Report of the
Comptroller and Auditor General of India

on

Financing of Renewable Energy Projects by Indian Renewable Energy Development Agency Limited

For the year ended March 2013

लोक सभा एवं राज्य सभा पटल में प्रस्तुत की तारीख
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Union Government
Ministry of New and Renewable Energy
Report No. 12 of 2015
(Performance Audit)

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Preface

Indian Renewable Energy Development Agency Limited (IREDA), was established in March 1987 under the Companies Act, 1956 for the purpose of extending loans to renewable energy projects. It was given its unique status as the only Central Public Sector institute which provides institutional finance exclusively in the field of renewables and energy efficiency. IREDA was notified as a Public Financial Institution by the Government of India in 1995 and was registered as a Non Banking Finance Company with the Reserve Bank of India in 1998. It operates under the administrative control of the Ministry of New and Renewable Energy (MNRE).

As per the Twelfth Plan (2012-17) of the Government of India, the annual average growth rate of the total energy requirement is expected to accelerate from 5.10 per cent per year in the Eleventh Plan (2007-12) to 5.70 per cent per year in the Twelfth Plan and the supply from renewables is expected to increase rapidly from 24,503 Megawatt (MW) by the end of the Eleventh Plan to 54,503 MW by the end of the Twelfth Plan. This underlined the need for investments in renewable energy.

In the above backdrop, Audit took up the performance audit of IREDA to assess how the company was discharging its role. The performance audit covered a period of five years from 2008-09 to 2012-13 and involved examination of selected samples of renewable energy projects. As such, matters relating to these sampled projects pertaining to prior and subsequent periods have also been included, wherever necessary.

The Audit Report has been prepared in accordance with the Performance Auditing Guidelines, 2014 and Regulations on Audit and Accounts, 2007 of the Comptroller and Auditor General of India.

Audit wishes to acknowledge the cooperation received from IREDA and the Ministry of New and Renewable Energy at each stage of the audit process.

Executive Summary

Why did we select this subject for Audit?

The role of new and renewable energy has been assuming increasing significance with the growing concern for India's energy security. India's substantial and sustained economic growth is placing enormous demand on its energy resources. The demand and supply imbalance in energy sources has been pervasive, requiring efforts by the Government of India (GOI) to augment energy supplies. The GOI has been taking initiatives to develop renewable energy programmes and schemes and deploy renewable energy systems for supplementing the energy requirements of the country.

The Planning Commission stated in the Twelfth Plan document that the annual average growth rate of the total energy requirement is expected to accelerate from 5.10 *per cent* per year in the Eleventh Plan to 5.70 *per cent* per year in the Twelfth Plan and the supply from renewables is expected to increase rapidly from 24,503 Megawatt (MW) by the end of the Eleventh Plan to 54,503 MW by the end of the Twelfth Plan, and underlined the need for investments in renewable energy. It is against this backdrop that Audit decided to review the functioning of Indian Renewable Energy Development Agency Limited (IREDA), given its unique status as the only Central Public Sector institution which provides institutional finance exclusively in the field of renewables and energy efficiency.

What were our audit objectives?

The performance audit was undertaken to assess whether:

- the Company was effective in discharging its role as a leading financial institution for Renewable Energy projects;
- an efficient mechanism existed for expeditious processing of loan requests;
- an effective mechanism existed for review and monitoring of projects with a view to recover its loans;
- projects sanctioned were commissioned/implemented on time; and
- subsidy released had resulted in achievement of the envisaged objectives of the GOI.

What did our performance audit reveal?

IREDA's share in the total commissioned capacity of Renewable Energy Sources of the country, which was 52.83 *per cent* at the beginning of the Tenth Five Year Plan (2002-07) period declined to 19.21 *per cent* at the end of the Tenth Five Year Plan and further to 7.66 *per cent* at the end of the Eleventh Five Year Plan. Thus, IREDA was not able to sustain its position as a leading financial institution in the renewable energy sector.

(Para 2.2.3)

IREDA prepared its Corporate Plan 2007-12 only after directions from the Task Force of Department of Public Enterprises (DPE) but did not submit it for approval of the Board of Directors (BOD). The BOD was, therefore, not aware of the status of implementation of various activities envisaged in the Corporate Plan. Steps proposed to be carried out in the short, medium and long-term were either not carried out or had only been partly implemented. There were critical matters either pending at the GOI level or on which IREDA was yet to take action. As such, the Corporate Plan did not serve its intended purpose as a long term planning tool.

(Para 2.4)

The targets fixed in the Memorandum of Understanding (MoU) did not have any correlation either with the targets indicated in the Corporate Plan or in the Outcome Budget of the Ministry of New and Renewable Energy (MNRE). Besides, MoU targets were understated as IREDA consistently exceeded even the 'excellent' targets.

(Para 2.6.3)

While the MoUs for the period 2005-06 to 2007-08 reflected targets of projects to be commissioned both in physical terms (MW) and in value terms, the MoUs for 2008-09, 2009-10 and 2010-11 reflected the targets only in value terms. The MoUs for 2011-12 and 2012-13 did not prescribe any such evaluation criteria. Besides, the MoUs did not depict sector-specific financing targets for IREDA.

(Para 2.7)

Out of 211 projects sanctioned during the period 2008-09 to 2012-13, 83 projects (39.34 *per cent*) were sanctioned after an average delay of 66 days, beyond the prescribed limit of 90 days. Besides, in two cases, the projects were registered after the loans were sanctioned/disbursed.

(Para 3.3.1)

Out of 457 loan applications received during 2008-09 to 2012-13, 298 applications (65.21 *per cent*) were dropped by IREDA at different stages *viz.* before registration, before sanction of loan and after sanction of loan. Thus, only 159 loan applications (34.79 *per cent*) were finally sanctioned.

(Para 3.4)

Out of the 42 cases selected by Audit, it was observed that in 17 cases (40 *per cent*) IREDA had deviated from the norm(s) prescribed in the financing guidelines for credit exposure limits, creation of mortgage, promoters' contribution, conduct of inspections, etc.

(Para 3.7)

The gross NPA to total loans in 2008-09 was 13.34 *per cent* and thereafter showed a decreasing trend and reduced to 3.86 *per cent* in 2012-13 except in the year 2011-12 in which it increased marginally to 5.46 *per cent*. However, the percentage of NPAs were much lower (ranging from 0.02 *per cent* to 1.04 *per cent* during the same period) in case of other power sector financing companies such as Rural Electrification Corporation Limited (REC) and Power Finance Corporation Limited (PFC).

(Para 4.2 and 4.3)

IREDA's One Time Settlement (OTS) policy was an ongoing scheme operating continuously without a fixed timeframe and therefore was likely to promote a culture of non-payment amongst its borrowers. Other power financing companies like REC and PFC did not have running OTS schemes.

(Para 4.9)

During 2008-09 to 2012-13, IREDA settled 29 cases under OTS, and recovered an amount of ₹ 208.85 crore against the outstanding dues of ₹ 446.70 crore. Thus, an amount of ₹ 237.85 crore (53.25 *per cent*) was sacrificed by IREDA on account of write off of principal and waiver of interest. Further, out of the 17 OTS cases selected by Audit for scrutiny, it was observed that in 14 cases, IREDA deviated from the OTS/Financing guidelines by allowing OTS to wilful defaulters, non-conducting of physical verification of projects, exceeding the prescribed limits while releasing disbursements, inadequate monitoring of financial condition of borrowers, etc.

(Para 4.9 and 4.10)

Out of 12 projects selected by Audit (from a total of 123 projects) wherein capital/interest subsidy received (₹ 18.10 crore) from MNRE was passed on (₹ 14.48 crore) by IREDA to the borrowers, in five cases, several irregularities were noticed in implementation of subsidy schemes *viz.* continued passing on of subsidy to borrowers who became ineligible, non-recovery of subsidy and absence of mechanisms to ensure continuity of the project.

(Para 5.4)

The Project Information and Documentation Monitoring System (PIDMOS) database lacked data integrity, reliability and completeness. Besides, there was no uniformity in the procedure for registering loan applications in PIDMOS as certain applications for additional loans were treated as a fresh loan.

(Para 6.2)

Several weaknesses were noticed in the operational controls of IREDA such as non-conduct of periodic inspections of project, non-appointment of nominee directors on the Board of Directors of the borrowers and non-framing of functional manuals for strengthening internal controls.

(Para 6.3)

What do we recommend?

1. The Board of Directors of IREDA may coordinate and monitor the execution of the Corporate Plan to improve the efficiency and effectiveness of IREDA's operations and to explore new business opportunities.

2. The targets fixed in the annual MoU signed with MNRE should be realistic and flow from the Corporate Plan and be reflected appropriately in the Outcome Budget of MNRE.

3. Quantifiable physical dimensions of the new and ongoing projects be reflected in the MoU.

4. The prescribed credit exposure limits should not be exceeded.

5. IREDA may ensure that while sanctioning loans, due diligence is conducted with adequate care. The Renewable Energy and Energy Efficiency Financing Guidelines may be followed in right earnest; deviations should be done only in exceptional cases with adequate justification.

6. Outstanding loans should be closely monitored in order to further reduce the level of Non-Performing Assets.

7. IREDA may develop a mechanism to monitor continuity of the projects for specified period after their commencement, to ensure electricity generation through RE projects in lieu of grant of subsidy. Further, subsidy should be recalled in all cases where projects do not run for the specified period as this dilutes the objective of the scheme.

8. Weaknesses in the internal control mechanism may be redressed.

The views of the Ministry (7 January 2015) on the recommendations made by Audit are given at **Annexure I.**

Chapter - 1
Introduction

1.1 Functions and objectives of IREDA

Renewable energy is an important component of India's energy portfolio. The importance of renewable energy sources in transition to a sustainable energy base was recognised by the Government of India which established the Department of Non-Conventional Energy Sources in 1982. This was upgraded to a Ministry of Non-Conventional Energy Sources (MNES) in 1992 and subsequently renamed as Ministry of New and Renewable Energy (MNRE). MNRE's objectives *inter alia* include deployment of grid-interactive renewable power generation projects to augment contribution of renewables in total electricity mix; promotion of renewable energy initiatives for meeting energy needs in rural areas and to supplement energy needs in urban areas and in industry and commercial establishments.

Indian Renewable Energy Development Agency Limited (IREDA) was established in March 1987 under the Companies Act, 1956 for the purpose of extending term-loans to renewable energy and energy efficiency projects. It operates under the administrative control of the MNRE. IREDA was notified as a Public Financial Institution by the Government of India in 1995. In 1998, IREDA was registered as a Non-Banking Financial Company[1] (NBFC) with the Reserve Bank of India. IREDA is a fully Government owned company with authorised share capital of ₹ 1,000 crore and paid up capital of ₹ 699.60 crore as on 31 March 2013.

IREDA's mission is to be "a pioneering, participant friendly and competitive institution for financing and promoting self-sustaining investment in energy generation from renewable sources, energy efficiency and environmental technologies for sustainable development." Its objectives are:

- To give financial support to specific projects and schemes for generating electricity and/or energy through new and renewable sources and conserving energy through energy efficiency.

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[1] *A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956, engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business, but does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property.*

- To increase IREDA's share in the renewable energy sector by way of innovative financing.
- To strive to be a competitive institution through customer satisfaction.
- To maintain its position as a leading organisation to provide efficient and effective financing in renewable energy and energy efficiency/conservation projects.
- Improvement in the efficiency of services provided to customers through continual improvement of systems, processes and resources.

IREDA also implements certain programmes on behalf of MNRE, like Central financial assistance in the form of subsidy.

1.2 Organisational set up

The functions of IREDA are overseen by a Board of Directors (BOD) headed by a Chairman & Managing Director (CMD) supported by Director (Technical) and Director (Finance). Besides, two part-time Government Directors and one part-time non-official (Independent) Director are also part of the BOD.

IREDA's operations are centralised at its Head Office located at New Delhi, from where most of the activities including project application processing, project appraisal, sanction, disbursement, monitoring, recovery, etc., are carried out. Besides, it has field offices at Hyderabad, Chennai, Kolkata and Ahmedabad which mainly play the role of liaison offices.

1.3 Government of India's renewable energy programme

The Government of India has been supporting renewable energy development through a mix of fiscal and financial incentives. These include capital/interest subsidy, accelerated depreciation, concessional excise and customs duties, and generation-based incentives or feed-in-tariff. The growth of renewable energy in India has largely been led by the private sector. IREDA, other public sector agencies and private financial institutions are also actively funding renewable energy projects.

As on 31 March 2013, the gross installed power generation capacity of the country stood at 223 Giga Watt (GW[2]) including installed renewable energy (RE) capacity of 28 GW which constituted 12.50 *per cent* of the total installed capacity. This comprised of 19.05 GW from wind, 3.70 GW bio-mass, 3.63 GW of small hydro and 1.62 GW of solar power.

