakh from firm "B".

2. Though the notice was issued to firm "R" invoking the risk purchase clause, the differential amount of Rs.158.46 lakh has also not been recovered till date due to inadequate follow up action. This has rendered the risk purchase clause meaning less.

The Board replied (September 1999), which was also endorsed by the Government (September 1999), that the unsupplied quantity of materials were procured at a price lesser than the price at which the orders were placed earlier with firm `B' and `R'. Hence, there was no additional financial burden to the Board. The reply of the Board is not tenable, as the scrutiny of relevant records in audit revealed that the Board had made payment of Rs.1042.97 lakh to four suppliers for procurement of the above materials against the originally ordered cost of Rs.759.32 lakh with firms `B' and `R'. This had resulted in extra expenditure of Rs.312.01 lakh (inclusive of Rs.28.36 GST) to the Board. The Board did not furnish the reason for lack of timely issue and pursuance of repeat order option in both the instances.

4.13.3 Loss of revenue due to delay in issue of notice

By not adhering to the instructions regarding issue of notice to the consumers, the Board sustained a loss of revenue of Rs.2.71 crore.

The Board instructed (July 1963) the field offices that once the Board is ready to supply the energy, it should be ensured that a three months notice be invariably given to the consumer to avail of the supply of energy. If the consumer fails to avail of the supply within this notice period, he will be liable to pay the minimum charges at the rate applicable on the expiry of the notice period.

During the audit of Operation and Maintenance division, Halol, it was noticed that in respect of the following cases, the divisional office had failed to ensure the timely issuance of notice, which had resulted in loss of revenue to the extent of Rs.270.68 lakh.

The procedure for billing the additional load of supply of energy was not followed

(i) A high tension consumer (M/s.Panchmahal Steels Limited) having contract demand of 16,500 KVA, was intimated (October 1996) by the Board about their readiness to release the additional load of 26,000 KVA as demanded by the consumer. However, the consumer did not turn up to avail of this additional load. As the divisional office failed to issue the three months notice in October 1996, the consumer though was to be billed from February 1997 on the total contract demand of 42,500 KVA (including the additional load), he was billed on the basis of original contract demand of 16,500 KVA only. This has resulted in loss of revenue of Rs.243.36 lakh to Board for the period from February 1997 to the date of cancellation of release order of additional load in August 1997.

(ii) Another high tension consumer (M/s.Jalan Forging Limited) having contract demand of 2,400 KVA was intimated (March 1996) by the Board about its readiness to release the additional load of 1100 KVA as demanded by him. However, the consumer did not turn up to avail this additional supply and the billing was done on the original contract demand of 2400 KVA. The three months notice was also issued to the consumer only in October 1997 instead of March 1996. As a result of belated issue of notice, the consumer could be billed on the basis of total contract demand of 3500 KVA (including additional load) only from February 1998, instead of July 1996. This has resulted in loss of revenue of Rs.27.32 lakh to Board between July 1996 and January 1998.

The Board replied (September 1999), which was also endorsed (September 1999) by the Government that M/s.Panchmahal Steels Limited neither executed the agreement for additional load nor paid the security deposit, as a result the Board had to cancel the release order, therefore, the minimum charge for additional load was not recovered by the Board. In the case of M/s.Jalan Forging Limited, it was replied that the division office could charge the minimum charges from February 1998 only, as terms for the payment of security deposit for drawing additional load was pending with the Board.

The reply of the Board is not tenable as the consumers were bound by the Board's conditions for supply of power, and absence of agreements for availing additional load with the consumer or non-settlement of payment then for security deposit were extraneous to condition for supply of power. Furthermore, the Board did not furnish any reason for delay in issue of three month notice to the consumers.

4.13.4 Loss due to inconsistency in Board's policy

The Board's decision to deviate from its usual policy in tender evaluation had resulted in an avoidable extra expenditure of Rs.0.77 crore.

In November 1996, the Board had placed orders on five firms for purchase of 90 KN disc insulators (2,73,100 numbers), 120 KN disc insulators (1,83,000 numbers) and 160 KN disc insulators (66,500 numbers) for the annual requirement of 1996-97 at a total cost of Rs.2091.80 lakh.

Due to non matching of price with the lowest tenderer and loading of tax element led to higher procurement price

The Board is entitled to get reimbursement of sales tax paid on the materials procured from local manufacturers of Gujarat, as an incentive to Gujarat firms, hence, as per directive of State Government, the Board should not load Gujarat Sales Tax (GST) on Gujarat based firms whereas Central Sales Tax (CST) was to be loaded on outside Gujarat firms to give price advantage to Gujarat based firm in tender evaluation. However, it was noticed in audit that in contravention to this usual practice four *per cent* GST was loaded on the price of Gujarat based firm which stood as first lowest (L1). Although the price of L1 was higher by 10 to 25 *per cent* in comparison with the updated variable price of these insulators in the previous procurement (November 1995) even then, L2 and L3 firms were not asked to match price with L1 firm. Thus, loading by four *per cent* of L1 resulted in unwarranted increase in procurement price. Further, by not insisting upon matching price with L1 resulted in total extra expenditure of Rs.76.54 lakh as calculated below:

Specification	Rate	Quantity (in numbers)	Value (Rupees in lakh)
90 KN Insulators	Rs.338.40	273100	924.17
120 KN Insulators	Rs.400.00	183000	732.00
160 KN Insulators	Rs.536.16 (Trial order)	6650	359.09
	Rs.540.42	59850	--------
End cost attainable			2015.26

It was also observed in audit for the annual requirement for the year 1997-98 that the Board had placed orders (September/October 1998) on the same five firms for 90 KN disc insulators (86000 numbers), 120 KN insulators (20000 numbers) and 160 KN insulators (31000 numbers) at a total end cost of Rs.562.22 lakh, however, as per usual practice, while evaluating the tender, GST was not loaded on Gujarat based firms and matching cost with L1 was insisted upon.

The Board in reply (September 1999), which was also endorsed (September 1999) by Government agreed that the GST was loaded on Gujarat based firm and stated that the orders were placed with the firms after negotiations, hence, the Board did not insist for matching the price with L1 firm. However, the fact remains that Board disregarded Government directive by loading GST on Gujarat firm and did not insist for matching price with L1 firm as is the normal practice, which had resulted in loss to the Board.

4.13.5 Avoidable extra expenditure in procurement of conductors

The Board's delay in placing the purchase order and invoking the repeat order clause of purchase agreement resulted in avoidable extra expenditure of Rs.0.45 crore in procurement of conductors.

The Board in July 1995 approved placement of orders with various firms for procurement of ACSR Moose, Zebra, Panther and Dog conductors of 683, 1400, 1100 and 1800 kilometers (Kms.) respectively to meet the annual requirement for the year 1995-96.

Orders were placed in October/November 1995 on 18 firms, of which, 10 firms regretted to accept the Board's condition to match end cost. In order to cover the quantity arising from the unaccepted offers, the Board ascertained the willingness of other eight firms in December 1995 but letters of intent could only be issued by June 1996 to five firms for 1328 Kms. of different types of conductors on the same rate as that of original order. However, three firms refused to accept the Board's order as the validity of their offer had already expired by February/May 1996. Moreover, the Board had failed to invoke the repeat order clause of contract for the procurement of uncovered quantity of conductors before the expiry of the validity of the clause (i.e. January/February 1996). As a result it was unable to avail the benefit of the then declining trend in the price of conductors, though the above orders were placed on variable price basis. Finally, the quantity of 953 Kms. regretted by these three firms was then clubbed with annual requirement for 1996-97 and the Board placed (February 1997) orders on firm price basis for procurement of the specified types of conductors. As the cost of procurement of these conductors was even higher than the updated cost of conductors of tender of 1995, the Board had to incur avoidable extra expenditure of Rs.45.37 lakh on the procurement of regretted quantity.

Repeat order clause was not invoked before the expiry of the validity of the clause

The Board in its reply (September 1999), which was also endorsed by the Government (September 1999), compared the tender prices of the previous tender with the prices at which the payment was made in the subsequent tender and in the process the Board totally ignored the fact that there was a decline in the price and the updated prices of the previous tender as on 1.7.1996 was in fact much lower in comparison to the original tender prices. Since the previous tender was at variable price basis the Board failed to utilise the declining trend in the prices of the conductors which could have been done by timely placement of order with willing firms or by invocation of the repeat order clause for un-covered quantity with willing suppliers.

4.13.6 Short recovery of revenue due to erroneous calculation of average power factor

The erroneous calculation of average power factor while preparing the energy bills of high tension consumers resulted in loss of revenue to the Board.

The Board grants permission to install Low Tension (L.T.) metering equipments on L.T. side of power transformers, till the Board is in a position to make arrangement for providing trivecstor meter/CTPT to new High tension (H.T.) consumers. In such cases of H.T. connections granted on L.T. metering system, the calculation of average power factor for monthly billing is made by subtracting 0.1 from the average power factor recorded in the L.T. metering equipments.

It was noticed (February 1999) during the audit of O & M Division, Bavla that in respect of 25 H.T. consumers with L.T. metering equipment, the divisional office of the Board had erroneously subtracted 0.01 instead of 0.1 from the average power factor recorded in L.T. meter equipment. Consequently, the average power factor was overstated which resulted in short recovery of revenue amounting to Rs.35.89 lakh either due to short levy of Power Factor adjustment charges or due to grant of irregular rebate to the consumers.

The Board replied (September 1999), which was also endorsed by the Government (September 1999), that an amount of Rs.30.72 lakh is now recovered and an amount of Rs.5.17 lakh is not yet recovered as the consumers were permanently disconnected consumers. However, the fact remains that recovery was at the instance of audit and in process there was a delay of 6 to 18 months in effecting the recovery after rectification of the mistake, resulting in loss of interest of Rs.4.93 lakh to the Board (calculated at the rate of 18.5 *per cent*) on the dues belatedly recovered. In addition, the recovery of Rs.5.17 lakh is remote, resulting in loss of interest of Rs.1.20 lakh. The Board has not assigned any reason for error and how the error had remained undetected and why no action has been taken against those responsible.

4.13.7 Avoidable extra expenditure in procurement of insulators

The Board incurred avoidable extra expenditure of Rs.0.33 crore in procurement of insulators due to delay in placement of purchase order.

The Board had invited tenders in March 1995 for procurement of 1,35,000 numbers of 90 KN and 120 KN of antifog disc insulators against the annual requirement of 1995-96. While the validity of all offers was upto 7 September 1995, the Board in August 1995 approved placement of orders with four firms *viz.,* Insulators & Electricals Co., BHEL, WS Industries Ltd., and Jayshree Insulators (firm `I', `B', `W' and `J', respectively) by distributing its total requirement of insulators among these firms with a stipulation that other three firms should match end cost (*i.e.* Rs.274.19 for 90 KN and Rs.316.73 for 120

KN insulators) of the first lowest firm, *i.e.* firm `I', who were otherwise willing to supply the entire requirement of the Board.