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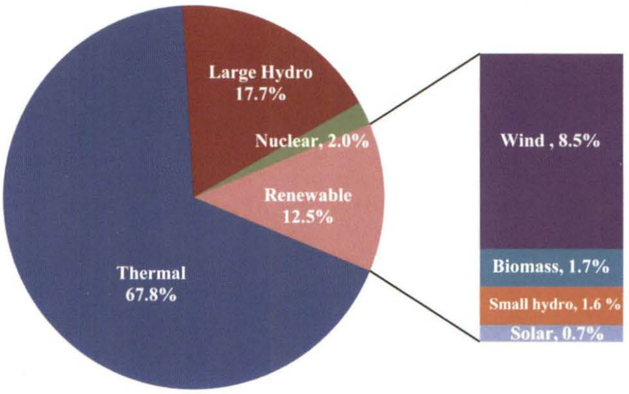
[2] *One Gigawatt equals 1000 Megawatt (MW).*

The relative share of thermal, hydro, renewable and nuclear energy in the total installed capacity at the end of March 2013 is depicted through the following Graph 1.1:

Graph 1.1: Share of RE in total installed capacity



Source: IREDA Annual Report 2012-13

1.4 Financial position and working results of IREDA

A summary of the key financial indicators relating to the functioning of IREDA during 2008-09 to 2012-13 is given in Table 1.1 below:

Table 1.1: Summary of key financial parameters of IREDA

₹ in crore

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Loans and advances	2545.56	3022.36	3643.91	5241.09	6830.43
Capital employed[3]	3148.90	3715.37	3739.31	5449.82	6634.23
Net worth[4]	891.12	959.33	1264.12	1457.99	1688.35
Gross income	275.11	345.25	402.46	534.82	729.56
Net Profit	66.00	85.22	160.49	173.13	202.65
Percentage of net profit to capital employed	2.10	2.29	4.29	3.18	3.05
Average cost of borrowings (percentage)	8.99	8.56	8.05	8.32	8.43

Source: Annual Reports of IREDA

Details of financial position of resources, operations and working results are in **Annexure II.**

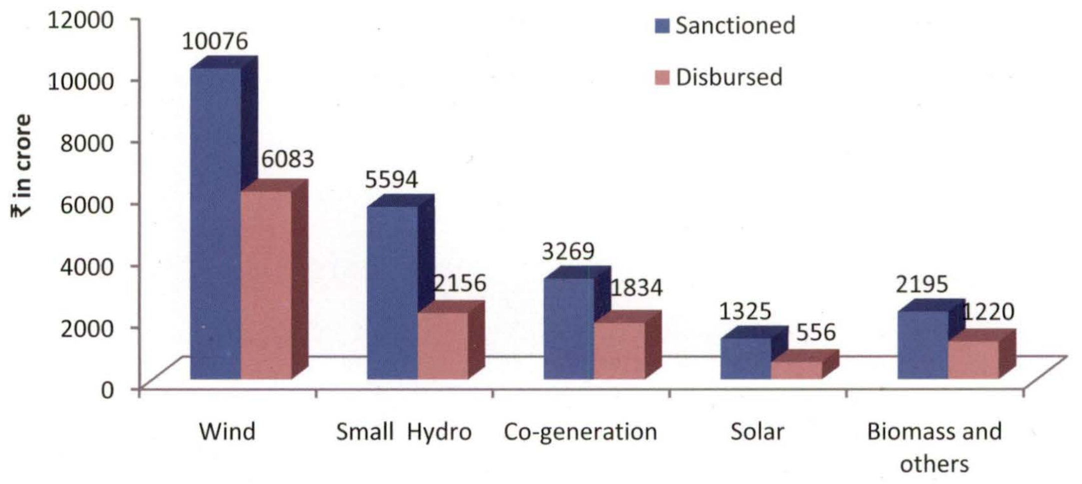
[3] *Capital employed: Gross block less accumulated depreciation plus working capital.*

[4] *Net worth: paid-up capital plus reserves less accumulated losses and deferred revenue expenditure to the extent not written off.*

1.5 Funding of RE projects by IREDA

Since its inception in 1987, IREDA has sanctioned loans of ₹ 22,459.23 crore for 2064 projects and disbursed a total of ₹ 11,848.79 crore by 31 March 2013. IREDA's loan portfolio is largely concentrated in the wind, small hydro and cogeneration[5] sectors. The sector-wise break-up of cumulative loan amounts sanctioned and disbursed is shown in Graph 1.2 below:

Graph 1.2 : Sector wise sanction and disbursement by IREDA



Source: Annual Reports of IREDA

During the period covered by the performance audit i.e. from 2008-09 to 2012-13, 219 projects amounting to ₹ 13,593.58 crore were sanctioned and ₹ 6,865.68 crore was disbursed as shown in Table 1.2. The wind power sector accounted for about half (₹ 6,834.30 crore: 50.28 *per cent*) of total amount sanctioned during this period, followed by small hydro power sector (₹ 3,498.75 crore: 25.74 *per cent*), co-generation projects (₹ 1,949.89 crore: 14.30 *per cent*) and solar sector (₹ 739.07 crore: 5.43 *per cent*) and rest in other sectors[6] (₹ 571.57 crore: 4.25 *per cent*).

[5] *Co-generation is the simultaneous generation of both electricity and heat from the same fuel, for useful purposes.*

[6] *Energy efficiency and conservation, Waste to energy, Biomethanation from Industrial Effluents and miscellaneous.*

Table 1.2: IREDA's sanctions and disbursements during 2008-09 to 2012-13

₹ in crore

Year	No. of projects sanctioned	Amount sanctioned	Amount disbursed	Capacity of sanctioned projects (in MW)	Capacity of commissioned projects (in MW)
2008-09	47	1489.93	770.95	403.75	177.81
2009-10	29	1823.91	890.03	760.75	292.55
2010-11	34	3126.42	1224.17	804.63	270.10
2011-12	64	3405.96	1855.03	1416.90	904.00
2012-13	45	3747.36	2125.50	1249.80	848.00
Total	**219**	**13593.58**	**6865.68**	**4635.83**	**2492.46**

Source: Annual Reports of IREDA

1.6 Why did Audit select this subject?

The role of new and renewable energy has been assuming increasing significance with the growing concern for India's energy security. India's substantial and sustained economic growth is placing enormous demand on its energy resources. The demand and supply imbalance in energy sources has been pervasive requiring efforts by the Government of India (GOI) to augment energy supplies. The GOI has been taking initiatives to develop renewable energy programmes and schemes and deploy renewable energy systems for supplementing the energy requirements of the country.

The Planning Commission stated in the Twelfth Plan document that the annual average growth rate of the total energy requirement is expected to accelerate from 5.10 *per cent* per year in the Eleventh Plan to 5.70 *per cent* per year in the Twelfth Plan and the supply from renewables is expected to increase rapidly from 24,503 MW by the end of the Eleventh Plan to 54,503 MW by the end of the Twelfth Plan, and underlined the need for investments in renewable energy. It is against this backdrop that Audit decided to review the functioning of IREDA, given its unique status as the only Central Public Sector institution which provides institutional finance exclusively in the field of renewables and energy efficiency.

1.7 Audit objectives

The performance audit was undertaken to assess whether:

- IREDA was effective in discharging its role as a leading financial institution for RE projects;
- an efficient mechanism existed for expeditious processing of loan requests;

- an effective mechanism existed for review and monitoring of projects with a view to recover its loans;
- projects sanctioned were commissioned/implemented on time; and
- subsidy released had resulted in achievement of the envisaged objectives of GOI.

1.8 Sources of Audit criteria

Audit criteria were derived from the following:

- Memorandum of Understanding (MoU) with MNRE and Memorandum of Association (MoA) of IREDA;
- Renewable Energy and Energy Efficiency Financing Guidelines, Guidelines on One Time Settlement and Reschedulement, Prudential norms relating to Non-Performing Assets and Fair Practices Code of IREDA;
- Budget, Annual Reports and Corporate Plans of IREDA;
- Agenda/Minutes of the meetings of the BOD/Settlement Advisory Committee;
- Minutes of the Task Force of Department of Public Enterprises;
- Result Framework Document, Outcome Budget and instructions of MNRE; and
- Annual Reports of other power sector financing companies like Power Finance Corporation and Rural Electrification Corporation.

1.9 Scope of audit

The performance audit covered a period of five years from 2008-09 to 2012-13. In addition to examination of the planning and monitoring aspects, Audit also selected sample cases listed in **Annexure III** for scrutiny, as detailed in the following Table 1.3:

Table 1.3: Sample selection

₹ in crore

Type of cases	Total no. of cases since inception/ from 2008-09 to 2012-13 (Population)	Total amount involved	No. of cases selected for audit (Sample Size)	Total amount involved in Selected Sample	Percentage of selected cases	Percentage of amount involved in selected sample	Criteria for selection
Sanctioned cases	229	13431.13	25	4798.38	10.92	35.73	High value
Dropped cases	298	16199.36	43	3156.68	14.43	19.49	High value
Disbursement cases	144	6867.45	17	1865.80	11.81	27.17	High value

Type of cases	Total no. of cases since inception/ from 2008-09 to 2012-13 (Population)	Total amount involved	No. of cases selected for audit (Sample Size)	Total amount involved in Selected Sample	Percentage of selected cases	Percentage of amount involved in selected sample	Criteria for selection
Non-Performing Assets cases	67	254.80	11	138.71	16.42	54.44	High value cases remaining unsettled for 2 years or more
One Time Settlement (OTS) cases	29	446.70	17	378.42	58.62	84.72	Maximum sacrifice of dues
Abandoned projects	38	284.61	5	45.32	13.16	15.92	Non-settlement of dues
Subsidy cases	123	148.99	12	18.10	9.76	12.15	Non- recovery

Sample was selected from PIDMOS database.

1.10 Audit methodology

Based on a preliminary study and background information, Audit prepared the guidelines for the performance audit. An audit plan outlining the scope and objectives of the audit assignment, the areas of concern and the timeframes for various activities was prepared. An Entry Conference with MNRE which was also attended by officials from IREDA was held on 2 November 2012 where the audit objectives, scope of audit, audit criteria and audit methodology was discussed. Audit called for various records/information from IREDA, interviewed key personnel and also relied on the information captured in IREDA's Project Information and Documentation Monitoring System (PIDMOS) database during audit.

After completion of audit, an Exit Conference was held on 28 April 2014 with the CMD and other IREDA officials, wherein the audit findings and recommendations were discussed. Responses received from IREDA were suitably considered and incorporated in the Report.

The draft Report was issued to the Ministry of New and Renewable Energy on 15 July 2014. The Ministry communicated its response vide letters dated 17 October 2014 and 07 January 2015. The response of the Ministry to the recommendations and rebuttal of Audit are given in **Annexure I**.

1.11 Acknowledgement

Audit acknowledges the cooperation and assistance extended by management of IREDA and MNRE.

Chapter - 2
Planning

2.1 Introduction

IREDA's mission is to be a pioneering and competitive institution for financing energy generation from renewable resources. Since a number of financial institutions and commercial banks are operating in area of financing renewables, it is imperative that IREDA effectively forms strategies and plans its actions to cope up with the challenges faced from the market.

2.2 IREDA's share in financing RE projects

One of IREDA's objectives is to maintain its position as a leading financial institution for renewables. Audit examined its position *vis-a-vis* the overall market for financing renewable energy and the findings are as under.

2.2.1 IREDA's Corporate Plan made a comparison of the overall investment in the RE sector in India during the period 2007-08 to 2010-11[7]and actual disbursements by it, which was as under:

Table 2.1: Market share of IREDA in financing RE projects as per its Corporate Plan

₹ in crore

Particulars	2007-08	2008-09	2009-10	2010-11
Total investments by Financial Institutions	5934.16	6539.17	8520.07	11274.87
IREDA's annual disbursement	553.64	770.95	890.03	1224.17
IREDA's market share (percentage)	9.33	11.79	10.45	10.86

Source: IREDA's Corporate Plan and Annual Accounts

The above figures indicate that IREDA's market share during 2007-08 to 2010-11 was approximately 11 *per cent.*

[7] *as indicated in the Corporate Plan 2012-17.*

2.2.2 Audit also analysed data on total investment in RE sector in India, obtained from the Report[8] on Global Trends in Renewable Energy Investment 2014 and compared it with IREDA's disbursements during the period 2008-09 to 2012-13 which is shown in the following Table 2.2.

Table 2.2: Market share of IREDA in financing RE projects based on other report

₹ in crore

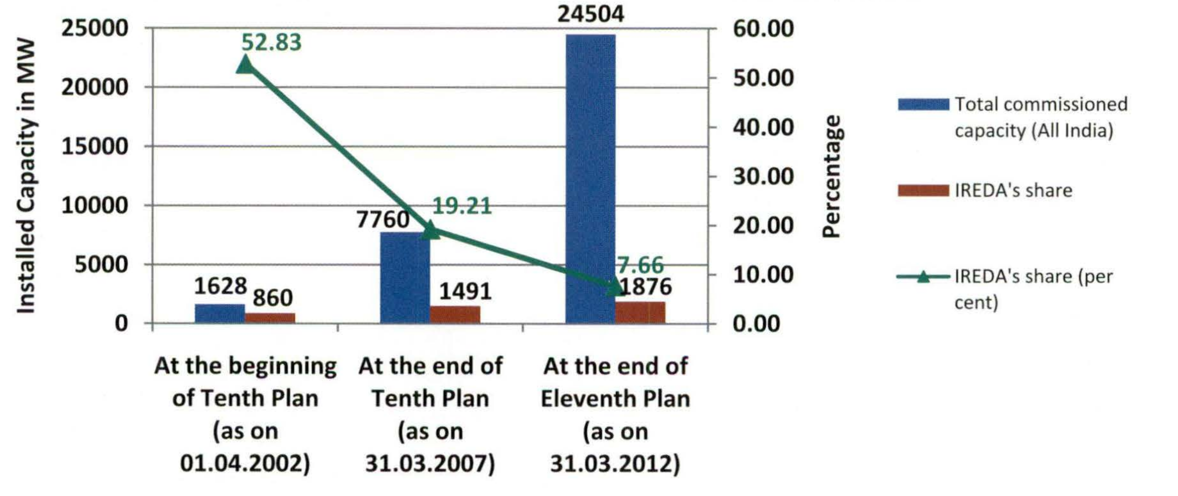
Investment in RE sector	2008-09	2009-10	2010-11	2011-12	2012-13
All India	21395	39263	56246	36835	33172
IREDA's Disbursement	771	890	1224	1855	2126
IREDA's share (percentage)	3.60	2.27	2.18	5.04	6.41

Source: Report on Global Trends in RE Investment 2014 and IREDA's Annual Report

IREDA's percentage of market share during 2008-09 to 2012-13 was in the range of 2.18 to 6.41 *per cent*. IREDA's market share in the financing of RE projects had not grown in comparison with the total investment by other financial institutions in the country during the period 2008-09 to 2010-11, although it accelerated after that as IREDA's disbursements increased while the total investment in the RE sector fell after 2010-11.