The Board continued its negotiations with unwilling suppliers without any result

Accordingly, the Board issued (August/September 1995) letter of intent to other three firms to accept the order at the matching end cost of lowest firm. As firm `J' accepted this term, the Board placed order in November 1995 with them. However, firm `B' and `W' did not agree to the matching end cost term. Despite this the Board continued discussion and negotiation with these firms till April 1996. As the lowest, firm `I', had by then increased the rates by 30 *per cent* over their earlier quoted rate (*i.e.* Rs.356.45 for 90 KN and Rs.411.75 for 120 KN), the Board finally decided (April 1996) to procure the uncovered quantity of 33,750 numbers of 90 KN and 40,500 numbers of 120 KN insulators from firm `J' who now were only agreeable to supply at the unit end cost of Rs.301.79 and Rs.374.44 respectively. The order was placed with firm 'J' in June 1996 which had resulted in avoidable extra expenditure of Rs.32.69 lakh in procurement of uncovered quantity. Audit analysis revealed that:

(i) Though the Board was left with a period of 78 days even after the completion of scrutiny of tenders for holding discussions and placing order within the validity of offer up to September 1995, it took decision to place order only on 25 August 1995 and continued discussions thereafter with other firms for matching end cost. As a result, it could not avail of the benefit of procurement at lowest rate from firm `I', for the entire requirement.

(ii) The Board further failed in invoking repeat order clause, as time had lapsed by then, on either firm `I' or on firm `J' who were willing to supply at matching cost as they continued the exercise of negotiations till April 1996 with unwilling suppliers without any result.

The Board replied (September 1999), which was also endorsed (September 1999) by the Government, that regretted quantity of 1995-96 tender could not be deferred for procurement against requirement of 1996-97 as user department wanted the regretted quantity of insulators on urgent basis. The Board also in their reply compared the prices of this tender with that of subsequent tender, which were higher and there by worked out potential saving because of non-deferment of procurement. The reply of the Board is not tenable, as due to urgency certificate given by the user department question of deferment to next tender and subsequent price comparison is meaningless. Further, the reply did not contain reasons for failure in placement of repeat orders during the currency of the offers.

4.13.8 Unfruitful expenditure

A series of acts of financial imprudence by the Board in procurement of nitrogen plant has resulted in unfruitful expenditure of Rs.0.19 crore and consequential loss of interest of Rs.0.07 crore while the objective of the Board to have captive nitrogen plant remained unfulfilled.

Order for supply, erection, testing and commissioning of nitrogen generation plant for 135 MW Utran Gas based power project was placed (May 1993) at a cost of Rs.34.90 lakh with M/s.Cromakem Limited (firm) by the Board. Though the entire work was to be completed by September 1993, the firm did not complete the work except for supplying the material worth Rs.3.77 lakh in January 1995. Consequently, the Board cancelled (November 1995) this order and decided to procure the nitrogen plant at the risk and cost of the firm with whom further dealings for a period of three years were stopped.

Payment was made before the receipt of material

The Board, however, based on representation made (August/October 1996) by the firm decided (December 1996) to revive the order of May 1993 with this firm ignoring their earlier decision. Accordingly, the Board placed (December 1996) an amended purchase order on the firm with revised cost of Rs.44.98 lakh and with date of completion of the work as August 1997. In addition, the Board waived the condition of security deposit by the firm and also released payment of Rs.3.36 lakh in January 1997 for the material supplied by the firm in January 1995. Subsequently, the Board made (June/October 1997) another payment of Rs.15.59 lakh to the firm against an invoice for imported material eventhough the material was not received by the Board. The material worth Rs.3.77 lakh supplied by the firm was also not used by the Board.

It was noticed in audit that the Board revived the cancelled contract without justification and ignored their own decision intending not to have any dealings with the firm for three years, waived a safeguarding condition of payment of security deposit and released payment in violation of well accepted financial norms against the goods not delivered. Hence, the series of acts of the Board resulted in unfruitful expenditure of Rs.18.95 lakh and loss of interest of Rs.7.47 lakh (calculated at the rate of 18.5 *per cent* upto July 1999). As nitrogen continues to be procured in bottles from the market even after lapse of more than 5 years and a captive nitrogen plant for Utran power project is yet to be installed.

The Board replied (September 1999), which was also endorsed by the Government (September 1999), that a criminal complaint was filed against the firm in April 1999. Reply, however, did not assign any reason for waiver of security deposit and for release of payment for goods which were never delivered.

4.14 Gujarat State Road Transport Corporation

4.14.1 Irregular payment of daily allowance

The Corporation without the prior approval of State Government made irregular payment of Rs.2.31 crore towards daily allowance.

State Government issued in October 1991 directions to all Public Sector Undertakings (PSUs) to ensure parity in pay structure and allowances with pay and allowances of State Government employees. For making changes in the pay and allowances including the daily allowance for its employees on tour, the PSUs were required to obtain prior approval of the Government.

Inspite of refusal from State Government the Corporation made payment of revised daily allowance

Audit scrutiny (July 1998) revealed that the Corporation revised (October 1992) the daily allowance of its employees with effect from January 1992 as per settlement made with employees union. As the revision of daily allowance resulted in amending the Employees Service Regulation of Corporation, the Corporation approached (November 1992) the State Government for its approval under Section 14(3) read with Section 45(2)(c) of Road Transport Corporations Act, 1950. Inspite of refusal from State Government, the revision was implemented and even after protracted correspondence State Government did not approve (May 1996) the revision of daily allowance for reasons of higher pay and allowances proposed for the employees of the Corporation compared to the employees of State Government.

Further, representation of the Corporation, made in June 1996 to the State Government stating that Government's refusal to approve the revision would result in industrial unrest was also turned down by the Government (August 1998). It was observed in audit that the Corporation incurred an extra expenditure of Rs.231.36 lakh due to implementation of the irregularly revised rate of daily allowance during the period from 1992-93 to 1998-99. Moreover, the Corporation violated directions of the State Government issued under Section 34(1) and under Section 34(2) of the Act *ibid.*

The Government replied (July 1999) that though prior approval of Government was not necessary the Corporation had sent a proposal to revise the service regulation, which was not accepted by the Government. The reply is not tenable as Government's direction of October 1991 has not been repealed and fact remains that Government has not accepted the proposal of the Corporation.

4.14.2 Avoidable payment of permit fee and motor vehicle tax

The Corporation incurred avoidable payment of Rs.1.04 crore towards permit fee and motor vehicle tax on the inter-state services operating on `temporary permit' basis since past many years.

As per the provisions of Motor Vehicles Act, 1988, the Corporation may operate inter-state routes by obtaining substantive (permanent) permit or temporary permit from the concerned transport authority. For substantive permit, Corporation operates the service after finalising with other State, the routes and the kilometers of such service, by execution of agreement, which would be published in Government Gazette of both the States.

Belated efforts were made for entering the agreements with other State Road Transport Corporations for operating inter-state service

It was observed in audit (October 1998) that during 1997-98 and 1998-99, out of 97 routes in which inter-state services were operated by five divisions of the Corporation in the areas of Rajasthan, Maharashtra and Madhya Pradesh, 54 routes were operated (December 1998) on `temporary permit' basis for a period ranging from one year to 25 years. Though the routes were permanent and were in continuation for the past many years, permanent permits for these routes were not obtained. Even the belated efforts of the Corporation in entering into agreements with Rajasthan and Maharashtra Road Transport Corporations in November 1996 and October 1997 respectively, did not yield any results as the matter regarding approval and publication of the agreements in Government Gazette were pending (February 1999) with Government of Gujarat and respective other State Governments. In the case of Madhya Pradesh, the Corporation has been operating inter-state service on temporary permit since 1985, however, it has not yet finalised any agreement (February 1999). As the validity of temporary permit was four months compared to five years in case of substantive permit, the Corporation had to incur an extra expenditure of Rs.3.79 lakh towards higher permit fee. In addition, the Corporation had to incur Rs.99.80 lakh on enhanced Motor Vehicle Tax which was leviable on the inter-state services operated on `temporary permit' basis (December 1998).

The matter was reported to the Government/Corporation in May 1999. The Corporation replied (June 1999) that delay is on account of non-finalisation and publication of inter-state services in Gazettes at State Government level. The Government endorsed (July 1999) the reply of the Corporation without assigning any reasons for delay or efforts taken to expedite the matter.

4.15 Gujarat State Financial Corporation

4.15.1 Non recovery of dues

A series of failure in non-adherence to prudent financial norms had resulted in non recovery of dues to the tune of Rs.1.85 crore, from a hire purchaser.

The Corporation disbursed hire purchase (HP) assistance of Rs.148 lakh to M/s.Sumex Chemicals (the firm) for purchase of machinery which was to be repaid in 48 instalments of Rs.4.88 lakh each from September 1996. Though the firm defaulted in repayment after payment of first instalment, the Corporation initiated action under Gujarat Public Money (Recovery of Dues) Act, 1979, only in May 1997. This recovery action was also slowed down, based on representation by the firm. The firm was referred to BIFR in October 1997. Total outstanding dues against the firm at the end of March 1999 were Rs.215.09 lakh including interest and penalty. The audit scrutiny revealed that:

The recovery action was slowed down against defaulting firm

1) In spite of irregularity in repayment of earlier two term loans disbursed by the Corporation, the fresh HP assistance to same firm was sanctioned.

2) The Corporation relied upon verbal information from the banker of firm about the financial soundness of the firm.

3) Though notice under section 138 of Negotiable Instruments Act, 1881 was issued, on dishonour of cheques, the same was never followed with the criminal case.

4) The existence of the assets purchased out of HP assistance was not ensured by timely inspection and at a belated stage, it was noticed that, assets were not present at the site. Absence of timely inspection also

ruled out possibility of re-possession of assets as provided for in the agreement.

Thus, a series of failure of the Corporation resulted in non-recovery of dues of Rs.185.49 lakh after considering security deposit of Rs.29.60 lakh.

The matter was reported to Government/Corporation in July 1999. The Corporation replied (July 1999) whichwas also endorsed (October 1999) by Government, indicated that, at that relevant time necessary risk assessment tools were not present in the financial system. They also replied that at the time of sanction report from banker was obtained, but at the time of disbursement they had to rely upon telephonic report from the banker. They further informed that the recovery action was slowed down because management of the Corporation had taken a sympathetic view.

Raghubir Singh

Ahmedabad **(Raghubir Singh)**
Dated: **Principal Accountant General (Audit) Gujarat**

16 MAR 2000

Countersigned

V.K. Shunglu

New Delhi **(V.K. Shunglu)**
Dated: **Comptroller and Auditor General of India**

22 MAR 2000

Annexure 1

Statement of companies in which State Government had invested more than Rs.10 lakh in share capital of each of such companies but which are not subject to audit by the Comptroller and Auditor General of India.

(Referred to in Preface and Paragraph 1.11)

Serial Number	Name of the Company	Amount of investment in share capital upto 1998-99 (Rupees in lakh)
1	Ahmedabad Electricity Company Limited	562.04
2	Surat Electricity Company Limited	300.30
3	Bhavnagar Electricity Company Limited	20.00

	Total	**882.34**

Annexure-2

Statement showing particulars of capital, loans/equity received out of budget, other loans and loans outstanding as on 31 March 1999 in respect of Government companies and Statutory corporations

(Referred to in paragraph no.1.2.1 and 1.2.2)

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

Serial number	Sector and name of the Company	Paid-up capital as at the end of the current year					Equity/Loans received out of Budget during the year		Other loans received during the year@	Loans outstanding at the close of 1998-99			Debt equity ratio for 1998-99 (Previous year) 4(f)/3(e)
		State Government	Central Government	Holding companies	Others	Total	Equity	Loan		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	AGRICULTURE SECTOR												
1	Gujarat Agro-Industries Corporation Limited(GAIC)	698.75	--	--	--	698.75	5.00	--	--	--	1.12	1.12	0.00:1 (0.01:1)
2	Gujarat Sheep and Wool Development Corporation Limited	228.41	188.70	--	14.25	431.36	--	--	--	--	--	--	-- (--)
3	Gujarat Water Resources Development Corporation Limited	3148.61	--	--	--	3148.61	--	50.00	--	--	--	--	-- (0.99:1)
4	Gujarat Fisheries Development Corporation Limited	193.77	--	--	--	193.77	--	123.00	--	228.57	--	228.57	1.18:1 (0.66:1)
5	Gujarat Dairy Development Corporation Limited	1045.81	--	--	--	1045.81	--	--	--	3453.28	3002.74	6456.02	6.17:1 (2.43:1)
6	Gujarat State Seeds Corporation Limited	135.00	18.00	--	--	153.00	--	--	--	--	--	--	-- (--)
7	Gujarat State Land Development Corporation Limited	344.91	--	--	--	344.91	36.00	-- 166.00	--	135.00	--	135.00	0.39:1 (0.43:1)
	Sector wise total	**5795.26**	**206.70**	**---**	**14.25**	**6016.21**	**41.00**	**339.00**	**---**	**3816.85**	**3003.86**	**6820.71**	**1.13:1**
	INDUSTRY SECTOR												
8	Gujarat Small Industries Corporation Limited	378.95	--	--	21.05	400.00	--	--	--	383.02	150.00	533.02	1.33:1 (13.94:1)
9	Gujarat State Petroleum Corporation Limited (GSPC Ltd.)	2145.97	--	--	525.00	2670.97	2000.00	--	--	--	--	--	-- (--)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
10	Gujarat State Leather Industry Development Corporation Limited	190.00	--	--	--	190.00	--	--	--	--	--	--	-- (--)
	Sector wise total	**2714.92**	--	--	**546.05**	**3260.97**	**2000.00**	--	--	**383.02**	**150.00**	**533.02**	**0.16:1**
	ENGINEERING SECTOR												
11	Gujarat Tractor Corporation Limited	1530.20	--	--	--	1530.20	--	--	--	816.82	96.45	913.27	0.60:1 (0.62:1)
	Sector wise total	**1530.20**	--	--	--	**1530.20**	--	--	--	**816.82**	**96.45**	**913.27**	**0.60:1**
	ELECTRONICS SECTOR												
12	Gujarat Communications and Electronics Limited	1245.01	--	--	--	1245.01	--	--	--	90.00	893.03	983.03	0.79:1 (0.95:1)
13	Gujarat Trans-Receivers Limited (Subsidiary of GIIC)##	---	---	14.79	14.21	29.00	--	--	--	--	29.00	29.00	1.00:1 (1.00:1)
	Sector wise total	**1245.01**	---	**14.79**	**14.21**	**1274.01**	--	--	--	**90.00**	**922.03**	**1012.03**	**0.79:1**
	TEXTILES SECTOR												
14	Gujarat State Textile Corporation Limited(GSTC) (under liquidation)	392.50 4254.23*	--	--	--	392.50 4254.23*	--	--	--	34012.12	--	34012.12	86.66:1 (86.66:1)
15	Gujarat Fintex Limited (under liquidation, subsidiary of GSTC)	@	**	--	--	*	--	--	--	--	0.80	0.80	-- (--)
16	Gujarat Siltex Limited (under liquidation, subsidiary of GSTC)	@	**	--	--	*	--	--	--	--	0.80	0.80	-- (--)
17	Gujarat Texfab Limited (under liquidation, subsidiary of GSTC)	@	**	--	--	*	--	--	--	--	0.80	0.80	-- (--)
	Sector wise total	**392.50** **4254.23***	---	---	---	**392.50** **4254.23***	--	--	--	**34012.12**	**2.40**	**34014.52**	**86.66:1**

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	HANDLOOM AND HANDICRAFT SECTOR												
18	Gujarat State Handicrafts Development Corporation Limited	247.92 13.00*	23.00	--	--	270.92 13.00*	38.00	45.00	--	180.40	270.00	450.40	1.66:1 (1.77:1)
19	Gujarat State Handloom Development Corporation Limited	548.25	85.67	--	2.00	635.92	62.00	75.00	--	375.43	4.93	380.36	0.60:1 (0.49:1)
	Sector wise total	**796.17** **13.00***	**108.67**	**--**	**2.00**	**906.84** **13.00***	**100.00**	**120.00**	**--**	**555.83**	**274.93**	**830.76**	**0.92:1**
	FOREST SECTOR												
20	Gujarat State Forest Development Corporation Limited	372.76 16.49*	30.00	--	--	402.76 16.49*	16.49	--	--	--	440.22	440.22	1.09:1 (1.41:1)
	Sector wise total	**372.76** **16.49***	**30.00**	**--**	**--**	**402.76** **16.49***	**16.49**	**--**	**--**	**--**	**440.22**	**440.22**	**1.09:1**
	MINING SECTOR												
21	Gujarat Mineral Development Corporation Limited	2353.20	--	--	826.80	3180.00	--	--	--	--	--	--	-- (--)
22	Gujarat State Petronet Limited (Subsidiary of GSPC Limited)	---# 200.00*	--	--	--	---# 200.00*	--	--	--	--	--	--	-- (--)
	Sector wise total	**2353.20** **200.00***	**--**	**--**	**826.80**	**3180.00** **200.00***	**--**	**--**	**--**	**--**	**--**	**--**	**--**
	CONSTRUCTION SECTOR												
23	Gujarat State Construction Corporation Limited	500.00	--	--	--	500.00	--	--	--	299.24	--	299.24	0.60:1 (0.43:1)
24	Gujarat State Police Housing Corporation Limited	5000.00	--	--	--	5000.00	--	--	--	--	2165.03	2165.03	0.43:1 (0.47:1)
	Sector wise total	**5500.00**	**--**	**--**	**--**	**5500.00**	**--**	**--**	**--**	**299.24**	**2165.03**	**2464.27**	**0.45:1**
	AREA DEVELOPMENT SECTOR												
25	Gujarat State Rural Development Corporation Ltd.	58.00	--	--	--	58.00	--	--	--	--	--	--	-- (--)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
26	Gujarat Growth Centres Development Corporation Ltd.	1509.00	1700.00	--	--	3209.00	--	--	--	--	--	--	-- (--)
	Sector wise total	**1567.00**	**1700.00**	**--**	**--**	**3267.00**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
	ECONOMICALLY WEAKER SECTION SECTOR												
27	Gujarat Scheduled Castes Economic Development Corporation Limited	765.00	735.55	--	--	1500.55	--	--	--	--	1671.71	1671.71	1.11:1 (--)
28	Gujarat Women Economic Devlopment Corporation Ltd.	432.00	170.05	--	--	602.05	50.00	--	--	--	--	--	-- (--)
	Sector wise total	**1197.00**	**905.60**	**--**	**--**	**2102.60**	**50.00**	**--**	**--**	**--**	**1671.71**	**1671.71**	**0.80:1**
	PUBLIC DISTRIBUTION SECTOR												
29	Gujarat State Civil Supplies Corporation Limited	1000.00	--	--	--	1000.00	--	--	1500.00	140.76	1000.00	1140.76	1.14:1 (1.71:1)
	Sector wise total	**1000.00**	**--**	**--**	**--**	**1000.00**	**--**	**--**	**1500.00**	**140.76**	**1000.00**	**1140.76**	**1.14:1**
	TOURISM SECTOR												
30	Tourism Corporation of Gujarat Limited	1318.80	--	--	--	1318.80	500.00	--	--	335.40	56.60	392.00	0.30:1 (0.71:1)
	Sector wise total	**1318.80**	**--**	**--**	**--**	**1318.80**	**500.00**	**--**	**--**	**335.40**	**56.60**	**392.00**	**0.30:1**
	POWER SECTOR												
31	Gujarat State Energy Generation Limited (a subsidiary of GSPC Ltd.)	--	--	1000.00	--	1000.00	--	--	--	--	--	--	-- (--)
	Sector wise total	**--**	**--**	**1000.00**	**--**	**1000.00**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
	FINANCING SECTOR												
32	Gujarat Industrial Investment Corporation Limited	6915.70	--	--	--	6915.70	--	3579.00	--	35335.98	65032.26	100368.24	14.51:1 (14.05:1)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
33	Gujarat State Investments Limited	49476.91	--	--	--	49476.91	1039.00	--	--	--	1250.00	1250.00	0.03:1 (0.05:1)
34	Gujarat State Financial Services Limited	2100.00 528.00*	--	--	--	2100.00 528.00*	--	--	--	--	--	--	-- (--)
	Sector wise total	**58492.61** **528.00***	**--**	**--**	**--**	**58492.61** **528.00***	**1039.00**	**3579.00**	**--**	**35335.98**	**66282.26**	**101618.24**	**1.74:1**
	MISCELLANEOUS SECTOR												
35	Gujarat State Export Corporation Limited	8.49	--	--	6.51	15.00	--	--	--	--	--	--	-- (0.80:1)
36	Gujarat Rural Industries Marketing Corporation Limited	659.26	--	--	--	659.26	48.00	48.00	--	209.74	--	209.74	0.32:1 (0.35:1)
37	The Film Development Corporation of Gujarat Limited	82.10	--	--	--	82.10	--	--	--	--	--	--	-- (--)
38	Sardar Sarovar Narmada Nigam Limited	587064.22 27606.18*	--	--	--	587064.22 27606.18*	103513.33	--	--	--	232844.09	232844.09	0.40:1 (0.41:1)
39	Alcock Ashdown (Gujarat) Ltd.	600.00	--	--	400.00	1000.00	--	--	--	--	--	--	-- (--)
40	Gujarat National Highways Limited	1000.00	600.00	--	--	1600.00	--	--	--	--	--	--	-- (--)
41	Gujarat Informatics Limited	$	--	--	--	--	--	--	--	--	--	--	-- (--)
	Sector wise total	**589414.07** **27606.18***	**600.00**	**--**	**406.51**	**590420.58** **27606.18***	**103561.33**	**48.00**	**--**	**209.74**	**232844.09**	**233053.83**	**0.39:1**
	TOTAL - A (All Sector wise Government Companies)	***673689.50*** ***32617.90****	***3550.97***	***1014.79***	***1809.82***	***680065.08*** ***32617.90****	***107307.82***	***4086.00***	***1500.00***	***75995.76***	***308909.58***	***384905.34***	***0.57:1***
	Statutoty corporations												
	POWER SECTOR												
42	Gujarat Electricity Board	--	--	--	--	--	--	38507.00	270592.00	374066.00	270592.00	644658.00	-- (--)
	Sector wise total	**--**	**--**	**--**	**--**	**--**	**--**	**38507.00**	**270592.00**	**374066.00**	**270592.00**	**644658.00**	**--**
	TRANSPORT												