2.2.3 Audit also compared the position of commissioned RE projects with data from Central Electricity Authority and those from IREDA's Annual Reports. Share of IREDA's financed projects in the all-India commissioned capacity of renewable energy during the Tenth and Eleventh Plan period was as follows:

Graph 2.1: Market Share of IREDA in commissioned projects



Source: Central Electricity Authority and IREDA's Annual Reports & Corporate Plan 2012-17

[8] *The report on Global Trends in Renewable Energy Investment by Frankfurt School-UNEP Collaborating Centre for Climate and Sustainable Energy.*

The above indicates that IREDA's share in the total commissioned capacity which was 52.83 *per cent* at the beginning of the Tenth Plan period declined to 19.21 *per cent* at the end of the Tenth Plan and further to 7.66 *per cent* at the end of the Eleventh Plan.

Thus, IREDA was not able to sustain its position as a leading financial institution in the renewable energy sector.

The Management stated (April 2014) that inspite of stiff competition in the market, IREDA was able to maintain its market share ranging between 9 *per cent* to 11 *per cent*.

The Management reply is not correct as within the span of a decade, IREDA's position as a leading financial institution for renewable energy has declined from a dominant position with more than half of the total commissioned capacity to only 7.66 *per cent*. In 2012-13 it financed only 3.10 *per cent* (848 MW) of the total capacity commissioned (27542 MW). Hence, IREDA was getting further away from its mission to be a competitive institution for financing energy generation from renewable resources and its objective to maintain its position as a leading financial institution in renewables.

2.3 Planning

Businesses develop strategic plans with a short-term, medium-term and long-term perspective. Short-term plans usually involves processes that show results within a year or two, while medium-term plans aim at results that may take several years to achieve. Long term plans include the overall goals of IREDA to be achieved in the future. IREDA's Corporate Plans are prepared with long term perspective of five years or more while annual targets are framed in the Memorandum of Understanding (MoU) signed with MNRE.

2.4 Formulation and implementation of Corporate Plans

A Corporate plan defines the strategy to be adopted by a company to achieve its objectives and the corresponding action plans. It provides focus and direction to the company by setting out a roadmap. The Department of Public Enterprises (DPE) guidelines of 30 November 1994, envisaged that each Public Sector Enterprise should draw up a long term Corporate Plan with a time horizon of five years and a perspective of another 5-10 years.

1995-2007: Audit observed that IREDA formulated its first Corporate Plan in February 1998 covering the period from 1997-98 to 2001-02. The Corporate Plan for 2002-07 was however, not formulated.

2007-2012: In October 2005, IREDA appointed M/s CRISIL Limited (CRISIL) as consultant for developing a suitable strategy and action plan for IREDA. CRISIL submitted its report in

September 2006 outlining a plan to achieve suggested actions. The report of CRISIL was approved by the BOD in its 169th meeting held on 27 April 2007.

2012-2017: While finalising the MoU with IREDA for 2008-09, the Task Force of DPE stressed (January 2008) the need for having a comprehensive updated Corporate Plan from which concrete activities should be taken for implementation. IREDA accordingly prepared its Corporate Plan for 2007-12. IREDA engaged M/s PricewaterhouseCoopers Private Limited (PwC) for preparing the Corporate Plan for 2012-17. This Corporate Plan was put up to the BOD in its 220th meeting held on 11 May 2012 and the BOD noted the Plan.

In this connection Audit observed that:

- IREDA prepared the Corporate Plan 2007-12 after the Task Force stressed the need for this. The Plan was however not put up to the BOD on the grounds that- (a) it was no more a long term plan, since three out of the five years of the Plan were already over; and (b) the Corporate Plan was based on the report of CRISIL which had already been approved by the BOD in April 2007. Hence the BOD was not aware of the Corporate Plan as well as the status of implementation of various activities envisaged in the Corporate Plan 2007-12.
- The BOD did not monitor the progress of various activities envisaged under the Corporate Plan in order to satisfy themselves that planned activities were done and targets were achieved. Only individual items of work were put up in a piece-meal fashion to the BOD, such as the issue of broad-basing of equity or raising Initial Public Offering (IPO). As such, the BOD was unaware of the extent of execution of the Corporate Plan as a whole.
- Unlike the Corporate Plan 2007-12, the Plan for 2012-17 did not prescribe milestones for accomplishing specific tasks which would have enabled ensuring delivery of outputs within defined timelines.
- A number of actions/strategies envisaged in the short, medium and long-term under the Corporate Plan (2007-12) were either not carried out or had only been partly implemented. Out of 31 items of work envisaged for execution under four major areas of resource mobilisation, client retention/business development, organisation restructuring and image building, only 12 items[9] of work were stated to have been implemented.
- Crucial issues in the Corporate Plan 2007-12 pertaining to resource mobilisation were undecided as these were reported to be pending at GOI level/other factors. These included the following:

[9] *Simplification of procedures for appraisal, flexible lending rates linked to credibility of customers, offering flexible terms, financing medium hydro projects, form consortium financing, imparting training by IREDA, upgradation of IREDA to Schedule 'B' Company, formation of joint ventures, GOI equity, multilateral and bilateral LOC, recovery of NPAs through SARFAESI Act, 2002 and recovery of NPA through OTS.*

Sl. No.	Item of work	Action to be taken up with GOI	Action taken by IREDA
1	Broad basing of equity	Limit upto which Government equity can be diluted	Referred to MNRE in November 2013
2	Equity through Initial Public Offering (IPO)	To increase the authorised share capital from ₹ 1,000 crore to ₹ 6,000 crore	Referred to MNRE in March 2013
3	Long Term Operation Funds	Sanction of ₹ 500 crore as subordinated loans with tenures of about 40-50 years at an annual interest rate of 3-4 *per cent*	Matter is pending with MNRE
4	Capital Gains Bond	Permission for issuance of capital gains bonds and tax saving bonds	Matter is pending with GOI
5	Tax free bonds	IREDA was permitted (February 2013) by GOI to mobilise ₹ 1,000 crore by way of tax free bonds for the financial year 2012-13	Funds could not be mobilised reportedly due to receipt of permission towards the close of the financial year and market factors
6	Stressed Assets Stabilisation Fund (SASF)	The matter for creation of SASF was initially taken up by IREDA with MNRE in December 2005 and September 2007	The matter is pending with MNRE

- There were other important issues in the Corporate Plan 2007-12 on which action was either not initiated by IREDA during the Plan period or steps were taken belatedly. These are as brought out in the following page:

Sl. No.	Item of work	Action to be taken by IREDA	Status
1	Consultancy Business	Setting up of a consultancy cell and exploring activities for offering consultancy, publicising and announcing IREDA's plan and generating business	No action was taken and the matter was again incorporated in the Corporate Plan 2012-17
2	Value Chain Financing	To identify various products and prospective clients	No action taken
3	Forming of Focus Groups	Forming focus groups like Strategic Planning Group, Business Development Group, Risk Management Group, Organisational Systems Group, Consultancy Management Group, Knowledge Management Group and Group for recovery of dues to manage NPAs	No action was taken and the matter was again incorporated in the Corporate Plan 2012-17

Sl. No.	Item of work	Action to be taken by IREDA	Status
4	Development of user friendly IT enabled customer interface and Single window interaction with clients	Borrowers' accounts were to be put on the Company's website and a *modus operandi* was to be evolved for creating a single window interaction with clients/ borrowers	Application is still under trial run (January 2014)

Thus, IREDA prepared the Corporate Plan 2007-12 only after directions from the Task Force of DPE but did not submit it for the BOD's approval. The BOD was therefore not aware of the status of implementation of various activities envisaged in the Corporate Plan. Steps proposed to be carried out in the short, medium and long-term were either not carried out or had only been partly implemented. There were critical matters either pending at GOI level or on which IREDA was yet to take action. As such, the Corporate Plan did not serve its intended purpose as a long term planning tool. Effective planning and strategy implementation becomes critical in view of IREDA's depleting market share.

Recommendation No. 1

The Board of Directors of IREDA may coordinate and monitor execution of the Corporate Plan to improve efficiency and effectiveness of IREDA's operations and to explore new business opportunities.

IREDA accepted the recommendation.

2.5 Annual planning

For each financial year a MoU is signed by IREDA with MNRE, which details various financial and non-financial targets to be achieved by it during the year. Further, MNRE also prepares an outcome budget every year, highlighting the objectives of various programmes and activities of the Ministry and progress made during previous years, as well as details of financial outlays, projected physical outputs and projected/budgeted outcomes for the next year. IREDA's equity from the planned budget of the GOI and estimation of internal and external budgetary resources (IEBR) also gets reflected in MNRE's outcome budget.

2.6 MoU targets inconsistent with Corporate Plan and MNRE Outcome Budget targets

2.6.1 Sanctions

The targets for sanctions set in the Corporate Plan, Outcome Budget and MoU for the period 2008-09 to 2012-13 and the achievements thereagainst are indicated in the Table 2.3 below:

Table 2.3: Targets and achievements in respect of sanctions

₹ in crore

Year	Targets for sanction as per				Achievement	Percentage of achievement variation *w.r.t.* MNRE Outcome Budget	Percentage of achievement variation *w.r.t.* 'excellent' target
	Corporate Plan	MNRE Outcome Budget	MoU Excellent target	MoU Basic target			
1	2	3	4	5	6	7 (6/3*100)	8 (6/4*100)
2008-09	1000	900	1000	900	1489.93	165.54	148.99
2009-10	1571	900	1350	1200	1823.91	202.66	135.10
2010-11	2286	1860	2135	1900	3126.42	168.09	146.44
2011-12	2574	2625	2888	2625	3405.96	129.75	117.93
2012-13	3521	3520	4000	3760	3747.36	106.46	93.68

From the above, it is evident that the actual loans sanctioned by IREDA persistently exceeded the target of sanction of loan reflected in the Outcome Budget. Similarly the achievement in respect of loans sanctioned against MoU 'excellent' targets was continuously exceeded, except in 2012-13, where it was short by 6.32 *per cent*. The Corporate Plan targets were also exceeded for each year.

2.6.2 Disbursements

The targets for disbursements set in the Corporate Plan, Outcome Budget and MoU for the period 2008-09 to 2012-13 and the actual achievements are indicated in the following Table 2.4.

Table 2.4: Targets and achievements for disbursement of loans

₹ in crore

Year	Targets for disbursement as per				Achievement	Percentage of achievement variation *w.r.t.* MNRE Outcome Budget	Percentage of achievement *w.r.t.* excellent target
	Corporate Plan	MNRE Outcome Budget	MoU Excellent target	MoU Basic target			
1	2	3	4	5	6	7 (6/3*100)	8 (6/4*100)
2008-09	700	650	730	650	770.95	118.61	105.61
2009-10	1100	650	800	710	890.03	136.93	111.25
2010-11	1600	880	1010	900	1224.17	139.11	121.20
2011-12	1800	1218	1340	1218	1855.03	152.30	138.44
2012-13	2026	2030	2500	2350	2125.50	104.70	85.02

It may be seen from the above table that the actual disbursement of loans by IREDA consistently exceeded the targets of disbursement as indicated in the Outcome Budget during 2008-09 to 2012-13. Similarly, the actual loans disbursed against MoU excellent targets were exceeded during the same period, except in the year 2012-13, when it remained short by about 15 *per cent.*

2.6.3 Audit observations

- Since the MoU targets were being monitored on a quarterly basis by MNRE and annually by DPE these constituted the main framework against which IREDA benchmarked its achievements. However, these MoU targets did not have any correlation either with the targets indicated in the Corporate Plan or in the Outcome Budget of MNRE.

- MoU targets were understated as IREDA consistently exceeded even the 'excellent' targets. This was also pointed out by the Task Force committee during finalisation of the MoU for 2008-09, wherein it was observed that the targets for sanctions and disbursements were understated and IREDA could look at higher figures. Similarly, while finalising the MoU for 2009-10 the committee stated that loan sanction should be based on anticipated achievements and not on the basis of targets for the previous year.

The Management stated (April 2014) that the Corporate Plan targets are normally indicative targets which are set envisaging future growth in the sector. MoU targets are set on annual basis and are more realistic in nature.

The Management reply may be seen in the context of IREDA consistently exceeding its MoU targets and its declining market share.

Recommendation No. 2

The targets fixed in the annual MoU signed with MNRE should be realistic and flow from the Corporate Plan and be reflected appropriately in the Outcome Budget of MNRE.

The Management partially accepted the recommendation.

2.7 Non-adherence to DPE guidelines for framing MoU between MNRE and IREDA

As per the DPE guidelines (November 2010) regarding framing of MoU between a CPSE and the Ministry, the MoU targets should be realistic, growth-oriented and consistent with the proposed Annual Plan and Budget of the Ministry and the Corporate Plan of the CPSE. Further, ongoing as well as new projects to be implemented by the CPSE and a list of projects completed, projects pending with time and cost overrun and percentage of milestones achieved within the stipulated time should be specifically mentioned in the MoU. In addition to reflecting the financial performance of the CPSE in MoU, quantifiable physical targets are also required to be shown in the MoU as these are significant because they reflect productivity and efficiency of the CPSE.

Audit scrutinised the MoUs entered into by IREDA with MNRE during 2008-09 to 2012-13 and observed that:

- While the MoUs for the period 2005-06 to 2007-08 reflected targets of projects to be commissioned both in physical terms (MW) and in value terms, the MoUs for 2008-09, 2009-10 and 2010-11 reflected the targets only in value terms. The MoUs for 2011-12 and 2012-13 did not prescribe any such evaluation criteria.

- The list of projects completed, projects pending with time and cost overrun, and milestones achieved within the stipulated time and new projects to be implemented were not depicted in the MoUs.

- Objectives and targets envisaged in the Result Framework Document (RFD) of MNRE were not reflected in the MoU.

- Despite the need expressed by MNRE in its Strategic plan prepared in February 2011 for the period 2012-13 to 2016-17, for depiction of sector specific financing target in the MoU, no such depiction was made in the MoU for 2012-13.

The Management stated (April 2014) that the guidelines for MoU between CPSE and Ministry are generic guidelines for all PSUs. In case of financial institutions such as IREDA, the productivity of the CPSE is measured in terms of sanctions and disbursements. As far as physical achievement as outcome is concerned, non-inclusion of this in the MoU is because the actual commissioning of the project lies with the developers, which are not directly under the control of the financial institutions, though it does reflect on certain outcomes.