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
43	Gujarat State Road Transport Corporation	36606.82	12414.32	--	--	49021.14	3500.00	151.70	--	--	11514.42	11514.42	0.23:1 (0.15:1)
	Sector wise total	**36606.82**	**12414.32**	**--**	**--**	**49021.14**	**3500.00**	**151.70**	**--**	**--**	**11514.42**	**11514.42**	**0.23:1**
	FINANCE												
44	Gujarat State Financial Corporation	4909.04	--	--	4483.41	9392.45	--	--	--	792.30	106522.82	107315.12	11.43:1 (10.82:1)
	Sector wise total	**4909.04**	**--**	**--**	**4483.41**	**9392.45**	**--**	**--**	**--**	**792.30**	**106522.82**	**107315.12**	**11.43:1**
	AGRICULTURE AND ALLIED												
45	Gujarat State Warehousing Corporation	200.00	200.00	--	--	400.00	--	--	--	--	--	--	-- (--)
	Sector wise total	**200.00**	**200.00**	**--**	**--**	**400.00**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
	MISCELLANEOUS												
46	Gujarat Industrial Development Corporation	--	--	--	--	--	--	--	--	528.98	1853.00	2381.98	-- (--)
	Sector wise total	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**528.98**	**1853.00**	**2381.98**	**--**
	TOTAL-B (All Sector wise Statutory Corporations)	***41715.86***	***12614.32***	**--**	***4483.41***	***58813.59***	***3500.00***	***38658.70***	***270592.00***	***375387.28***	***390482.24***	***765869.52***	***13.02***
	GRAND TOTAL(A+B)	***715405.36 32617.90****	***16165.29***	***1014.79***	***6293.23***	***738878.67 32617.90****	***110807.82***	***42744.70***	***272092.00***	***451383.04***	***699391.82***	***1150774.86***	***1.56***

* - Share application money.

@ - Share capital Rs 200 only.

\# - Share capital Rs.700 only.

$ - Even the first accounts were not received.

\#\# - Latest information provided by the Company for the year 1994-95 only.

ANNEXURE-3

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

(Referred to in Paragraph no.1.7)

(Figures in columns 7 to 12 are Rupees in lakh)

Serial number	Sector and Name of Public Sector Undertakings	Name of Department	Date of Incorporation	Period of Accounts	Year in which accounts finalised	Net Profit(+)/ Loss(-)	Net impact of Audit	Paid-up Capital	Accumulated Profit(+)/ loss(-)	Capital employed (a)	Total return on capital employed	Percentage of return on capital employed	Arrears of accounts in terms of years	Status of the Company/ Corporation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
A	**Government Companies**													
	AGRICULTURE SECTOR													
1	Gujarat Agro-Industries Corporation Limited(GAIC)	Agriculture, Co-operation and Rural Development	9 May 1969	1997-98	1998-99	(-)73.29	--	688.75 5.00*	1049.66	1672.60	9.90	0.59	1	Working
2	Gujarat Sheep and Wool Development Corporation Limited	Agriculture, Co-operation and Rural Development	9 December 1970	1997-98	1999-2000	(-)40.86	(-)2.33	381.36 50.00*	(-)19.16	477.19	(-)34.24	--	1	--do--
3	Gujarat Water Resources Development Corporation Limited	Irrigation	3 May 1971	1997-98	1999-2000	(-)46.75	--	3148.61	(-)4163.37	10174.60	(-)28.92	--	1	--do--
4	Gujarat Fisheries Development Corporation Limited	Ports and Fisheries	17 December 1971	1996-97	1999-2000	(-)86.42	0.72	193.77	(-)332.45	106.96	(-)63.45	--	2	--do--
5	Gujarat Dairy Development Corporation Limited	Agriculture, Co-operation and Rural Development	29 March 1973	1997-98	1999-2000	(-)1286.16	--	1045.81	(-)7170.43	950.33	(-)1081.12	--	1	--do--
6	Gujarat State Seeds Corporation Limited	Agriculture, Co-operation and Rural Development	16 April 1975	1997-98	1998-99	(+)85.94	--	153.00	(+)804.98	1768.37	88.22	4.99	1	--do--
7	Gujarat State Land Development Corporation Limited	Agriculture, Co-operation and Rural Development	28 March 1978	1996-97	Under process	(-)186.90	--	239.83 30.00*	(-)6713.96	(-)5433.60	(-)57.59	--	3	--do--
	Sector wise total					**(-)1634.44**	**(-)1.61**	**5851.13** **85.00***	**(-)16544.73**	**9716.45**	**(-)1167.2**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	INDUSTRY SECTOR													
8	Gujarat Small Industries Corporation Limited	Industries and Mines	26 March 1962	1996-97	1998-99	(-)576.35	--	400.00	(-)457.05	6928.33	675.02	9.74	2	Working
9	Gujarat State Petroleum Corporation Limited	Energy and Petrochemicals	29 January 1978	1997-98	1998-99	938.47	--	2361.11 200.00*	(+)1329.60	1973.09	938.47	47.56	1	--do--
10	Gujarat State Leather Industry Development Corporation Limited	Industries and Mines	9 March 1990	1997-98	1998-99	(-)28.27	--	190.00 25.41*	(-)69.24	145.96	(-)28.27	--	1	--do--
	Sector wise total					**333.85**	**--**	**2951.11** **225.41***	**803.31**	**9047.38**	**585.22**			
	ENGINEERING SECTOR													
11	Gujarat Tractor Corporation Limited	Agriculture, Co-operation and Rural Development	31 March 1978	1997-98	1998-99	37.37	--	1530.20	(-)867.39	2027.09	208.91	10.31	1	--do--
	Sector wise total					**37.37**	**--**	**1530.20**	**(-)867.39**	**2027.09**	**208.91**			
	ELECTRONICS SECTOR													
12	Gujarat Communications and Electronics Limited	Industries and Mines	30 May 1975	1997-98	1998-99	141.86	--	1245.01	482.64	7337.07	986.56	13.45	1	--do--
13	Gujarat Trans-Receivers Limited (Subsidiary of GIIC)	Industries and Mines	26 March 1981	1993-94	Under process	(-)171.77	--	29.00	(-)281.34	(-)77.46	(-)140.47	--	5	--do--
	Sector wise total					**(-)29.91**	**--**	**1274.01**	**201.30**	**7259.61**	**846.09**			
	TEXTILES SECTOR													
14	Gujarat State Textile Corporation Limited(GSTC)@	Industries and Mines	30 November 1968	1996-97	Under process	(-)29755.34	--	392.50 4254.23*	(-)90855.00	(-)24162.81	(-)24880.57	--	2	Under liquidation
15	Gujarat Fintex Limited (subsidiary of GSTC)	Industries and Mines	20 September 1992	1994-95	1995-96	(-)0.08	--	**	(-)0.17	(-)0.01	(-)0.08	--	4	--do--
16	Gujarat Siltex Limited (subsidiary of GSTC)	Industries and Mines	20 September 1992	1994-95	1995-96	(-)0.08	--	**	(-)0.18	(-)0.19	(-)0.08	--	4	--do--
17	Gujarat Texfab Limited (subsidiary of GSTC)	Industries and Mines	20 September 1992	1994-95	1995-96	(-)0.08	--	**	(-)0.18	(-)0.19	(-)0.08	--	4	--do--
	Sector wise total					**(-)29755.58**	**--**	**392.50** 4254.23*	**(-)90855.53**	**(-)24163.2**	**(-)24880.81**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	HANDLOOM AND HANDICRAFT SECTOR													
18	Gujarat State Handicrafts Development Corporation Limited	Industries and Mines	10 August 1973	1997-98	1999-2000	(-)193.19	--	232.92 23.00*	(-)714.53	66.50	(-)165.68	--	1	Working
19	Gujarat State Handloom Development Corporation Limited	Industries and Mines	12 November 1979	1997-98	1999-2000	(-)152.74	--	414.00 159.92*	(-)423.63	574.65	(-)94.97	--	1	--do--
	Sector wise total					**(-)345.93**	**--**	**646.92 182.92***	**(-)1138.16**	**641.15**	**(-)260.65**			
	FOREST SECTOR													
20	Gujarat State Forest Development Corporation Limited	Forest and Environment	20 August 1976	1997-98	1999-2000	(-)8.13	12.79	402.76	850.37	2196.61	(-)7.00	--	1	--do--
	Sector wise total					**(-)8.13**	**12.79**	**402.76**	**850.37**	**2196.61**	**(-)7.00**			
	MINING SECTOR													
21	Gujarat Mineral Development Corporation Limited	Industries and Mines	15 May 1963	1998-99	1999-2000	14139.15	--	3180.00	2141.39	34581:99	14161.36	40.95	--	--do--
22	Gujarat State Petronet Limited (Subsidiary of GSPC Ltd.)	Energy and Petrochemicals	23 December 1998	#	--	--	--	--	--	--	--	--	1	Pre-operative
	Sector wise total					**14139.15**	**--**	**3180.00**	**2141.39**	**34581.99**	**14161.36**			
	CONSTRUCTION SECTOR													
23	Gujarat State Construction Corporation Limited	Roads and Buildings	16 December 1974	1997-98	1998-99	(-)257.88	--	500.00	(-)1770.86	1319.84	(-)175.76	--	1	Working
24	Gujarat State Police Housing Corporation Limited	Home	1 November 1988	1995-96	1998-99	Capitalised	--	3479.59	--	5719.68	--	--	4	--do--
	Sector wise total					**(-)257.88**	**--**	**3979.59**	**(-)1770.86**	**7039.52**	**(-)175.76**			
	AREA DEVELOPMENT SECTOR													
25	Gujarat State Rural Development Corporation Limited	Agriculture, Co-operation and Rural Deveopment	7 July 1977	1996-97	1998-99	39.23	--	58.00	15.43	73.52	39.23	53.36	2	--do--
26	Gujarat Growth Centres Development Corporation Limited	Industries and Mines	14 December 1994	1997-98	1998-99	0.24	--	2509.02 700.00*	14.05	3207.88	0.24	0.01	1	--do--
	Sector wise total					**39.47**	**--**	**2567.02 700.00***	**29.48**	**3281.40**	**39.47**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	ECONOMICALLY WEAKER SECTION SECTOR													
27	Gujarat Scheduled Castes Economic Development Corporation Limited	Social Welfare	29 November 1979	1993-94	1999-2000	48.11	--	1218.07 200.66*	454.22	[illegible]8.73	62.57	2.79	5	--do--
28	Gujarat Women Economic Development Corporation Limited	Industries and Mines	16 August 1988	1997-98	1998-99	12.91	--	552.05 50.00*	(b)	607.54	13.09	2.15	1	--do--
	Sector wise total					**61.02**	**--**	**1770.12** **250.66***	**454.22**	**2846.27**	**75.66**			
	PUBLIC DISTRIBUTION SECTOR													
29	Gujarat State Civil Supplies Corporation Limited	Food & Civil Supplies	26 September 1980	1997-98	1999-2000	(-)186.29	--	1000.00	(-)109.75	4824.37	489.90	10.15	1	--do--
	Sector wise total					**(-)186.29**	**--**	**1000.00**	**(-)109.75**	**4824.37**	**489.90**			
	TOURISM SECTOR													
30	Tourism Corporation of Gujarat Limited	Information, Broadcasting and Tourism	10 June 1975	1996-97	1998-99	(-)142.61	--	817.80	(-)1805.98	362.17	(-)31.30	--	2	Working
	Sector wise total					**(-)142.61**	**--**	**817.80**	**(-)1805.98**	**362.17**	**(-)31.30**			
	POWER SECTOR													
31	Gujarat State Energy Generation Limited (Subsidiary of GSPC Ltd.)	Energy and Petrochemicals	30 December 1998	1998-99	1999-2000	(-)1.74	--	1000.00	(-)1.74	932.74	(-)1.74	--	--	--do--
	Sector wise total					**(-)1.74**	**--**	**1000.00**	**(-)1.74**	**932.74**	**(-)1.74**			
	FINANCING SECTOR													
32	Gujarat Industrial Investment Corporation Limited	Industries and Mines	12 August 1968	1997-98	1998-99	4425.66	--	6915.70	6140.65	108106.39	15836.43	14.65	1	--do--
33	Gujarat State Investments Limited	Industries and Mines	29 January 1988	1997-98	1998-99	1925.33	--	46664.45 1773.46*	(-)425.67	52374.70	2602.37	4.97	1	--do--
34	Gujarat State Financial Services Limited	Finance	20 November 1992	1998-99	1999-2000	601.48	--	2100.00 528.00*	639.00	28239.90	3865.55	13.69	--	--do--
	Sector wise total					**6952.47**	**--**	**55680.15** **2301.46***	**6353.98**	**188720.99**	**22304.35**			
	MISCELLANEOUS SECTOR													
35	Gujarat State Export Corporation Limited	Industries and Mines	14 October 1965	1997-98	1999-2000	12.83	(-)43.17	15.00	278.49	301.80	13.00	4.31	1	--do--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
36	Gujarat Rural Industries Marketing Corporation Limited	Industries and Mines	16 May 1979	1997-98	1998-99	39.81	--	611.26	1.63	836.30	62.34	7.45	1	--do--
37	The Film Development Corporation of Gujarat Limited	Information, Broadcasting and Tourism	4 February 1984	1996-97	1999-2000	(-)6.18	--	82.11 17.90*	(-)16.82	83.19	(-)6.18	--	2	--do--
38	Sardar Sarovar Narmada Nigam Limited	Narmada, Water Resources and Water Supply	24 March 1988	1997-98	1998-99	(c)	--	483551.00 27882.00*	(b)	576313.00	--	--	1	Pre-operative (Under Construction)
39	Alcock Ashdown (Gujarat) Ltd.	Industries and Mines	5 September 1994	1997-98	1998-99	42.75	--	1000.00	(-)73.12	1716.84	52.90	3.08	1	--do--
40	Gujarat National Highways Limited	Roads and Buildings	8 July 1997	1997-98	1998-99	9.59	--	(d) 1000.00*	6.23	1006.96	9.59	0.95	1	Pre-operative
41	Gujarat Informatics Limited	Information Technology	19 February 1999	--	--	--	--	--	--	--	--	--	--	--do--
	Sector wise total					**98.80**	**(-)43.17**	**485259.37** **28899.90***	**196.41**	**580258.09**	**131.65**			
	Total - A (Sector wise all Government companies)					**(-)10700.38**	**(-)29.99**	**568302.68** **36899.58***	**(-)102063.68**	**829572.63**	**12318.15**			
B	**Statutory corporations**													
	POWER SECTOR													
42	Gujarat Electricity Board	Energy and Petrochemicals	1 May 1960	1997-98	Under process	11948.00	--	--	77162.00	728085.00	83020.00	11.40	1	Working
	Sector wise total					**11948.00**	**--**	**--**	**77162.00**	**728085.00**	**83020.00**			
	TRANSPORT													
43	Gujarat State Road Transport Corporation	Home	1 May 1960	1997-98	1999-2000	(-)20765.57	(-)6104.62	43734.34	(-)68299.88	(-)16789.84	(-)17550.68	--	1	Working
	Sector wise total					**(-)20765.57**	**(-)6104.62**	**43734.34**	**(-)68299.88**	**(-)16789.84**	**(-)17550.68**			
	FINANCE													
44	Gujarat State Financial Corporation	Industries and Mines	1 May 1960	1998-99	Under process	1620.20	(-)3434.11	9392.45	1414.88	128738.45	19411.92	15.08	--	Working
	Sector wise total					**1620.20**	**(-)3434.11**	**9392.45**	**1414.88**	**128738.45**	**19411.92**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	AGRICULTURE AND ALLIED													
45	Gujarat State Warehousing Corporation	Agriculture, Co-operation and Rural Development	5 December 1960	1997-98	Under process	13.53	(-)0.47	400.00	(-)13.67	[illegible].43	13.53	1.64	1	Working
	Sector wise total					**13.53**	**(-)0.47**	**400.00**	**(-)13.67**	**824.43**	**13.53**			
	MISCELLANEOUS													
46	Gujarat Industrial Development Corporation	Industries and Mines	4 August 1962	1996-97	1998-99	3159.26	--	--	4385.74	72041.10	4041.14	5.61	2	Working
	Sector wise total					**3159.26**	**--**	**--**	**4385.74**	**72041.10**	**4041.14**			
	Total - B (Sector wise all Statutory corporations)					**(-)4024.58**	**(-)9539.20**	**53526.79**	**14649.07**	**912899.14**	**88935.91**			
	Grand Total (A+B)					**(-)14724.96**	**(-)9569.19**	**621829.47** **36899.58***	**(-)87417.61**	**1742471.77**	**101254.06**			

@ - Figures are provisional and upto February 1997.
** - Paid-up capital Rs.200 only.
* - Share application money.
# - Even first account not finalised.
(a) Capital employed represents net fixed assets (including capital work-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).
(b) Excess of income over expenditure taken to non-plan grants.
(c) Under construction
(d) Rs.70 only.

ANNEXURE-4

Statement showing subsidy received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 1999

(Referred to in Paragraph 1.4)

(Figures in columns 3(a) to 7 are in Rupees in lakh)

Sl. No.	Name of the Public sector undertaking	**Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year*					Waiver of dues during the year				Loans on which moratorium allowed	Loan converted into equity during the year
		Central Government	State Government	Others	Total	Cash Credit from Banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest wavied	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
A.	**Government companies**															
1	Gujarat Agro Industries Corporation Limited	293.00	1744.41	--	2037.41	--	--	--	--	--	--	--	--	--	--	--
2	Gujarat Sheep and Wool Development Corporation Limited	--	305.78	--	305.78	--	--	--	--	--	--	--	--	--	--	--
3	Gujarat Water Resources Development Corporation Ltd.	3318.55	--	--	3318.55	--	-- (2000.00)	--	--	-- (2000.00)	--	--	--	--	--	--
4	Gujarat Fisheries Development Corporation Ltd.	--	--	--	--	--	--	-- (6.00)	--	-- (6.00)	--	--	--	--	--	--
5	Gujarat State Land Development Corporation Ltd.	--	6205.05	--	6205.05	-- (246.80)	--	--	--	-- (246.80)	--	--	--	--	--	--
6	Gujarat Small Industries Corporation Limited	--	--	--	--	--	-- (150.00)	--	--	-- (150.00)	--	--	--	--	--	--
7	Gujarat State Leather Industries Development Corporation Limited	--	2.50	--	2.50	--	--	--	--	--	--	--	--	--	--	--
8	Gujarat State Export Corporation Limited	--	48.80	--	48.80	--	--	--	--	--	--	--	--	--	--	--

(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
9	Gujarat State Handicrafts Development Corporation Ltd.	5.00	199.00	--	204.00	--	--	--	--	--	--	--	--	--	--	--
10	Gujarat State Handloom Development Corporation Ltd.	--	98.55	--	98.55	175.00 (175.00)	--	--	--	175.00 (175.00)	--	--	--	--	--	--
11	Gujarat State Forest Development Corporation Ltd.	--	68.00	--	68.00	--	-- (440.22)	--	--	-- (440.22)	--	--	--	--	--	--
12	Gujarat State Petronet Limited	--	--	10.00	10.00	--	--	--	--	--	--	--	--	--	--	--
13	Gujarat State Police Housing Corporation Limited	--	3091.87	--	3091.87	--	471.99 (3892.10)	--	--	471.99 (3892.10)	--	--	--	--	--	--
14	Gujarat Scheduledcaste Economic Development Corporation Limited	300.00	--	--	300.00	--	2500.00 (3704.79)	--	--	2500.00 (3704.79)	4.50	--	--	4.50	--	--
15	Gujarat Women Economic Development Corporation Ltd.	81.53	154.30	53.30	289.13	--	--	--	--	--	--	--	--	--	--	--
16	Gujarat State Civil Supplies Corporation Limited	--	14.53	--	14.53	--	--	--	--	--	--	--	--	--	--	--
17	Gujarat Industrial Investment Corporation Limited	--	228.65	--	228.65	--	-- (2354.00)	--	--	-- (2354.00)	--	--	--	--	--	--
18	Tourism Corporation of Gujarat Limited	30.00	730.30	--	760.30	--	--	--	--	--	--	--	--	--	--	500.00
20	Gujarat Rural Industries Marketing Corporation Limited	--	23.00	--	23.00	--	--	--	--	--	--	--	--	--	--	--
21	Sardar Sarovar Narmada Nigam Limited	--	--	--	--	--	-- (8208.00)	--	19000.00 (19000.00)	19000.00 (27208.00)	--	--	--	--	--	--
	TOTAL - A	**4028.08**	**12914.74**	**63.30**	**17006.12**	**175.00 (421.80)**	**2971.99 (20749.11)**	**-- (6.00)**	**19000.00 (19000.00)**	**22146.99 (40176.91)**	**4.50**	**--**	**--**	**4.50**	**--**	**500.00**