Audit is of the opinion that quantifiable physical targets may be incorporated in the MoU, as was done in the past, as these provide benchmarks for evaluating the productivity and efficiency of IREDA.

Recommendation No. 3

Quantifiable physical dimensions of the new and ongoing projects be reflected in the MoU.

The Management partially accepted the recommendation stating that the sanction support and MW capacity achieved can be indicated.

Chapter - 3
Sanction and disbursement of loans

3.1 Introduction

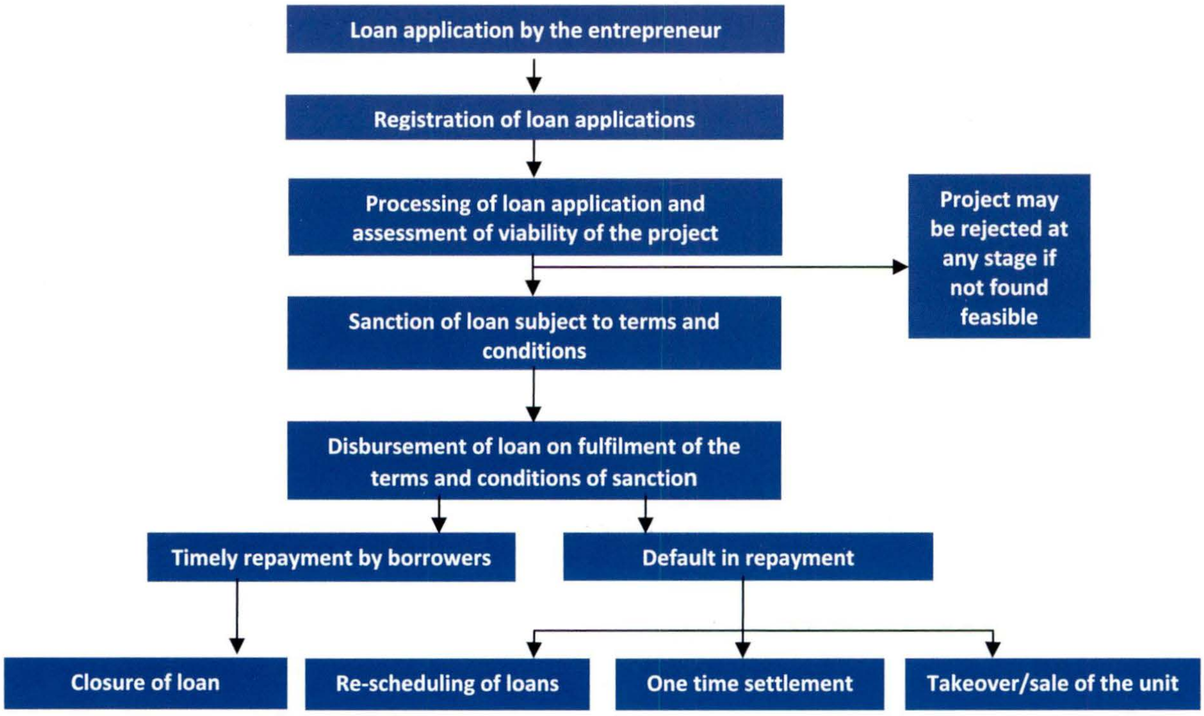
IREDA has framed Renewable Energy and Energy Efficiency Financing Guidelines for project financing. These guidelines *inter alia,* consist of:

- IREDA's financing norms consisting of sectors eligible for financing and types of schemes, policy on pre-payment, registration fee, front end fee, reschedulement fee, etc.

- IREDA's operational norms consisting of procedure and norms for sanction, interim and regular disbursement of loan, policies on reschedulement, compromise and write off and interest reset clause, guidelines for procurement, technical assistance, MNRE programs, etc.

Further, in accordance with the guidelines prescribed by RBI (September 2006), IREDA framed (March 2007) a Fair Practices Code (FPC) outlining the procedures for acknowledgement and verification of loan applications, validity of loan applications, processing of loan applications, loan appraisal and terms and conditions, disbursement of loans, monitoring and evaluation, release of securities on repayment of loan and interest, grievance redressal mechanism, etc.

A flow chart indicating the process of financing and recovery of loans is depicted below:



3.2 Procedure for registering and processing loan applications

As per the Fair Practices Code (FPC), IREDA within 7 days of receipt of loan application was to issue an acknowledgement of its receipt. Initial scrutiny of the loan application form is completed normally within 14 days from the date of receipt of application and a letter is issued to the borrower intimating Application Registration Number along with details of further documents/information required to process the loan application form. In case the loan application does not meet the eligibility criteria, the application is not registered and is returned to the applicant along with the prescribed application fee.

Audit observed that IREDA simplified the procedure for application and registration from time to time and the latest Operational Guidelines (August 2012) stated that on receipt of application, registration would be done within 7 working days through online data entry into Project Implementation Disbursement, Monitoring and Operation Systems (PIDMOS), if the application was received along with registration fee.

The amount of loan assistance to be sanctioned, as well as terms and conditions are discussed with the representatives of the borrower and then finalised after examination of the documents. An appraisal report is submitted to the Competent Authority within 90 days for approval when all essential documents are submitted by the borrower. Interest rate, additional interest, front end fee, liquidated damages, details about signing of loan documents, withdrawal of loan, repayment period of the loan, grace period, mode of repayment, types of securities to be furnished by the borrowers, etc., are stated in the sanction letter.

While guidelines for financing renewable energy and energy efficiency projects stated that the norms were required to be reviewed on a yearly basis in view of fast changes in the financial markets and also with a view to compete with other lenders involved in financing of renewable energy projects, Audit noticed that IREDA's 'Renewable Energy and Energy Efficiency Financing Guidelines' framed in 1994, were reviewed by the BOD only twice (February 2008 and August 2012) during 2008-09 to 2012-13.

3.3 Time taken for sanctioning project proposals

As per the FPC, IREDA normally has to sanction a project within 90 days of its registration, if complete details/documents are submitted by the applicant and the project is found eligible from the technical, financial and legal point of view.

Analysis of data obtained from the PIDMOS database revealed the following:

3.3.1 A total of 211 projects[10] were sanctioned during the period 2008-09 to 2012-13. The analysis of time taken for project sanction is given in the following Table 3.1:

Table 3.1: Time taken for sanctioning projects during 2008-09 to 2012-13

Time taken for sanctioning project (in days)	No. of projects	Percentage of total projects sanctioned
0-90	128	60.66
91-180	64	30.33
181-270	14	6.64
271-360	3	1.42
361-450	2	0.95
Total	**211**	**100.00**

Source: PIDMOS database

Audit observed that:

- The average time taken for sanctioning these 211 projects was 89 days.
- While 128 projects (60.66 *per cent*) were sanctioned within the prescribed limit of 90 days, 83 projects (39.34 *per cent*) were sanctioned after an average delay of 66 days, beyond the prescribed limit of 90 days.

10 *This includes two applications received prior to 2007-08 but not processed and does not include 18 applications for additional loans.*

In the Corporate Plan 2012-17, it was stated that developers had raised concerns regarding the time taken by IREDA to process their loan applications, and that in banks and other institutions the projects were sanctioned within a period of 2 months, which was less than what they had experienced with IREDA.

Thus there was scope for improving the sanctioning process within the existing time frame and also for reducing the overall time limit for sanction of projects.

The Management stated (April 2014) that the average time taken for sanction was within the prescribed norms of 90 days. The delays wherever observed were mainly on account of pending information from the applicants. However, this time period is under review and IREDA endeavors to reduce the time of sanction by way of improvement in the systems and procedures.

3.3.2 The PIDMOS data indicated that 10 projects (4.74 *per cent* of total 211 projects) including those of The Tata Power Company Limited and Maharashtra State Power Generation Company Limited were sanctioned on the same day on which the application was registered. Cross-verification of project files in respect of these two cases revealed that in the case of Tata Power (Project no 1931) the loan was sanctioned on 30 December 2010 while the project was registered with IREDA on 7 January 2011 *i.e.* after sanction. In the case of Maharashtra State Power Generation Company Limited (Project no 1932) the loan was sanctioned on 13 January 2011 without registration of the project.

Thus, IREDA violated its guidelines/processes in some cases by sanctioning loans for the projects even before registration, whereas, it sanctioned loans for some projects in very short time period.

The Management stated (April 2014) that IREDA had carried out complete due diligence before going to the BOD. It was further stated that the process of registration has now been revised and such instances may not occur in future.

3.4 Loan applications received, processed and dropped

A summary of applications received and sanctioned during 2008-09 to 2012-13 is given in Table 3.2 below:

Table 3.2: Applications received and sanctioned during 2008-09 to 2012-13

Sector	No. of applications received	Total capacity in received applications (MW)	Loan amount applied for (₹ in crore)	No. of applications sanctioned	Total capacity in sanctioned applications (MW)	Loan value sanctioned (₹ in crore)
Hydro	121	6329.75	7800.60	66	4115.40	3403.37
Wind	112	4881.90	12308.58	75	3113.35	6823.66
Biomass Power and Co-Generation	90	1584.00	4901.35	34	672.80	1955.73
Solar Grid	70	584.25	3755.49	21	107.00	669.11
Solar off Grid	27	192.00	1388.19	18	100.00	46.60
Energy Efficiency	21	500.74	1271.85	8	93.50	442.89
Waste To Energy and Miscellaneous	16	74.48	562.46	5	3.23	28.98
Total	**457**	**14577.12**	**31988.52**	**227**	**8205.28**	**13370.34**

Source: PIDMOS, figures are in variance with the Annual Report of IREDA as brought out in paragraph 6.2.

The sector wise details of loan applications dropped after registration are indicated in the following Table 3.3:

Table 3.3: Sector wise details of loan applications dropped during the period 2008-09 to 2012-13

Sector	Dropped after registration but before sanction of loan	Dropped before payment of front end fee	Dropped after payment of front end fee but before signing loan agreement	Dropped after signing of loan agreement	Total
Hydro	33	10	3	4	**50**
Wind	24	15	6	1	**46**
Biomass Power and Co-Generation	16	6	2	0	**24**
Solar Grid	24	5	0	0	**29**
Solar off Grid	0	1	2	10	**13**
Energy Efficiency	8	3	0	1	**12**
Waste To Energy and Miscellaneous	2	1	0	0	**3**
Total	**107**	**41**	**13**	**16**	**177**

Source: PIDMOS database

Audit observed that out of a total 457 loan applications received during 2008-09 to 2012-13, 121 applications (26.48 *per cent*) were dropped before registration. Remaining 336 applications were registered by IREDA. Out of these, 107 applications were dropped before sanction of loan while 70 applications were dropped after sanction of loan. Thus, only 159 loan applications (34.79 *per cent)* were finally sanctioned.

3.5 Applications dropped after registration

3.5.1 Out of 177 loan applications which were dropped after registration, Audit selected 43 (24 *per cent)* cases for detailed examination. Audit observed that reasons for loan applications getting dropped in the selected cases were as under:

Table 3.4: Reasons for applications dropped during the period 2008-09 to 2012-13

Reasons for dropping	No. of loan applications	Percentage
Non submission of essential documents by the borrower	16	37.22
Loan applications not covered under IREDA's credit policy/prevailing loan schemes	3	6.99
Lack of response from the borrower up to the period of validity of the loan application	8	18.60
Borrower managing loans from other financial institutions/banks	4	9.30
Non acceptance of terms and conditions by IREDA/the borrower	1	2.32
Unwillingness on the part of the borrower for setting up the project	1	2.32
Project implementation formalities not completed	6	13.95
Borrower withdrawing the loan applications on its own	4	9.30
Total	**43**	**100.00**

3.5.2 Undue rejection of application

A term loan of ₹ 8.50 crore was sanctioned (March 2011) by IREDA to **M/s SCI India Limited** for setting up a 1.6 MW biogas power project at Banka, Bihar. The loan agreement was signed in May 2011.

Although the terms and conditions of the agreement (May 2011) stated that the loan would be secured, *inter alia,* by mortgage of immovable assets pertaining to the project, IREDA insisted on the mortgage of all immovable assets of the borrower citing the terms of the sanction letter issued in March 2011. Hence, no disbursement was made to the borrower. No reason for enhancing strictness of terms and conditions was on record. Aggrieved by this, the borrower withdrew (December 2012) its loan application and the case was closed by IREDA in January 2013.

Audit observed that:

- At each stage of processing of the disbursement requests of the borrower from September 2011 to September 2012, the Project Technical Sanction (PTS) department of IREDA put up the case with proper justification and recommendation for disbursement. However, the senior management of IREDA raised objections due to which the loan could not be disbursed.

- The PTS department noted that the loan to be disbursed was fully securitised by the project assets.

Thus IREDA unduly rejected the case.

The Management stated (April 2014) that the company could not create mortgage of the project assets as security and therefore the borrower was not eligible for disbursement and thus they decided to withdraw the application.

Audit does not agree with the Management's contention because at each stage IREDA put forth additional condition to be met by the borrower although the loan was reported to be fully securitised by the project assets. As the loan agreement was legally binding, the insistence of IREDA on compliance to the additional condition of the sanction letter instead of the loan agreement was not justified.

3.6 Procedure for disbursement of loans

IREDA disburses loans in instalments depending upon the physical progress of the project, satisfactory utilisation of instalments already advanced and proportionate to the promoters' contribution. The borrower has the following alternatives to draw funds: i) Interim Loan/Disbursement; ii) Regular disbursement; iii) Additional/Bridge loan.

Pre-sanction inspection of sites is necessary for all grid connected power projects, except for non- greenfield wind projects, and two more inspections are required - one before first disbursement and second after commissioning of the project but before release of last disbursement of loan.

The first instalment of regular disbursement will *inter alia* be subject to compliance/ completion of the following conditions: furnishing of item-wise physical progress of the project; inspection of the project; induction of Nominee Director on the Board of the borrowing company and appointment of Concurrent Auditors/Engineers if applicable and advised by IREDA; furnishing of Chartered Accountant's certificate covering information like item-wise expenditure already incurred; utilisation certificate of promoter's contribution before and after opening No-Lien Account[11]/ Trust and Retention Account (TRA)[12]/Special Account; and utilisation of amounts already disbursed.