(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
B.	**Statutory corporations**															
	Power Sector															
22	Gujarat Electricity Board	--	148309.85 {2149.44}	--	148309.85	-- (33500.00)	-- (267200.00)	--	--	-- (300700.00)	--	--	--	--	--	--
	Sector wise total	--	148309.85 {2149.44}	--	148309.85	-- (33500.00)	-- (267200.00)	--	--	-- (300700.00)	--	--	--	--	--	--
	Transport Sector															
23	Gujarat State Road Transport Corporation	--	4863.00	--	4863.00	--	5000.00 (7991.76)	--	--	5000.00 (7991.76)	--	--	--	--	--	--
	Sector wise total	--	4863.00	--	4863.00	--	5000.00 (7991.76)	--	--	5000.00 (7991.76)	--	--	--	--	--	--
	Finance Sector															
24	Gujarat State Financial Corporation	--	259.96	--	259.96	--	2700.00 (68432.50)	--	--	2700.00 (68432.50)	--	--	--	--	--	--
	Sector wise total	--	259.96	--	259.96	--	2700.00 (68432.50)	--	--	2700.00 (68432.50)	--	--	--	--	--	--
	Miscellaneous Sector															
25	Gujarat Industrial Development Corporation	--	--	--	--	--	-- (2697.60)	--	--	-- (2697.60)	--	--	--	--	--	--
	Sector wise total	--	--	--	--	--	-- (2697.60)	--	--	-- (2697.60)	--	--	--	--	--	--
	Total - B	**--**	**153432.81 {2149.44}**	**--**	**153432.81**	**-- (33500.00)**	**7700.00 (346321.86)**	**--**	**-- --**	**7700.00 (379821.86)**						
	Grand Total (A+B)	**4028.08**	**166347.55 {2149.44}**	**63.30**	**170438.93**	**175.00 (33921.80)**	**10671.99 (367070.97)**	**-- (6.00)**	**19000.00 (19000.00)**	**29846.99 (419998.77)**	**4.50**	**--**	**--**	**4.50**	**--**	**500.00**

* Figures in bracket indicate guarantees outstanding at the end of the year.

** Subsidy receivable at the end of year is given in { }

ANNEXURE - 5

Statement showing financial position of Statutory corporations

(Referred to in Paragraph no.1.2.2)

(Rupees in crore)

1. Gujarat Elecricity Board			
Particulars	**1995-96**	**1996-97**	**1997-98**
			(provisonal)
A. Liabilities			
Loans from Government	3110.64	3486.47	3710.67
Other long-term loans(including bonds)	2720.18	2770.74	2689.47
Reserves and surplus	1189.33	1410.63	1647.68
Current liabilities and provisions	2226.55	2862.06	3503.06
Total-A	**9246.70**	**10529.90**	**11550.88**
B. Assets			
Gross fixed assets	6094.09	6968.64	7834.11
Less: Depreciation	1934.24	2389.56	2909.81
Net fixed assets	4159.85	4579.08	4924.30
Capital works-in progress	1476.32	1163.91	1010.70
Deferred cost	21.58	19.35	28.51
Current assets	3572.68	4201.97	4848.91
Investments	16.27	565.59	738.46
Miscellaneous expenditure	--	--	--
Accumulated losses	--	--	--
Total-B	**9246.70**	**10529.90**	**11550.88**
(C) Capital employed#	**6982.30**	**7082.90**	**7280.85**
Particulars	**1995-96**	**1996-97**	**1997-98**
A. Liabilities			
Capital (including capital loan & equity capital)	442.06	448.06	453.70
Borrowings (Government.:-)	59.02	70.85	61.02
(Others:-)	--	--	--
Funds*	0.51	0.54	0.44
Trade dues and other current liabilities (including provisions)	222.21	298.18	501.00
Total - A	**723.80**	**817.63**	**1016.16**
B. Assets			
Gross Block	419.96	424.96	441.34
Less:Depreciation	270.28	283.66	299.05
Net fixed assets	149.68	141.30	142.29
Capital works-in-progress (including cost of chassis)	10.81	22.36	18.74
Investments	0.05	0.05	0.05
Current assets, loans and advances	163.73	181.64	172.08
Deferred Cost	--	--	--
Accumulated losses	399.53	472.28	683.00
Total - B	**723.80**	**817.63**	**1016.16**
C. Capital employed##	**102.01**	**47.12**	**(-)167.89**

Capital employed represents net fixed assets (including works-in progress) plus working capital. While working out working capital the element of deferred cost and investments are excluded from current assets.

* Excluding depreciation funds.

Capital employed represents the net fixed assets (including capital works-in-progress) plus working capital

3. Gujarat State Financial Corporation			
Particulars	**1996-97**	**1997-98**	**1998-99**
A. Liabilities			
Paid-up capital	74.82	93.53	93.92
Share application money	24.76	--	--
Reserve fund and other reserves and surplus	63.80	100.27	98.12
Borrowings:			
(i) Bonds and debentures	508.60	576.90	555.73
(ii) Fixed Deposits	--	--	--
(iii) Industrial Development Bank of India &			
Small Industries Development Bank of India	420.67	435.84	430.35
(iv) Reserve Bank of India	--	--	--
(v) Loan in lieu of share capital:			
(a) State Government	6.03	6.03	6.03
(b) Industrial Development Bank of India	--	--	--
(vi) Other liabilities and provisions	186.80	123.48	161.14^
Total - A	**1285.48**	**1336.05**	**1345.29**
B. Assets			
Cash and Bank balances	217.90	175.00	116.06
Investments	3.55	13.56	13.49
Loans and Advances	1036.68	1095.22	1150.89
Net fixed assets	14.18	23.77	29.18
Other assets	11.45	23.52	27.85
Miscellaneous expenditure	1.72	4.98	7.82
Total - B	**1285.48**	**1336.05**	**1345.29**
C. Capital employed**	**1124.50**	**1278.95**	**1287.38**

4. Gujarat State Warehousing Corporation

Particulars	**1995-96**	**1996-97**	**1997-98**
A. Liabilities			
Paid-up-capital	4.00	4.00	4.00
Reserves and surplus	3.92	4.09	4.38
Borrowings (Government.:-)	--	--	--
(Others:-)	--	--	--
Trade dues and current liabilities (including provision)	2.11	2.25	2.45
Total - A	**10.03**	**10.34**	**10.83**
B. Assets			
Gross Block	7.64	7.64	8.31
Less: Depreciation	2.12	2.30	2.53
Net fixed assets	5.52	5.34	5.78
Capital works-in-progress	0.41	0.48	0.66
Current assets, loans and advances	3.83	4.31	4.25
Accumulated losses	0.27	0.21	0.14
Total - B	**10.03**	**10.34**	**10.83**
C. Capital employed ##	**7.65**	**7.88**	**8.24**

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

^ This includes Loans in the form of line of credits amounting to Rs.81.04 crore

5 Gujarat Industrial Development Corporation	1994-95	1995-96	1996-97
Particulars			
A. Liabilities			
Loans	102.30	90.09	74.40
Subsidy from Government	0.28	3.69	0.18
Reserves and surplus	101.86	161.51	226.70
Receipts on capital account	319.49	406.18	478.08
Current liabilities and provisions (including deposits)	151.47	153.43	235.26
Total - A	**675.40**	**814.90**	**1014.62**
B. Assets			
Gross block	7.16	9.96	10.70
Less:Depreciation	3.27	3.83	4.34
Net fixed assets	3.89	6.13	6.36
Capital expenditure on development			
of industrial estates *etc*.	464.13	528.05	613.29
Investments	0.10	0.10	25.93
Other assets	207.20	280.55	368.98
Miscellaneous expenditure	0.08	0.07	0.06
Total - B	**675.40**	**814.90**	**1014.62**
C. Capital employed* **	**484.97**	**592.70**	**720.41**

*** Capital employed represents the mean of aggregate of opening and closing balances of reserves and surplus, subsidy from Government borrowings and receipt on capital account.

ANNEXURE - 6

Statement showing working results of Statutory corporations

(Referred to in Paragraph no.1.2.2 and 1.6)

(Rupees in crore)

1. Gujarat Electricity Board

Serial Number	Particulars	1995-96	1996-97	1997-98 (Provisional)
1	(a) Revenue receipts	3480.63	4482.18	5264.72
	(b) Subsidy/Subvention from Government	1111.39	1179.58	1483.10
	Total	4592.02	5661.76	6747.82
2	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	3545.62	4381.03	5349.21
3	Gross surplus (+)/deficit(-) for the year (1-2)	1046.40	1280.73	1398.61
4	Adjustments relating to previous years	29.69	(-)118.13	(-)5[illegible].53
5	Final gross surplus(+)/deficit(-) for the year (3+4)	1076.09	1162.60	1345.08
6	Appropriations:			
	(a) Depreciation (less capitalised)	403.47	444.33	514.88
	(b) Interest on Government loans	158.68	190.79	226.60
	(c) Interest on other loans, bonds, advance, etc. and finance charges	405.94	434.85	487.17
	(d) Total interest on loans & finance charges (b+c)	564.62	625.64	713.77
	(e) Less:-Interest capitalised	--	17.27	3.05
	(f) Net interest charged to revenue (d-e)	564.62	608.37	710.72
	(g) Total appropriations (a+f)	968.09	1052.70	1225.60
7	Surplus(+)/deficit(-)before accounting for subsidy from State Government {5-6(g)-1(b)}	(-)1003.39	(-)1069.68	(-)1363.62
8	Net surplus(+)/deficit(-){5-6(g)}	108.00	109.90	119.48
9	**Total return on capital employed***	**672.62**	**718.27**	**830.20**
10	**Percentage of return on capital employed**	**9.63**	**10.14**	**11.40**

2. Gujarat State Road Transport Corporation

Sr.No.	Particulars	1995-96	1996-97	1997-98
1	Operating			
	(a) Revenue	682.51	723.48	827.14
	(b) Expenditure	770.90	855.82	1037.45
	(c) Surplus (+)/Deficit(-)	(-)88.39	(-)132.34	(-)210.31
2	Non-operating			
	(a) Revenue	79.73	85.20	34.94
	(b) Expenditure	20.22	25.60	32.29
	(c) Surplus(+)/Deficit(-)	59.51	59.60	2.65
3	Total			
	(a) Revenue	762.24	808.68	862.08
	(b) Expenditute	791.12	881.42	1069.74
	(c) Net Profit(+)/Loss(-)	(-)28.88	(-)72.74	(-)207.66
	Interest on capital and loans	**20.07**	**25.44**	**32.15**
	Total return on Capital employed	**(-)8.81**	**(-)47.30**	**(-)175.51**

3. Gujarat State Financial Corporation

	Particulars	1996-97	1997-98	1998-99
1	Income			
	(a) Interest on loans	171.24	165.42	189.89
	(b) Other income	18.47	32.90	44.36
	Total - 1	**189.71**	**198.32**	**234.25**
2	Expenses			
	(a) Interest on long-term and short-term loans	120.86	140.59	177.92
	(b) Other expenses	26.86	31.77	40.13
	Total-2	**147.72**	**172.36**	**218.05**
3	Profit before tax (1-2)	41.99	25.96	16.20
4	Prior period adjustments	--	0.18	11.36
5	Provision for tax	8.60	3.15	3.35
6	Profit(+)/Loss(-) after tax	33.39	22.81	12.85
7	Provision for non performing assets	--	--	19.58
8	Other appropriations	1.05	0.71	0.45
9	Amount available for dividend#	32.34	22.11	12.40
10	Dividend paid/payable	4.65	5.22	7.19
11	**Total return on Capital employed**	**162.85**	**166.55**	**194.12**
12	**Percentage of return on Capital employed**	**14.48**	**13.02**	**15.08**

4. Gujarat State Warehousing Corporation

	Particulars	1995-96	1996-97	1997-98
1	Income			
	(a) Warehousing charges	1.87	2.41	2.03
	(b) Other income	0.41	0.51	1.25
	Total-1	**2.28**	**2.92**	**3.28**
2	Expenses			
	(a) Establishment charges	1.42	1.62	1.62
	(b) Other expenses	0.99	1.07	1.53
	Total-2	**2.41**	**2.69**	**3.15**
3	Profit(+)/Loss(-) before tax	(-)0.13	0.23	0.13
4	Provision for tax	--	--	--
5	Prior period adjustments	0.04	0.05	0.11
6	Other appropriations	(-)0.12	0.18	0.15
7	Amount available for dividend	(-)0.25	0.05	(-)0.04
8	Dividend for the year	--	--	--
9	**Total return on capital employed**	**(-)0.13**	**0.23**	**0.13**
10	**Percentage of return on capital employed**	**--**	**2.92**	**1.58**

5. Gujarat Industrial Development Corporation

	Particulars	1994-95	1995-96	1996-97
1	Revenue Receipts	70.13	98.12	120.22
2	Net expenditure after capitalisation	42.39	38.48	55.03
3	Excess of income over expenditure	27.74	59.64	65.19
4	Provision for replacement, renewals and for additional liability	27.57	50.58	33.59
5	Net surplus	0.17	9.06	31.60
6	**Total return on capital employed**	**14.29**	**20.74**	**40.41**
7	**Percentage of return on capital employed**	**2.95**	**3.50**	**5.61**

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

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

ANNEXURE - 7

Statement showing operational performance of Statutory corporations

(Referred to in Paragraph no.1.6.2.3)

1 Gujarat Electricity Board

Particulars	**1995-96**	**1996-97**	**1997-98**
Installed capacity		---(MW)---	
(a) Thermal	3729	3804 #	3804 #
(b) Hydro	427	427	487
(c) Gas	189	189	189
(d) Other	--	--	--
Total	**4345**	**4420**	**4480**
Normal maximum demand	6883	6511	6662
Power generated :		-(MKWH)-	
(a) Thermal	22300	22055	22531
(b) Hydro	741	844	1281
(c) Other	--	--	--
Total	**23041**	**22899**	**23812**
Less:Auxiliary consumption			
(a) Thermal	2175	2230	2235
(percentage)	(9.75)	(10.11)	(9.92)
(b) Hydro	6.00	6.00	32.00
(percentage)	(0.81)	(0.71)	(2.50)
(c) Other	--	--	--
(percentage)	--	--	--
Total	**2181**	**2236**	**2267**
(percentage)	(9.47)	(9.76)	(9.52)
Net power generated	20860	20663	21545
Power purchased:			
(a) Within the State			
-Government	--	--	--
-Private	610	1301	2581
(b) Other States	223	474	336
(c) Central Grid	8965	9481	9738
Total power available for sale	30658	31919	34200
Power sold:			
(a) Within the State	24692	25595	26783
(b) Outside the State	3	--	--
Transmission and distribution losses	5963	6324	[illegible]417
Load factor (percentage)	65.2	65	65.7
Percentage of Transmission and distribution losses to total power available for sale	19.45	19.81	21.69
Number of villages/towns electrified	17585	17927	17936
Number of pump sets/wells energised	598858	591564	617495
Number of sub-stations	589	602	627
Transmission/distribution lines (in kms)			
(a) High/medium voltage	143630	148137	152632
(b) Low voltage	165959	171308	175619
Connected load (in MW)	14181	14333	14819.9
Number of consumers	6008797	6130804	6379875
Number of employees	47701	48519	48700
Consumer/employees Ratio	126:1	126:1	131:1
Total expenditure on staff during the year (Rs.in crore)	393.11	442.6	485.84
Percentage of expenditure on staff to total revenue expenditure	8.71	8.14	7.39
Units sold		--(MKWH)--	
(a) Agriculture	10132	10070	10757
(Percentage share to total units sold)	(41.03)	(39.34)	(40.16)

Particulars	1995-96	1996-97	1997-98
(b) Industrial	9109	9817	9817
(Percentage share to total units sold)	(36.89)	(38.36)	(36.66)
(c) Commercial)	601	631	683
(Percentage share to total units sold)	(2.43)	(2.46)	(2.55)
(d) Domestic	2176	2260	2411
(Percentage share to total units sold)	(8.81)	(8.83)	(9.00)
(e) Other	2677	2817	3115
(Percentage share to total units sold)	(10.84)	(11.01)	(11.63)
Total	**24695**	**25595**	**26783**
(a) Revenue (excluding subsidy from Government)	140.94	175.12	196.57
(b) Expenditure*	163.49	190.72	222.09
(c) Profit(+)/Loss(-)	(-)22.55	(-)15.08	(-)25.52
(d) Average subsidy claimed from Government (in Rupees)	0.45	0.46	0.55
(e) Average interest charges (in Rupees)	0.193	0.21	0.23

2. Gujarat State Road Transport Corporation

Particulars	1995-96	1996-97	1997-98
Average number of vehicles held	8637	8685	9081
Average number of vehicles on road	7516	7672	7907
No. of Employees	56900	56848	57948
Employee vehicle ratio	7.57	7.41	7.33
Percentage of utilisation of vehicles	87	88.34	87.1
Number of routes operated at the end of the year	17254	18152	18467
Route kilometres	960369	1035827	1086609
Kilometres operated (in lakh)			
(a) Gross	9299.81	9659.06	10050.64
(b) Effective	9221.88	9575.63	9954.93
(c) Dead	77.93	83.43	95.71
Percentage of dead kilometres to gross kilometres	0.84	0.86	0.95
Average kilometres covered per bus per day	337.2	343	347.8
Operating revenue per kilometre (Paise)	740.1	755.55	830.89

Particulars	1995-96	1996-97	1997-98
Average expenditure per kilometre (Paise)	835.95	893.75	1042.14
Profit(+)/Loss(-) per kilometre (Paise)	(-)95.85	(-)138.20	(-)211.25
Number of operating depots	137	137	138
Average number of break-down per lakh kilometres	6.9	9.5	9.3
Average number of accidents per lakh kilometres	0.29	0.27	0.27
Passenger kilometre operated (in crore)	3825.56	4064.41	3948.93
Occupancy ratio	74.37	77.81	73.76
Kilometres obtained per litre of:			
(a) Diesel Oil	4.84	4.46	5.01
(b) Engine Oil	1231	1552	1527

3. Gujarat State Warehousing Corporation			
Particulars	**1995-96**	**1996-97**	**1997-98**
Number of stations covered	50	50	49
Storage capacity created upto the			
end of the year (tonne in lakh)			
(a) Owned	1.41	1.41	1.35
(b) Hired	0.12	0.10	0.10
Total	**1.53**	**1.51**	**1.45**
Average capacity utilised during			
the year (tonne in lakh)	1.14	1.11	0.97
Percenage utilisation	74.51	73.51	66.9
Average revenue per tonne per year (Rupees)	199.5	262.3	337.23
Average expenses per tonne per year (Rupees)	211.5	241.5	323.38
Profit (+) / Loss (-) per tonne (Rupees)	(-)12.00	20.8	31.85

4. Gujarat State Financial Corporation	**1996-97**		**1997-98**		**1998-99**	
Particulars	**Number**	**Amount**	**Number**	**Amount**	**Number**	**Amount**
		Rs. in		**Rs. in**		**Rs. in**
		crore		**crore**		**crore**
Applications pending at the						
beginning of the year	439	122.56	211	110.84	128	80.34
Applications received	730	286.71	622	289.43	632	271.60
Total	**1169**	**409.27**	**833**	**400.27**	**760**	**351.94**
Applications sanctioned	638	228.51	450	190.25	405	157.90
Applications cancelled/withdrawn/						
rejected/reduced	320	69.92	255	129.71	157	65.57
Applications pending at the close of the year	211	110.84	128	80.31	198	128.44
Loans disbursed		167.77		155.51		117.34
Loan outstanding at the close of the year		1003.45		1095.22		1150.89
Amount overdue for recovery						
at the close of the year						
(a) Principal		66.65		132.25		175.52
(b) Interest		186.95		180.83		255.86
Total		**253.60**		**313.08**		**431.38**
Percentage of overdue to the						
total loans outstanding	25.27		28.59		37.48	

5 Gujarat Industrial Development Corporation

Particulars	**1996-97**	**1997-98**	**1998-99**
Number of estates	274	256	260
Area (in hectares)			
(a) Acquired	22119.2	22955.00	22955.00
(b) Developed	14429.4	14722	14722
(c) Allotted	10140.3	10896	11088.4
Sheds			
(a) Constructed	12291	12291	12291
(b) Allotted	12004	12108	12196
Housing Quarters			
(a) Constructed	12822	12822	12822
(b) Allotted	11633	11668	11959
Percentage of			
(a) Area developed to area acquired	65.23	64.13	64.13
(b) Area allotted to area developed	70.27	74.01	75.31
(c) Sheds allotted to sheds constructed	97.66	98.51	99.23
(d) Quarters allotted to quarters construced	90.73	91.00	93.27

* Revenue expenditure includes depreciation but excludes interest on long term loans

\# This does not include the Board's share of 190 KW capacity of Tarapur Atomic Power Station, 848 MW of National Thermal Power Corporation Projects and 62.5 MW of Kakarapar Atomic Power Station.