The subsequent disbursement/s shall be made on *pro rata* basis to the promoters' contribution brought in for the project and also taking into account the following, in addition to compliance of pending conditions/formalities for earlier disbursements - i) Conditions laid down at the time of last release of funds; ii) Satisfactory progress of the project; iii) Project inspection by IREDA official or its nominees, if required; iv) Reports of Concurrent Auditors, wherever appointed by IREDA are received etc.

3.7 Loan applications sanctioned

3.7.1 As brought out earlier in Table 1.3, Audit selected 42 cases (25 sanctioned and 17 disbursed cases) of loans. In 17 (40 *per cent*) cases it was observed that IREDA had deviated from the norm(s) prescribed in the financing guidelines as stated in Table 3.5 below: (Details in **Annexure IV**).

Table 3.5: Deviation from the norms in sanctioning loans

Sl. No.	Nature of deviation	Number of cases where deviation was noticed*	Percentage
1.	Credit exposure limits exceeded	5	29
2.	Non-creation of mortgage before disbursement	6	35
3.	Promoter's contribution not brought in time	4	24
4.	Trust and Retention account not created	2	12
5.	Longer repayment period permitted	2	12
6.	Required inspections not conducted	11	65
7.	Nominee Director and/or Lender's Engineers not appointed	4	24

* *Out of the 17 cases where deviations were noticed. In some of the cases one or more deviations were found.*

Deviation from norms/guidelines in large proportion (40 *per cent*) of cases, specifically absence of inspections (65 *per cent*), non creation of mortgage before disbursement (35 *per cent*), exposure of credit limits (29 *per cent*) and delay in bringing in promoter's contribution (24 *per cent*) are a cause of concern.

[11] *It is an account with a Bank in which IREDA can instruct the Bank to stop all withdrawals of the monies by the borrower company in case of default.*

[12] *This is an account opened by the borrower where all receipts generated from the project are to be deposited. IREDA has a lien/first charge on the said account.*

3.8 Sanctioning of loans beyond the prescribed credit limit

3.8.1 The RBI prudential norms notified on 12 December 2006 for Non-Banking Financial Companies (NBFCs) stipulate certain exposure limits. For NBFCs financing infrastructure projects, RBI's prudential norms permit exceeding the limits. Comparison of RBI and IREDA norms revealed as under:

Category	Single borrower exposure limit	Group borrower exposure limit
As per RBI norms	15 *per cent* of IREDA's net worth	25 *per cent* of IREDA's net worth
As per IREDA norms	*20 per cent* of IREDA's net worth	35 *per cent* of IREDA's net worth

While scrutinising IREDA's application for categorising it as an infrastructure finance company RBI noticed that it was exceeding the permissible exposure limits. RBI, therefore, directed (September 2010) IREDA to submit the time frame within which IREDA would comply with RBI norms of December 2006. IREDA, however, took the stand that the applicability of RBI norms was not mandatory, it being a Government company, and hence the exposure norms as per RBI do not apply to it. IREDA was, therefore, treating itself as an infrastructure finance company without RBI's approval under which higher exposure limits are permitted.

The Management stated (April 2014) that RBI norms permit additional exposure of 5 *per cent* for the single borrower and 10 *per cent* for the group borrowers over and above the limits prescribed by RBI for financing in infrastructure projects. Since the RE sector falls in the definition of infrastructure sector, the exposure limit has been accordingly fixed with the approval of the BOD. It was further stated that IREDA is financing in the niche area of only RE sector, therefore, the exposure limits has been kept as stated above.

The fact, however, remains that IREDA was yet to get RBI clearance for being designated as an Infrastructure Finance Company (April 2014) and hence was not entitled to fix additional exposure limits as applicable to infrastructure financing companies.

Audit observations in illustrative cases including exposure limits violation are given below.

3.8.2 M/s Tata Power Company Limited (TPCL) (Project No. 1931) approached IREDA (November 2010) for a Line of Credit (LOC) of ₹ 500 crore at an interest rate of 9.50 *per cent* for setting up two projects of total capacity of 158.50 MW in Tamil Nadu and Maharashtra. IREDA sanctioned (December 2010) a LOC of ₹ 450 crore at 9.60 *per cent* to TPCL and the loan agreement was signed in May 2011.

The exposure was 42.73 *per cent* i.e. much higher than both RBI prudential norms of 15 *per cent* and IREDA's norms of 20 *per cent.*

The recorded reasons for exceeding the norms were as follows:

a) IREDA is an NBFC registered with RBI and is exempt from RBI norms being a 100 *per cent* Government company.

b) PFC and REC have also relaxed the norms up to 150 *per cent.*

Other deviations in sanctioning the project were as under:-

- As per IREDA's guidelines interest was to be charged as per the rating of the project and the borrower company by Credit Rating Cell of IREDA. TPCL was awarded Grade-I by IREDA. Although the applicable rate of interest for Grade-I companies was 10.50 *per cent*[13] for the wind sector, yet the loan was sanctioned at 9.60 *per cent* on the grounds that IREDA had sufficient liquidity and the cost of external borrowing was 8.81 *per cent*, and TPCL was one of the esteemed customers of IREDA with excellent track record.

- Pre-sanction inspection and physical inspections were not done.

3.8.3 IREDA sanctioned (May 2008) a line of credit of ₹ 362 crore to **M/s Tata Power Company Limited** (Project No. 1838) for setting up wind farm projects of a total capacity of 100.80 MW at district Jamnagar in Gujarat and District Gadag in Karnataka. The loan agreement was signed in February 2009.

Audit observed the following:

- IREDA had exceeded the exposure limit by sanctioning line of credit of ₹ 362 crore which was 56 *per cent* of its net worth. Exceeding the limit was justified on similar lines as given in the foregoing paragraph 3.8.2.

- As per IREDA's exposure limit criteria, the loan would be adjusted by the outstanding loan amount already financed. As IREDA had already financed ₹ 95 crore to M/s Tata Power Company Limited for another project (No. 1807) in 2006-07, therefore, the loan amount should have been reduced by the earlier outstanding loan amount of ₹ 91.50 crore. However, IREDA sanctioned the full loan amount of ₹ 362 crore without adjusting the total loan amount with reference to the exposure limit. On combining the loans sanctioned in respect of the Projects Nos. 1807 and 1838, the exposure became more than 70.15 *per cent.*

- For a company rated as Grade-I, the applicable rate was 10.25 *per cent* for the wind sector at that period of time, yet the loan was sanctioned at 9.90 *per cent* in this case.

- Pre-sanction inspection and physical inspection were not carried out.

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[13] *Interest rates were revised from time to time by IREDA.*

The Management while agreeing with the facts stated (April 2014) that full and proper justification was provided to the competent authority for exceeding the exposure limit, sanction of loan and rate of interest. All the loans were approved after thorough due diligence.

The fact remains that IREDA violated its own norms for exceeding the exposure limits on the grounds of PFC and REC doing the same. Comparison with the latter FIs is not justified as they have a larger capital base and hence greater capacity to absorb potential risks. Further, inappropriate practices of other companies may not be emulated.

3.8.4 IREDA sanctioned (August 2010) a loan of ₹ 300 crore to **M/s Vaayu Indian Power Corporation Limited** and signed the loan agreement (October 2010) for setting up 202.40 MW wind power projects in the states of Rajasthan, Gujarat, Tamil Nadu and Andhra Pradesh. The project was sanctioned in consortium financing mode with Industrial Development Financial Corporation (IDFC) as lead financer.

Audit observed that in this case the exposure was 30 *per cent* i.e. higher than both RBI's prudential norms of 15 *per cent* and IREDA's norms of 20 *per cent* for single borrowers. The recorded reasons for exceeding the norms were as follows:

i. IREDA is an NBFC registered company with RBI and was exempt from RBI norms being a 100 *per cent* Government company.

ii. IDFC also sanctioned loan to the borrower company for this project.

iii. The borrower had already infused 89.77 *per cent* of its contribution.

Other deviations from the guidelines/norms were also noticed:

- Though 100 *per cent* disbursement was made by February 2012 against the loan sanctioned, execution of mortgage of all properties of the project was pending till March 2013. IREDA did not charge the additional interest rate for non-creation of mortgage.

- 14 disbursements were made on the basis of the Lender's Engineer's status report and request received from IDFC (co-financer), but only one physical inspection was conducted by IREDA at Samana site in Gujarat in January 2011 and that too before the ninth disbursement.

- Nominee Director and Concurrent Engineer were not appointed by IREDA in the Board of the borrowing company.

- As per guidelines of IREDA, the repayment period and grace period was 10 years in 40 quarterly instalments, against which IREDA allowed repayment period and grace period up to 12 years in 48 quarterly instalments.

The Management stated (April 2014) that longer repayment has been considered to align with the terms of the other lenders and also the longer /restructured repayment is the need for the sector to ensure satisfactory debt servicing. Although IREDA has not changed its guidelines but relaxations were provided on a case to case basis. Additional interest was not charged in line with the lead financer, IDFC, who also allowed time for creation of mortgage without additional interest. Since the project was sanctioned in the co-financing mode, the disbursements were made based on the Lender's Engineer's report, who was appointed by IDFC. Being a co-financed project the lenders engineers appointed by IDFC fulfilled the requirement of IREDA's Concurrent Engineer.

The fact remains that the financing guidelines are silent about relaxing the norms for co-financed projects and there is scope for discretion in such cases.

Recommendation No. 4

The prescribed credit exposure limits should not be exceeded.

The Management partially accepted the recommendation stating this was being exceeded only in specific cases with proper justification and approval of the Competent Authority.

However, exceeding credit limit exposure in 29 *per cent* of selected cases may not justify the stand of IREDA.

3.9 Other deviations from prescribed financial and operational guidelines

Some illustrative cases where Audit noticed deviations from the prescribed financing and operational guidelines are given below:

3.9.1 IREDA sanctioned a term loan (March 2007) of ₹ 21.30 crore to **M/s Noble Distilleries & Power Limited** for setting up a 8 MW Captive Power Plant based on Waste Heat Recovery Boiler (WHRB) and Fluidised Bed Combustion Boiler (FBCB) in Bellary District, Karnataka and the loan agreement was signed in May 2007. The expected date of commissioning of the project was 31 March 2011.

Audit observed the following deviations from the prescribed guidelines:

- For sanction of the loan there was a condition to check that the NPA in the financed sector Energy Efficiency and Conservation (EEC) should have a limit of 15 *per cent.* However, at the time of sanction, the sector NPA was 48.88 *per cent.*

- IREDA released (July 2010) the second instalment of loan of ₹ four crore as regular disbursement without inspection of the project. The borrower was in default since December 2010. Lender's Engineer appointed by IREDA (June 2011) found in inspection (July 2011) that the corporate office of the borrower was closed and they were operating from their factory premises. The borrower had also changed its name to M/s Noble Ispat & Energies Limited.

The account became NPA in December 2010 and the loan was recalled in May 2012.

The Management stated (April 2014) that the completion of the project was delayed due to ruling of the Hon'ble Supreme Court, banning mining in the Bellary district of Karnataka, as a result of which the operations of the plant were not found viable. Due to non-implementation of project and non-payment of dues, the account became NPA and IREDA has initiated action for recovery of dues under SARFAESI Act, 2002[14].

It may be seen that IREDA relaxed one of the conditions relating to NPA while sanctioning the loan and did not monitor the project on regular basis.

3.9.2 IREDA sanctioned (March 2005) a loan of ₹ 26.50 crore to **M/s Sri Venkateswara Sponge & Power Private Limited** for its 15 MW power plant under EEC sector for captive consumption in Chittoor district of Andhra Pradesh. The borrower subsequently requested for reduction in the power plant capacity from 15 MW to 12 MW with corresponding reduction in project cost. Borrower proposed to retain IREDA's loan of ₹ 26.50 crore with reduction in loan from co-financing banks. These were approved by the BOD (March 2006). IREDA released (March 2008) the first disbursement of ₹ 11.50 crore and released a total of ₹ 21.81 crore to the borrower till April 2009.

Audit observed the following deviations from the prescribed guidelines:

- Though IREDA (March 2004) had 31.66 *per cent* NPA in EEC sector against 15 *per cent* limit prescribed for NPA, yet the project was sanctioned by the BOD.
- At the request of the borrower, IREDA allowed reduction of promoter's contribution from 100 *per cent*[15] to 30 *per cent* before first disbursement.
- The net worth of the guarantors was furnished on paper attested by a Notary and was not certified by the borrower's Chartered Accountant, in deviation of the prescribed guidelines.
- IREDA did not get in its favor the mortgage for an amount equivalent to ₹ three crore by way of collateral security required before release of first disbursement. Though the borrower assured IREDA in this regard, yet the same was not done.
- The borrower informed (December 2009) that due to recession in the steel industry, the company had incurred huge financial losses due to which they were not able to complete the power plant within the scheduled time. For revival of the company the

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[14] *SARFAESI Act (The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002) was enacted to regulate securitization and reconstruction of financial assets and enforcement of security interest created in respect of Financial Assets to enable realization of such assets.*

[15] *Matching contribution w.r.t IREDA's loan.*

borrower requested for No Objection Certificate (NOC) for selling its induction furnace for ₹ 20 crore. However, without creation of additional security, IREDA gave a NOC to the borrower on 23 March 2011. Out of sale proceeds of ₹ 20 crore, a sum of ₹ 3.50 crore only was paid to IREDA and the balance ₹ 16.50 crore was paid to Andhra Bank.

- The borrower was repaying the loan of Andhra Bank but was defaulting in paying IREDA's dues though as per the *pari passu*[16] arrangement, repayments to both the co-financers were to be made on a proportionate basis.

The Management stated (April 2014) that as per the financing norms, normally the borrowers are required to bring in 33 *per cent* of their promoter contribution to avail the disbursement from IREDA. In the instant case the borrower was allowed disbursement after bringing 30 *per cent* of the promoter contribution. The collateral security stipulated by IREDA was mortgaged. As regards the NOC for sale of induction furnace, it was stated that Andhra Bank was the main lender for the borrower company and they had also financed the power plant under *pari passu* arrangement with IREDA. Since the project implementation was delayed, the promoters had found a buyer for the induction unit which was financed by Andhra Bank, so as to reduce the term loan liability of Andhra Bank. Due to *pari passu* arrangement with IREDA, Andhra Bank sought NOC from IREDA for sale of the unit. It was mutually agreed between IREDA and Andhra Bank to issue NOC upon payment of ₹ 3.50 crore to IREDA and the remaining amount to Andhra Bank so as to facilitate Andhra Bank to release satisfaction of charge on the induction furnace in favour of the purchaser.

The Management's reply is not acceptable because IREDA did not manage to get the mortgage by way of additional collateral security in its favor till March 2011 although the first disbursement had been made in March 2008. Further, the borrower had brought in the promoter's contributions only for an amount of ₹ 2.60 crore as against ₹ five crore required as one of the conditions for issuing NOC by IREDA. Moreover, Andhra Bank did not sanction additional term loan of ₹ five crore and the project remained unimplemented.

3.9.3 IREDA sanctioned (June 1999) a loan of ₹ 8.45 crore to **M/s Enbee Infrastructure Limited** (Project No. 1146) for setting up a Municipal Solid Waste (MSW) based power project of 5.40 MW capacity in Nagpur, Maharashtra.

Audit observed the following deviations:

- As per IREDA's financing guidelines, the promoters were required to contribute 25 *per cent* of their share before the first disbursement. The first instalment of the loan ₹ 1.71 crore was disbursed (August 2000) though the promoter's contribution was only 20.97 *per cent* at that time.

[16] *Equal in all respects, at the same pace or rate, in the same degree or proportion, or enjoying the same rights without bias or preference.*

- The first instalment was released without inspection of the project and without submission of the agreement entered into with the equipment supplier, though prescribed under the financial guidelines.
- No Nominee Director on the Board of the borrower company was appointed before release of first disbursement. In September 2000, IREDA appointed a Nominee Director who in March 2001 informed IREDA that he was not being invited to attend meetings of the borrower company.

The borrower defaulted in repayment to IREDA against the amounts due since December 2000 and the Internal Review Committee of IREDA observed in June 2001 that the borrower company had abandoned the project.

The Management accepted (September 2013) the audit observations.

In view of the above observations Audit recommends that:

Recommendation No. 5

IREDA may ensure that while sanctioning loans, due diligence is conducted with adequate care. The Renewable Energy and Energy Efficiency Financing Guidelines may be followed in right earnest; deviations should be made only in exceptional cases with adequate justification.

The Management, however, did not accept the recommendation stating that IREDA is following its lending policy and deviations are put up to the BOD with adequate justification.

IREDA's stand may be seen in the context that deviations were found in 40 *per cent* of the selected cases.

Chapter - 4
Recovery of loans

Timely and effective recovery of loans is critical for any financing company for its sustainability. The level of the Non-Performing Assets (NPA) in a financing company is an important indicator of its financial health and effectiveness of its monitoring mechanism.

Demand notices for repayment of IREDA's dues are sent to the borrowers every quarter within the first 10 days of the month in which the dues for the quarter are payable. IREDA puts up report on Stressed Assets and Recovery status to its BOD on quarterly basis.

4.1 Non-performing Assets (NPA)

IREDA defines NPA as a loan where:

- An asset in respect of which interest and/ or principal has remained overdue for a period of more than two quarters;
- Balance outstanding under loans (including accrued interest) are made available to the same borrower/beneficiary, when any of the loans financed by IREDA becomes a non-performing asset.

The NPAs are classified into the following three categories, based on the period for which the asset has remained non-performing and the realisability of the dues:

i. Sub-standard asset – one which has remained NPA for a period less than or equal to 18 months.

ii. Doubtful asset – one which has remained in the sub-standard category for a period exceeding 18 months.

iii. Loss asset - an asset which is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

The above norms were fixed in December 2008 and further revised in April 2013.

To bring down the NPAs, IREDA has been adopting various strategies like rescheduling/recalling of loans, identification of wilful defaulters, filing of winding-up petitions, one-time settlement, filing of criminal complaints under Section 138 of the

Negotiable Instruments Act, 1881 and action for recovery under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests (SARFAESI) Act, 2002, through the Debts Recovery Tribunal (DRT), etc.

4.2 Status of NPAs in IREDA

As on March 2013, 67 projects in respect of 59 borrowers, involving a total amount of ₹ 254.80 crore were categorised as NPA.

IREDA's loan portfolio is classified as below:

Table 4.1: IREDA's loan portfolio

₹ in crore

Sl. No	Particulars	March 2009	March 2010	March 2011	March 2012	March 2013
1.	Classification of loans					
(i)	Standard assets	2199.63	2728.53	3222.27	4640.02	6341.91
(ii)	Sub-standard assets	69.84	75.60	12.02	124.67	19.03
(iii)	Doubtful assets	268.68	175.86	168.55	143.23	235.73
(iv)	Loss assets	0.05	0.04	0.04	0.04	0.04
2.	Gross NPAs (ii)+(iii)+(iv)	338.57	251.50	180.61	267.94	254.80
3.	Total loans outstanding	2538.20	2980.02	3402.88	4907.96	6596.72
4.	Percentage of Gross NPA to loans outstanding	13.34	8.44	5.31	5.46	3.86
5.	Provision for NPA	264.21	282.96	155.05	149.09	195.68

Source: Annual Reports of IREDA

From the above table it may be seen that in IREDA's case the gross NPA to total loans in 2008-09 was 13.34 *per cent* and thereafter showed a decreasing trend and reduced to 3.86 *per cent* in 2012-13, except in the year 2011-12 in which it increased marginally to 5.46 *per cent*.

During the years 2008-09 and 2009-10, the recovery including OTS recovery was ₹ 34.38 crore and ₹ 75.85 crore; upgradation to performing assets in 2009-10 and 2010-11 was ₹ 51.69 crore and ₹ 64.29 crore; while write off of outstanding loans was ₹ 42.37 crore, ₹ 17.32 crore and ₹ 23.88 crore in 2008-09, 2009-10 and 2011-12 respectively. Thus, the main reason for reduction in NPA was one time settlement (OTS) of NPA cases, upgradation to performing assets and write off of outstanding loans from the books of account.

4.3 Comparison of NPAs with other power sector financing companies

A comparative statement depicting the position of NPA in IREDA *vis-à-vis* other power project financing companies is in the following Table 4.2:

Table 4.2: Statement showing position of NPA in Power Finance Corporation Limited (PFC), Rural Electrification Corporation Limited (REC) and IREDA

₹ in crore

Year	PFC		REC		IREDA	
	Gross NPA	Gross NPA to outstanding loans (%)	Gross NPA	Gross NPA to outstanding loans (%)	Gross NPA	Gross NPA to outstanding loans (%)
2008-09	13.16	0.02	68.89	0.14	338.57	13.34
2009-10	13.16	0.02	19.54	0.03	251.50	8.44
2010-11	230.65	0.23	19.54	0.02	180.61	5.31
2011-12	1358.00	1.04	490.40	0.48	267.94	5.46
2012-13	1135.00	0.71	490.40	0.39	254.80	3.86

Source: Annual Reports of PFC, REC and IREDA

Thus while NPAs in IREDA was in the range of 3.86 to 13.34 *per cent* during the audit period, it was much lower in REC and PFC.

The Management stated (April 2014) that gross NPA percentage of IREDA has significantly reduced from a level of 13.34 *per cent* to 3.86 *per cent* in 2012-13, which is the result of constant efforts by IREDA. IREDA is involved in financing renewable energy projects which are very risky in nature and therefore non-performing assets may emerge due to many factors such as non-operation of the project due to *force majeure* conditions and regulatory issues, etc. The comparison made by Audit on the NPA status of IREDA with REC and PFC, who have been lending mainly to States/State owned electricity boards, etc., is not fair as both PFC and REC altogether have different profile of operations. Any comparison between two institutions should only be made if the business model/clientele base is the same.

Though there have been reductions in NPAs, mainly on account of OTS, however, NPAs were still on the higher side as compared to NPAs in PFC and REC.

4.4 Age-wise analysis of NPAs

The age-wise analysis of NPAs as on 31 March 2013 is given in the following Table 4.3.

Table 4.3: Age-wise analysis of NPAs

₹ in crore

Total NPA as on 31.3.2013 (number of borrowers)	NPAs for					
	Less than 1 year	1 -2 years	2-3 years	3-4 years	4-5 years	5 years and above
254.80 (59)	10.17 (4)	119.22 (9)	12.02 (3)	23.92 (3)	0.28 (2)	89.19 (38)
Percentage 100	3.90	46.80	4.70	9.40	0.20	35.00

Note: Figures in brackets indicates number of borrowers

It would be seen that about half of NPAs (46.80 *per cent*) are of recent origin (1-2 years) and 35 *per cent* of the total NPAs are more than five years old. While IREDA could convert recent NPA cases into assets with adequate efforts, the risks in recovery of five years old NPAs would be much higher.

4.5 Recovery against NPAs

The target for recovery of NPA as fixed in the MoUs signed with MNRE during the period 2008-09 to 2012-13 and actual achievement is as shown in the following Table 4.4:

Table 4.4: Target and achievement for recovery of NPA in MoU

	2008-09		2009-10		2010-11		2011-12		2012-13	
	T	A	T	A	T	A	T	A	T	A
Level of NPA (in *per cent)*	16	13.28	13	8.44	10	5.31	7.22	4.38	4	3.86
Recovery of NPA (₹ in crore)	50	62.25	70	107.73	87	63.64	-	-	40	12.91
Recovery under SARFAESI Act/Write off/OTS (₹ in crore)	8	14.10	15	27.88	-	-	21	3.99	-	-

T- Target, A- Achievement

Thus while IREDA exceeded the targets for recovery of NPA in 2008-09 and 2009-10, recovery fell short of targets in 2012-13. The main reason for higher recovery of NPA during 2008-09 and 2009-10 was sanction of OTS of ₹ 42.29 crore and ₹ 26.64 crore respectively. For recoveries under SARFAESI Act, 2002 there were shortfalls in 2011-12 and no targets were fixed for 2010-11 and 2012-13.

However, Audit also noticed that the figures of recovery shown in the Annual Reports depicted a different picture from that in MoUs as shown in the following Table 4.5.

Table 4.5: NPA figures from Annual Report

₹ in crore

Particulars/Year	2008-09	2009-10	2010-11	2011-12	2012-13
Opening balance	415.93	338.57	251.50	180.61	267.94
Addition during the year	0.59	57.79	12.02	120.96	20.66
Total	416.52	396.36	263.52	301.57	288.60
Less: (i) Recovery including OTS	**34.38**	**75.85**	**18.62**	**6.43**	**3.17**
Recovery (in percentage)	8.25	19.14	7.07	2.13	1.10
(ii) Upgradation to performing assets	1.19	51.69	64.29	3.32	19.97
(iii) Assets written off	42.37	17.32	0	23.88	10.66
Closing Balance	338.57	251.50	180.61	267.94	254.80

The position in MoU and Annual Report is as depicted below:

Table 4.6: Recovery of NPA

₹ in crore

Recovery of NPA	2008-09	2009-10	2010-11	2011-12	2012-13
Reported as per MoU	62.25	107.73	63.64	-	12.91
As per Annual Report	34.38	75.85	18.62	6.43	3.17

Apparently recovery figures in MoU were overstated.

4.6 Audit observations on NPA cases

As brought out in Table 1.3 earlier, Audit selected 11 NPA cases for detailed examination. Observations on seven cases are discussed below and one case of M/s Sri Venkateswara Sponge & Power Private Limited has already been discussed in para 3.9.2. In three cases (Arunachalam Sugar Mills Limited, New Horizon Sugar Mills Limited and Model Chit Corporation Limited) no deviations from the stated policy were observed.

4.6.1 IREDA sanctioned (August 1995) a loan of ₹ 5.94 crore to **M/s Zen Global Finance Limited** (Project No. 529) under equipment finance scheme for setting up a 1.98 MW wind farm project at Periyar District, Tamil Nadu. Against the loan, IREDA released a total amount of ₹ 5.35 crore (i.e. 90 *per cent* of the sanctioned loan) in February 1997 after adjusting the dues (₹ 0.71 crore) of the borrower against two other projects (Project Nos. 426 and 427) and after withdrawing the criminal complaint filed under the Negotiable Instruments Act, 1881 against the borrower in these two projects.

All the three projects were classified by IREDA as NPA in 1997-98. IREDA issued recall notice to the borrower in August 1999 for an amount of ₹ 8.35 crore for the Project No. 529 and filed recovery proceedings for ₹ 13.25 crore for all the three projects (Nos. 426, 427 and 529) in DRT, New Delhi in May 2000. Against the dues of the principal amount of ₹ 5.35 crore against Project No. 529, IREDA could recover only ₹ 2.42 crore till January 2007. Thus, IREDA could not recover its dues of ₹ 117.53 crore (principal of ₹ 2.93 crore, interest of ₹ 101.54 crore and other charges of ₹ 13.06 crore) from the borrower (March 2013).

Audit observed that at the time of disbursement of 90 *per cent* of the loan against this project, the borrower was already in default for not paying instalments relating to the two other wind farm projects financed by IREDA (Project Nos. 426 and 427). IREDA, however, released the payment after adjusting the dues against these projects although the financing guidelines were silent in this regard.

The Management stated (April 2014) that at the time of making disbursement in the project, the dues pertaining to Project Nos. 426 and 427 were adjusted as per the request of the borrower. It was further stated that the project was sanctioned and disbursed when the technology for wind project was evolving and performance of the wind project was not clearly established.

Giving loan for this project despite the fact that the other two projects were already in default, was an imprudent decision.

4.6.2 A term loan of ₹ 16.95 crore was sanctioned to **M/s Bhagyanagar Solvent Extractions Private Limted** on 31 July 2001 for setting up a 6 MW biomass based power project (Project No. 1469) at Raichur District, Karnataka. The loan agreement was executed in March 2002. The total loan amount was disbursed and the project was commissioned in September 2003 after a delay of one year. Due to default in repayment of loan by the borrower company, IREDA classified the project as NPA in March 2007. The borrower paid ₹ 1.09 crore only and informed (October 2006) IREDA that it had shut down the plant. IREDA recalled[17] the loan, involving a total amount of ₹ 33.90 crore in June 2012.