Annexure 8

Statement showing shortfall in allocation of electricity generated by EPOL to the Board

(Referred to in Paragraph no.3.1.5.1.4)

Month	1996-97		1997-98		1998-99	
	Total Generation by EPOL (Mus)[1]	**Export to the Board (Mus)**	**Total Generation by EPOL (Mus)**	**Export to the Board (Mus)**	**Total Generation by EPOL (Mus)**	**Export to the Board (Mus)**
April	----	----	134.37 (58.18)	32.7 (24.34)	326.01 (90.45)	173.19 (82.49)
May	----	----	182.52 (76.5)	66.69 (48.03)	322.88 (86.69)	151.55 (69.85)
June	66.32	6.14	201.74 (87.35)	81.24 (60.45)	242.86 (67.38)	102.33 (48.74)
July	164.56 (68.96)	71.29 (60.07)	132.09 (55.35)	58.96 (42.46)	207.29 (55.66)	74.99 (34.56)
August	111.87 (46.88)	38.61 (27.80)	189.12 (79.25)	60.82 (43.80)	303.70 (81.55)	152.1 (70.11)
September	70.65 (30.59)	11.19 (8.33)	183.39 (79.41)	55.36 (41.20)	227.00 (62.98)	85.13 (40.55)
October	194 (81.29)	97.36 (70.11)	244.92 (65.76)	115.82 (53.39)	233.09 (62.59)	86.28 (39.77)
November	124.70 (53.76)	40.71 (30.30)	322.81 (89.56)	202.13 (96.27)	267.61 (74.25)	134.96 (64.28)
December	222.38 (93.18)	110.32 (79.44)	343.89 (92.34)	202.24 (93.20)	289.78 (77.81)	154.02 (70.99)
January	108.38 (45.41)	15.9 (11.45)	271.00 (72.77)	151.62 (69.88)	260.48 (69.94)	109.22 (50.34)
February	93.46 (43.36)	7.27 (5.80)	291.78 (86.74)	148.84 (75.95)	246.03 (73.14)	110.28 (56.28)
March	106.74 (44.73)	5.74 (4.13)	321.53 (86.33)	182.59 (84.16)	----	----
Total	1391.75 (56.46)	417.72 (33.05)	2819.17 (77.46)	1359 (61.09)	2926.71 (72.95)	1334.04 (56.86)
Export to be done as per PPA at 58.2 *per cent*		810.00		1640.76		1703.34
Shortfall		**392.28**		**281.76**		**369.3**

[1] Figures in brackets indicate Plant Load Factor percentage

ANNEXURE - 9

Status of execution of projects during VII plan

Sl. No.	Name of the Scheme.	Capacity in MW	Month and year of approval	Approved project cost	Projected completion (Date)	Expenditure Incurred upto the end of VIth plan	Plan out lay for VIIth plan	Revised outlay during VIIth plan in annual plan	Actual expenditure during VIIth plan
1		2	3	4	5	6	7	8	9
1.	Kadana HEP (2x60 MW)	120	Jun-72	24.58	(#)Dec.89	46.73	41.75	56.31	42.43
	Kadana HEP (2x60 MW)	120			May-90		34.10	15.00	
					1992-93				
					1992-93				
2.	Ukai LBC Project (2x2.5 MW)	5	Feb-77	3.05	1986-87	2.07	2.20	4.17	4.23
3.	Wanakbori TPS Extn. (3x210 MW)	630	Jun-78	206.79	Dec-82	239.81	111.49	139.25	142.97
					Jun-83				
					Dec-83				
4.	Lignite Based TPS in Kutch (2x70 MW)	140	Sep-79	71.27	Dec-85	49.78	131.53	152.20	158.77
					Jun-86				
5.	Sikka TPS Unit -I (1x120 MW)	120	Jan-81	54.78	Jul-85	48.27	92.66	102.25	101.43
6.	Gandhinagar TPS Unit -III (1x210 MW)	210	Jul-82	123.91	Dec-86	22.04	149.08	251.78	255.28
7.	Gandhinagar TPS Unit-IV (1x210 MW)	210	Apr-87	163.89	Mar-91	## 7.83	77.02	87.87	87.87
8.	Utran Gas (135 MW)	135	Mar-90	152.68	Mar-91	NIL	NIL	52.00	12.57
					May-91				
					Jul-91				
					Sep-91				
9.	Sikka T.P.S. Unit-II (1 x 120 MW)	120	Feb-88	102.7	Jun-92	## 2.02		22.18	21.71
	Total								

(#) Rescheduled from March 1979.

* Loss of generation was not worked out as seperate PAF/PLF was not available.

Expenditure were incurred during VI plan in anticipation of approval of the Planning Commission

(Referrred in paragraph 3.3.7.3)

(Column 4, 6 to 11 and 16 Rupees in crore)

Actual expenditure after VIIth plan upto Mar-98 (6 + 9)-11	Total expenditure upto Mar-98 (6 + 9+10)	Percentage of total cost to projected cost	Actual physical completion	Delay (in No. of months)	Loss of generation (in MUs.)	Loss of revenue	Cost of generation (Paise/unit) Projected	Actual (Year)	Year of Report of C & AG (Comml.) Government of Gujarat
10	11	12	13	14	15	16	17	18	19
43.35	132.51	1022.66	Mar-90	3			5.13	30.24	1988-89
	118.86		Sep-90	3	*	*		(1990-91)	
			Jan-98	51					
			May-98	61			*		
	6.30	206.56	Dec-87	129	*	*	3.05	20	
			Feb-88	131				(1987-88)	
46.67	429.43	207.66	Mar-86	36	2302.526	150.38		50.94	1987-88
								(1985-86)	
			Sep-86	38	2382.053	168.00		52.89	
								(1986-87)	
			Nov-87	46	2668.265	205.10	21.00	64.95	
								(1987-88)	
66.28	274.83	385.62	Mar-90	50	1080.544	85.44			
			Mar-91	56	1305.876	103.22	19.72	58.89	1992-93
								(1990-91)	
23.83	173.53	107.35	Mar-88	32	1149.308	93.24	29.00	90.27	1989-90
								(1988-89)	
41.24	318.56	257.09	Mar-90	38	2533.794	194.98	33.09	103.55	1996-97
								(1990-91)	
129.44	225.14	137.37	Jul-91	3	199.174	15.54	35.62	112.82	1996-97
								(1991-92)	
247.31	259.88	170.21	Dec-92	20	200.623	19.70			
			Dec-92	18	187.030	17.92			
			May-93	21	221.903	21.78			
			Jul-93	21	334.384	33.71	81.50	126.19	
								(1993-94)	
200.74	224.47	218.57	Mar-93	8	356.090	35.61	38.64	135.3	
								(1992-93)	
					14921.570	**1144.62**			

Annexure 10

Statement showing the Physical and financial targets and achievements on transmission system

(Referred to in paragraph 3.3.9)

Year	1985-86	1986-87	1987-88	1988-89	1989-90	Total
A. Physical targets and achievements:						
400 KV Lines (CKMS)						
Target	450	220	150	50	--	870
Achievement	120	267	100	44	--	531
Excess (+)/Shortfall (-)	(-)330	(+) 47	(-)50	(-)06	--	(-)339
400 KV S/S						
Target	01	01	02	--	--	04
Achievement	--	02	02	--	--	04
Excess (+)/ Shortfall (-)	(-)01	(+)01	--	--	--	--
220 KV Lines (CKMS)						
Target	375	200	300	300	270	1445
Achievement	153	189	228	344	407	1321
Excess(+)/Shortfall(-)	(-)222	(-)11	(-)72	(+)44	(+)137	(-)124
220 KV Sub-stations						
Target	01	01	--	05	02	09
Achievement	--	--	(-)01*	04	01	05#
Excess(+) /Shortfall(-)	(-)01	(-)01		(-)01	(-)01	(-)04
132 KV Lines (CKMS)						
Target	150	70	70	100	40	430
Achievement	142	84	10	83	25	344
Excess(+) /Shortfall(-)	(-)08	(+)14	(-)60	(-)17	(-)15	(-)86
132 KV Sub-stations						
Target	01	01	02	03	01	08
Achievement	01	01	02	02	01	07
Excess(+)/Shortfall(-)	--	--	--	(-)01	--	(-) 01
66 KV Lines (CKMS)						
Target	350	200	300	300	300	1450
Achievement	260	488	295	390	463	1896
Excess(+)/Shortfall(-)	(-)90	(+)288	(-)05	(+)90	(+)163	(+)446
66 KV Sub-stations						
Target	15	12	15	18	18	78
Achievement	10	23	17	17	28	95
Excess(+)/Shortfall(-)	(-)05	(+)11	(+)02	(-)01	(+)10	(+)17
B. Financial targets and achievements						
	<---------------	---------(Rupees	in crore)---	------------	--------------->	
Proposed outlay	72.00	55.00	80.00	90.00	133.04	430.04
Revised outlay	40.00	46.77	66.70	85.00	133.04	371.51
Actual expenditure incurred	47.42	53.63	57.47	59.57	96.21	314.31
Expenditure on distribution system improvement schemes	14.08	18.28	11.25	37.79	68.50	149.90

\# Newly created sub-station during VII Plan period.

* Existing 220KV sub-station was upgraded to 400KV sub-station.

Annexure 11

Statement showing loss due to transmission and distribution losses in excess of CEA norm during the period 1993-94 to 1997-98

(Referred to in Paragraph no. 3.4.5.4)

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
Power available for sale **(MUs)**	25998	26917	30658	31919	34200
Power sold **(MUs)**	20468	21529	24695	25595	26783
T&D loss **(MUs)**	5530	5388	5963	6324	7417
Percentage of T&D loss to total power available for sale	21.27	20.02	19.45	19.81	21.69
T&D loss in excess over CEA norm of 15.5 per cent **(MUs)**	1500	1216	1211	1377	2116
Average per unit revenue realised on sale of power **(in paise)**	128.40	137.18	140.94	175.12	196.57
Loss of revenue due to T&D loss in excess over CEA norm **(Rupees in Crore)**	192.60	166.81	170.68	241.14	415.94

Total loss of revenue to T&D loss in excess over CEA norm = Rs.1187.17 crore.