[17] *Recalled loan includes Principal amount, Interest, Interest overdue, Liquidated damages, Incidental charges and other charges.*

Audit observed that:

- Clause xxvii of 'Other Conditions' under the loan agreement stipulated that the borrower should obtain IREDA's prior permission before taking any other additional loan over and above the means of financing for the present project and/or substantial expansion of the existing project. The borrower enhanced (September 2004) the capacity of the plant from 6 MW to 11 MW without any intimation to IREDA and took additional loan of ₹ 13 crore from UCO Bank in May 2005. This came to the notice of IREDA when the borrower company approached (May 2005) IREDA for an NOC for ceding *pari passu* charge on the fixed assets of the borrower company. IREDA approved the enhancement of project capacity from 6 MW to 11 MW and issued NOC for ceding *pari passu* charge on the fixed assets of the borrower company and receivables of power and also for opening escrow/special account for depositing sale proceeds with UCO Bank.

- Though repayment of IREDA's loan was due by the borrower from September 2005 to June 2012, the latter expressed its inability to pay the debts and approached (August 2005) IREDA for rescheduling of loan. This request was approved (September 2005) by IREDA which extended the loan repayment up to March 2015. However, the borrower repaid UCO Bank term loan through sale of collateral property and from other revenues.

- When IREDA officials visited the project site in December 2007 they found that the project with a capacity of 8.70 MW was in operation, though earlier it was stated to have been shut down.

The Management stated (April 2014) that the borrower sought IREDA's NOC for enhancing the capacity as well as ceding *pari passu* charge on the project assets. The same was considered taking into account the viability aspect at enhanced capacity and reduced tariff. The loan of UCO Bank was repaid by way of sale of the collateral security and from other sources. The said collateral security was exclusively charged to UCO Bank. IREDA recalled the loan and initiated action under SARFAESI Act, 2002 and issued notice in June 2012. However, later upon filing of a winding up petition by an unsecured creditor, the Hon'ble High Court of Andhra Pradesh appointed Official Liquidator who has taken possession of the project assets. Therefore, IREDA could not proceed with the action initiated under SARFAESI Act, 2002. Further action for sale of assets by the High Court was in progress.

The Management further stated that UCO Bank was also the working capital banker and, therefore, was having full control over the revenues from the project as the amount of revenue immediately flowed into the account with them. UCO Bank though had agreed for *pari passu* charge on all the assets of the project and also on the receivables of the project, but had not followed the true spirit of the *pari passu* arrangement as they had wrongly adjusted the entire receivables recovered from the revenue generated from the project instead of proportionately sharing the same with IREDA also. Further, UCO Bank filed recovery case against the borrower before DRT, Chennai, wherein IREDA appeared and is contesting the wrongful adjustment of IREDA dues. The recovery case of UCO Bank was pending with DRT, Chennai.

The fact remains that IREDA did not monitor the project effectively and it was unaware of the changes made by the borrower. Further, IREDA issued NOC in favor of UCO Bank to cede *pari passu* charge on the asset of the company and also allowed the borrower to open an escrow account with UCO Bank for deposit of sale proceeds. Hence, IREDA could not recover a considerable sum of ₹ 33.90 crore, while the other lender, UCO Bank, succeeded in recovering its dues from the same borrower.

4.6.3 IREDA sanctioned (November 1995) a loan of ₹ 24.85 crore to **M/s Silical Metallurgic Limited** for setting up a 16 MW small hydro project at Bhoothahankettu in Kerala and signed the loan agreement and hypothecation deed in April 1996. A sum of ₹ 8.90 crore was disbursed till August 1998. There was time over run in the project and it could achieve only 25 *per cent* progress by the end of January 2000, though it was scheduled to be completed by March 1998. The borrower company started defaulting in repayment of loan from September 1998. The project was declared as NPA by IREDA in March 2000. IREDA issued a recall notice in February 2000 and a case was filed with DRT in July 2001. A sum of ₹ 72.06 crore, including interest and liquidated damages was pending for recovery from the borrower company as on June 2009. The proceedings to settle the amount through OTS was underway (March 2013).

Audit observed that:

- IREDA disbursed (March 1997) the first instalment of loan of ₹ two crore to the borrower without carrying out physical inspection of the project and also without obtaining insurance policy of the project from the borrower though the legal formalities on the part of the borrower company viz., obtaining NOC from institutions/banks, mortgaging of immovable property in favour of IREDA, etc., were pending till January 2000.

- One of the conditions of the sanction was that borrower must provide a detailed statement showing item-wise expenditure in a no lien account and the plan of utilisation of the funds. The borrower was also required to submit a list of item-wise physical progress of the project. However, no such information was called for by IREDA before any disbursement.

- On 4 March 1998, IREDA obtained a 'preliminary inspection report' of the Monitoring Consultant which disclosed that Irrigation Department of the State Government was yet to hand over the land for the project, the borrower company was yet to get clearance from the Irrigation Department and, therefore, no significant progress in the project was made between 31 July 1997 to 31 January 1998. The borrower company requested (March 1998) IREDA for release of the second instalment of ₹ 4.37 crore of the loan. IREDA released an amount of ₹ 4.35 crore in March 1998 resulting in cumulative disbursement of ₹ 6.35 crore despite the above non-compliances on the part of the borrower company.

The Management replied (April 2014) that IREDA made an interim disbursement in March 1997, which under the then IREDA approved policy was made, pending creation of mortgage. Approval was obtained from the Competent Authority for waiver of IREDA inspection. Further, the company submitted a letter from the equipment supplier confirming that they would take marine insurance policy. The company had also submitted copies of insurance policies for the main plants. At the time of disbursements, the company had provided Chartered Accountant's certificate, giving details of expenditure incurred in the project. The project had been visited by Manager (Technical Section) of IREDA in July 1998.

The Management further stated that the dues for the project as on 31 March 2000 when the account became NPA were ₹ 12.13 crore, comprising of principal outstanding of ₹ 8.90 crore and interest of ₹ 3.23 crore. The present status is that the assets of the company are in the possession of the Official Liquidator.

The reply of the Management is not tenable as the financing guidelines prescribed physical inspection and creation of mortgage of assets and insurance policy prior to interim disbursement. Records indicated that the insurance policy was not furnished by the borrower upto the time of second disbursement.

4.6.4 Two term loans were sanctioned (April 1999) to **M/s Sree Suryachandra Synergetics India Private Limited** for ₹ 6.40 crore and ₹ 6.30 crore for setting up two mini hydel projects of 1.70 MW each (Projects Nos. 1083 and 1092) in the State of Andhra Pradesh. With the continued default by the borrower company in repayment of IREDA's loan, the projects were declared NPA during 2005-06.

Audit observed that:

- A sum of ₹ 1.23 crore under Project No. 1083 and ₹ 1.08 crore under Project No. 1092 were released to the borrower company as interim disbursements in April 2000 without inspection of physical progress, obtaining certificate for conversion of agriculture land to non-agriculture land, execution of personal guarantee, pledge of shares of promoters, and mortgage of collateral securities.

- IREDA adjusted the repayment instalments of ₹ 0.22 crore in respect of Project Nos. 1083 and 1092 from second interim disbursement (March 2002) of ₹ 1.25 crore and ₹ one crore respectively. The second instalments were also disbursed to the borrower company without the latter fulfilling the condition of pledging of shares and mortgage of collateral securities, furnishing certificate regarding conversion of agriculture land to non-agriculture land and insurance of equipments and machinery of the project.

- As the borrower did not submit the certificate of converting the land for the project from agriculture to non-agriculture, IREDA lost the opportunity of initiating proceedings for recovery of loan under SARFAESI Act, 2002. This Act does not confer shield to the lender for any security created on agricultural land vide its Section 31(i).

IREDA initiated (August 2011) recovery proceedings against the borrower in DRT and an amount of ₹ 2.90 crore was recovered through the sale of collateral properties mortgaged to IREDA. A total sum of ₹ 22.08 crore was outstanding (September 2013) from the borrower company towards both the projects, recovery of which was pending before the DRT.

4.6.5 IREDA sanctioned a loan of ₹ 6.44 crore to **M/s GSL (India) Limited** against the total cost of project of ₹ 8.59 crore, in December 1993, for installation of a 2 MW wind power project in District Jamnagar, Gujarat. IREDA released the first interim disbursement of ₹ 1.61 crore in March 1994 and in total disbursed ₹ 6.28 crore till June 1995. The loan was secured by personal guarantee of the Director[18] post-dated cheques, mortgage of immovable properties and hypothecation of movable properties. IREDA issued a recall notice to the borrower in July 1998.

Audit observed the following:

- IREDA released (July 1994) the second interim disbursement amounting to ₹ four crore resulting in cumulative disbursement of ₹ 5.61 crore as interim disbursement till July 1994, without creation of security.

- IREDA relaxed its mode of security by taking post-dated cheques (May 1995) and also converted the interim loan into a regular loan as the borrower company was not in a position to complete security formalities due to problems associated with land allotted by Gujarat Energy Development Agency (GEDA). However, the mortgaging of security of other land/units of the borrower could not be executed till July 2000.

- IREDA appointed a Nominee Director in May 1995. However, the borrower company did not induct the nominee on its Board.

- As the borrower was in default in payment since December 1994, IREDA adjusted the total dues sum of ₹ 0.67 crore including Principal, Interest and additional Interest from the next disbursement at the request (June 1995) of the borrower.

During 1997-98, the borrower company filed a claim for ₹ 3.24 crore with the United India Insurance Company as the assets were damaged in the cyclone and IREDA got only ₹ 0.72 crore (August 2001) as a part claim being the co-mortgagee in the insurance policy. The borrower company was registered in BIFR in the year 2000. IREDA filed criminal complaints against the borrower and its promoters for dishonour of cheques and also filed recovery proceedings before DRT in August 2004 for claiming the principal amount of ₹ 6.90 crore plus interest and other charges amounting to ₹ 22.90 crore.

[18] *Shri R.C. Bagrodia.*

The matter of sale of assets of the borrower company was pending (October 2011) with M/s Assets Reconstruction Company (India) Limited. After that no progress was found on record.

4.6.6 IREDA sanctioned a loan of ₹ 13 crore to **M/s Kay Pulp & Paper Mills Limited** against the total project cost of ₹ 17.40 crore, in March 1999, for installation of a 6 MW Bagasse[19] based Co-generation project in their existing paper plant in District Satara in Maharashtra. The loan agreement was signed in March 1999. IREDA disbursed ₹ 13 crore to the borrower. The loan was secured by personal guarantees of the promoters/directors[20] and corporate guarantee. The borrower company was declared NPA in the year 2002-03 and was registered with BIFR on 22 April 2003. Recall notice was issued in June 2004 for ₹ 22.04 crore.

Audit observed the following:

- The borrower did not create an escrow/designated account for depositing collections on account of power sales which would enable payment towards IREDA's liability.
- The power purchase agreement with the State Electricity Board (SEB) was to be signed before disbursement which was delayed and was allowed by IREDA till the third disbursement of ₹ 1.50 crore (November 1999).

The borrower company defaulted in repayment of dues to IREDA since June 2001. The plant was not in operation since December 2003. The company was declared sick by BIFR in January 2007 and IREDA was appointed operating agency for finalising the rehabilitation package.

IREDA on the proposal of the borrower company accepted (March 2008) OTS for ₹ 17.44 crore, which was pending for execution till August 2011. No pursuance after that was noticed from the records made available to Audit.

4.7 Reasons for debt becoming NPAs

Based on audit analysis of cases of NPA discussed in previous paragraphs, common deviations leading to loans becoming NPAs were identified as under:

- Waiver of terms and conditions like required physical inspection of the project;
- Creation of inadequate security/ mortgage, relaxation in the mode of security;
- Adjustment of disbursement against the existing dues of the borrower;
- Ceding *pari passu* charge on the fixed assets of the borrower company and its TRA;

[19] *Bagasse is sugarcane fibre waste left after juice extraction.*

[20] *Shri Niraj Chandra, Shri Sushil Chandra, Smt. Deepa Aggarwal and Smt. Usha Gupta.*

- Non-assessment of net worth of the personal guarantors; and
- Inadequate monitoring over the borrowers taking loan from other financial institutions without obtaining prior permission from IREDA.

4.8 One Time Settlement (OTS) scheme

In order to improve recovery levels and reduce the level of Non-Performing Assets (NPA), IREDA has been initiating one time settlement (OTS) of the defaulted loans from time to time. The main objectives of OTS scheme are to: (a) provide additional avenue of recovery for the purpose of recycling the funds of NPA; and (b) ensure to recover its dues to the maximum extent possible at minimum sacrifice by taking into consideration facts and circumstances of each case. As per the guidelines, the basic eligibility criteria for OTS are as under:

- The account is NPA; and/or
- A suit has been filed (decree or otherwise) against the borrower; and/or
- Cases likely to become NPA at the end of the relevant financing year, having long term problems or industry related problems, reasonable chances of realisation of security appear bleak, the primary/collateral securities are insufficient to cover the outstanding and projects under implementation are delayed/ projects abandoned due to the reasons beyond the control of the borrower; and/or
- The company is under the purview of Board for Industrial and Financial Reconstruction (BIFR)/Appellate Authority for Industrial and Financial Reconstruction (AAIFR)/Debt Recovery Tribunal (DRT)/Debt Recovery Appellate Tribunal (DRAT)/Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) and no acceptable rehabilitation/revival proposal has been furnished; or
- The unit is lying closed and chances of revival are remote; or
- The company is under the purview of official liquidator and liquidator is going to take a long time; or
- Other institutions/ banks have sanctioned OTS to the borrower; or
- Projects have suffered from force majeure and/or natural calamities and chances of revival/ regularisation of account are remote.

Further, the defaults should not be wilful.

4.9 Projects closed through One Time Settlement (OTS) scheme

A review of IREDA's OTS policy revealed that this was an ongoing scheme operating continuously without a fixed timeframe which could promote a culture of non-payment amongst its borrowers. Audit further noticed that other power financing companies like REC and PFC do not have running OTS schemes.

IREDA settled 29 cases (**Annexure V**) under OTS during 2008-09 to 2012-13. The sector-wise number of OTS cases and the percentage to the total number of cases is shown in Table 4.7. The maximum (35 *per cent*) OTS cases were in the wind sector accounting for 29.52 *per cent* of the total outstanding dues.

Table 4.7: OTS projects under different sectors

Sector	Wind	Waste to Energy	Solar	Small Hydro	Co-generation	Briquetting*	Biomass
Number of Projects under OTS	10	3	4	2	3	4	3
Per cent of total OTS cases	35	10	14	7	10	14	10

* *Briquettes are made from agricultural wastes including wood, wood wastes, straw, manure, sugar cane, rice husk and other by products from a variety of agricultural processes*

In these 29 cases, the amount due for recovery on account of principal and interest, etc. was ₹ 446.70 crore, out of which recovery of ₹ 208.85 crore was made through OTS, as detailed in Table 4.8 below:

Table 4.8: Amount settled under OTS scheme

Total amount due (₹ in lakh)				Total amount settled under OTS (₹ in lakh)				Loss (₹ in lakh)	Percentage of loss
Principal	Interest	Others	Total	Principal	Interest	Others	Total		
1	2	3	4	5	6	7	8	9 (4-8)	10 (9/4*100)
18117.22	22239.55	4313.60	44670.37	17316.64	3533.57	34.66	20884.87	23785.40	53.25

Thus, IREDA sacrificed more than half its dues on account of OTS. Of this, ₹ eight crore was on account of principal, ₹ 187.06 crore on account of interest and ₹ 42.79 crore on account of other dues such as liquidated damages, incidental charges, etc.

4.10 Audit observations on OTS cases

Out of 29 cases processed under OTS, Audit examined 17 cases/projects which were selected on the basis of higher amounts of sacrifice/non-recovery of principal amount of loan, including three cases[21] of OTS where interest/capital subsidy was involved. Audit findings relating to 12 cases are narrated in the succeeding paragraphs. Audit observations relating to two cases (M/s GK Bio Energy Limited and M/s HCL Agro Power Limited) are discussed in Chapter 5 on Subsidy for Renewable Energy projects. No deviations were noticed in three cases.

4.10.1 Sri Vasavi group

IREDA entered into several agreements with Sri Vasavi group for wind, solar photovoltaic and biomass power projects in the names of different companies in the State of Andhra Pradesh as detailed in the following table:

Table 4.9: Settlement of dues of Sri Vasavi group under OTS scheme

₹ in crore

Sl. No.	Name of the Company	Project No.	Sector	Date of agreement	Capacity (MW)	Amount sanctioned	Default since/ date of NPAs	Date of OTS	Total amount due	Recovery
1	M/s Sarita Software and Industries Limited	985	Wind	28.08.1998	2	5.65	31.12.2000	25.10.2008	18.79	4.04
2	M/s Sarita Steel & Industries Limited	986	Wind	28.08.1998	2	5.65	30.06.2000	25.10.2008	12.54	2.86
3	M/s Sri Vasavi Industries Limited	987	Wind	28.08.1998	2	5.65	30.09.1999	25.10.2008	18.72	4.28
4	M/s Sarita Steel & Industries Limited	1014	Solar	03.12.1998	6300 (solar lanterns)	4.87	31.12.2000	25.10.2008	1.47	1.47
5	M/s Manasa Industries Private Limited	1051	Wind	18.02.1999	2	5.90	31.12.1999	25.10.2008	16.07	3.00
6	M/s SML Dyetex Private Limited	1058	Wind	12.02.1999	2	5.90	30.09.1999	25.10.2008	15.96	3.00

[21] *M/s Purti Sakhar Karkhana Limited, M/s GK Bio Energy Limited and M/s HCL Agro Power Limited.*

Sl. No.	Name of the Company	Project No.	Sector	Date of agreement	Capacity (MW)	Amount sanctioned	Default since/ date of NPAs	Date of OTS	Total amount due	Recovery
7	M/s SVR Cables Private Limited	1059	Wind	24.03.1999	2	5.90	30.09.1999	25.10.2008	16.08	2.99
8	M/s Circars Power Industries Limited	1227	Biomass	13.10.1999	6	18.27	30.06.2001	18.09.2008	30.53	9.87
Total						**57.79**			**130.16**	**31.51**

As can be seen from the above table, against a total sum of ₹ 130.16 crore due for recovery from the defaulting companies of Sri Vasavi group on account of principal, interest, liquidated damages and other charges, IREDA could recover only ₹ 31.51 crore through OTS, including the full amount of ₹ 31.11 crore due on account of principal. Out of ₹ 77.11 crore due on account of interest, only ₹ 0.10 crore only could be recovered while out of ₹ 21.94 crore due for recovery on account of liquidated damages/other charges, only ₹ 0.30 crore could be recovered.

Audit observed the following deviations from the OTS and financing guidelines:

- Although one of the basic eligibility criteria was that defaults should not be wilful, outstanding dues of the above borrowers (except M/s Sarita Steel Mills Limited and M/s Circars Power Industries Limited) though already classified as wilful defaulters by IREDA, were settled through OTS.

- As per the financing guidelines, release of interim loan would *inter alia be* subject to progress of the project on the basis of physical inspection. However, no documentary evidence of physical inspection conducted prior to release of the interim loan was available on record in any of the above eight cases.

- The loan proposal of the project of M/s Circars Power Industries Limited (borrower) was placed for approval in the BOD meeting held on 17 September 1999, wherein it was apprised to the BOD that the other three companies[22] of the same group were regular in payment of dues of loans already sanctioned by IREDA. It was, however, noticed that the first instalment of loan repayment in respect of all the three companies was not due as on the date of above BOD meeting. The first instalment of each of these three companies was due on 30 September 1999 and the related cheques submitted were returned unpaid in respect of all the three. Thus, the BOD was not apprised correctly about the repayment status of the other companies in the Group.

[22] *M/s Sri Vasavi Industries Ltd., M/s Sarita Software and Industries Ltd. (earlier known as M/s Sarita Synthetic and Industries Ltd.) and M/s Sarita Steel & Industries Ltd (Project No.986).*

- The personal guarantee of Shri G. Eswara Rao, promoter/director was accepted by IREDA for the loan sanctioned in five[23] out of the above eight cases. The personal guarantee in all the five cases was given by producing a statement certified by a Chartered Accountant firm indicating net worth of ₹ 16.55 crore as on 31 March 1999. IREDA, however, did not carry out any assessment of the wealth of the guarantor independently. Subsequently, when these five borrowers turned defaulters, no recovery could be made from the personal guarantee submitted by Shri G. Eswara Rao as his net worth certified by the same Chartered Accountant firm stood at ₹ (-) 98.48 crore (March 2007).

- The second charge on all other assets (movable and immovable) of the borrower companies was created only in the case of M/s Sarita Steel & Industries Limited, though it was required in all cases except in case of M/s Circars Power Industries Limited from whom IREDA had obtained first charge on Letter of Credit/Escrow Account and FDR for 10 *per cent* of the loan amount.

While accepting the facts stated by Audit, the Management stated (September 2013 and April 2014) that approval for waiver of inspection was taken from the Competent Authority for the first disbursement. Further, as per OTS policy, wilful defaulters are not eligible for settlement. To that extent considering Sri Vasavi's OTS proposal was in deviation from IREDA's approved policy. However, Settlement Advisory Committee (SAC) of IREDA in their meeting of September 2008 deliberated that in the interest of recovery from the loss assets, the OTS can be considered subject to approval of the BOD. It was felt that recovery through legal recourse would not only be time consuming but may not result in equal amount of money to IREDA. The Management further stated that there were no dues payable on the date of the BOD meeting when the borrower's proposal was submitted to the BOD. The first instalment of dues fell on 30th September, 1999 and the related cheques were sent thereafter for collection. Thus, the BOD was not apprised wrongly. The usual practice in any institution is that the net worth of the personal guarantor, duly certified by a Chartered Accountant is obtained. The same practice is being followed in IREDA.

The reply of the Management may be seen from the perspective that financing guidelines prescribe that physical inspection of the project would be conducted before disbursing interim loan to the borrower. Further, the system of sanctioning loan on the basis of net worth of the guarantor duly certified by a Chartered Accountant was not adequate as IREDA failed to check whether the same guarantor had given guarantees for other loans. Audit could not find any mechanism prevailing in IREDA through which the actual net worth of the guarantor could be ascertained during the tenure of the loan so as to ensure realisability of personal guarantees at the time of its invocation. Lastly, the management's statement to the BOD that the borrower was regular in repayment of dues was not correct as no dues were payable on the date of the BOD meeting.

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[23] *M/s Sarita Software and Industries Ltd., M/s Sarita Steel & Industries Ltd. (Project No. 986), M/s Sri Vasavi Industries Ltd., M/s Sarita Steel & Industries Ltd. (Project No. 1014) and M/s Circars Power Industries Ltd.*

4.10.2 M/s Purti Sakhar Karkhana Limited

M/s Purti Sakhar Karkhana Limited (PSKL) was sanctioned (March 2002) a term loan of ₹ 48.65 crore by IREDA for setting up a 22 MW bagasse based co-generation project at Nagpur, Maharashtra. Out of ₹ 48.65 crore, a sum of ₹ 45.50 crore was sanctioned towards the project and the balance of ₹ 3.15 crore was sanctioned for margin money of Bank Guarantee (BG)/Fixed Deposit Receipts (FDR). The promoters and/or directors[24] of the borrower company had given their personal guarantee for the loan. The project was commissioned on 18 March 2007 and the case was classified as NPA on 31 March 2007.

Audit scrutiny of the case records revealed that:

- IREDA disbursed the first instalment (March 2003) of ₹ 10.25 crore and second instalment (July 2003) of ₹4.25 crore as an interim loan totaling to ₹ 14.50 crore on the request of the borrower, which was more than 25 *per cent* of the loan sanctioned, in violation of the financial guidelines (May 2001).

- A Nominee Director was appointed (September 2003) by IREDA after five months of the first disbursement. The borrower company, however, inducted him in its Board in March 2004 but he was not able to attend any meetings of the borrower company till October 2004 on account of delayed receipt of intimation. Subsequently, IREDA appointed another Director.

- After the first disbursement (March 2003) the borrower's financial position appeared to be unstable as one of the creditors (M/s Canbank Factors Limited) of the borrower requested IREDA directly to clear the liability of M/s PSKL to the extent of ₹ 1.50 crore.

- Though other lenders of the borrower company, i.e. a consortium of cooperative banks and State Bank of Indore had informed IREDA in a meeting in October 2006 that they had classified the borrower's account as NPA, yet IREDA rescheduled (October 2006) its loan to facilitate the borrower to complete the project. The project was commissioned in March 2007 and in the same month IREDA classified the loan as NPA.

- The borrower did not deposit revenue from sale of generated electricity in the Trust and Retention Account (TRA), as committed, which would ensure the repayment of loan, as IREDA held the first charge on this account. The non-compliance on the part of the borrower was, however overlooked by IREDA. The borrower paid only ₹ 1.45 crore to IREDA and paid ₹ 5.73 crore to other lenders, despite IREDA being the sole financer of the power project and having first charge over revenue earned by sale of power generated from the plant during 2008-09 and 2009-10.

24 *Shri Nitin Jayaram Gadkari, Shri Jayakumar Rameshji Verma, Shri Anandrao Motiram Raut, Shri Astik Janglu Sahare and Shri Vishnu Govind Chorghade.*

- The concurrent auditor, in its report for the period January 2007 to June 2007, stated (October 2007) that the borrower had already settled another term loan with the consortium bank at ₹ 42 crore through OTS against the dues of an equal amount without the approval of IREDA. Out of an advance of ₹ 15 crore against the sale proceeds of power over which IREDA had the first charge, ₹ 10.67 crore was also utilised to discharge the OTS settlement with the consortium of banks.
- As a result of OTS, IREDA could recover only ₹ 71.35 crore, out of ₹ 84.12 crore recoverable from the borrower, resulting in a sacrifice of ₹ 12.77 crore.

The Management stated (September 2013) that IREDA had rescheduled the loan to facilitate the borrower to complete the project through which it would be ensured that the project assets were available at the site and only after commissioning of the project; hence the chance of recovery of term loan sanction would be better. As regards entering into an OTS with other lenders, the lenders as well as borrowers are free to negotiate the settlement without seeking permission of IREDA as the decision has to be taken by the respective management of banks/institutions. The co-generation project was not funded under consortium financing mode. As regards non-operation of TRA, the matter was taken up with bank in March 2005 and with the company.

The Management further stated (April 2014) that a total disbursement of ₹ 14.50 crore was made as first and last disbursement including the amount of ₹ 3.15 crore released towards BG money.

The Management also stated that the borrower requested for release of an amount of ₹ 1.50 crore directly towards M/s Canbank Factors Limited on account of a number of bills raised by M/s Nagpur Foundry Limited which were factored by M/s Canbank Factors Limited, for supplies made towards energy project of M/s Purti Sakhar Karkhana Limited. Hence the said disbursement was towards the project set up by the project promoter and it is a normal practice that IREDA releases payment directly to the supplier after seeking their consent.

The Management also mentioned that the payment from TRA account out of the sale proceeds were utilised by the borrower for payment of other liabilities towards procurement of fuel, etc., for operation of the co-generation plant. Further, in view of commercially unviable operation of the plant, the settlement by way of induction of funds by the borrower through a strategic investor was a commercially prudent option for IREDA in recovery from a Non Performing Asset. The OTS sanctioned ensured recovery of 100 *per cent* of the principal outstanding and part recovery of the interest dues.

The contention of the Management that out of the first and second interim disbursements amounting to ₹ 14.50 crore, the element of BG of ₹ 3.15 crore was not part of the disbursement towards project cost is not acceptable as money released towards BG margin money is also a part of the loan. This is further borne out from its Technical Division remarks of August 2003 which stated that the sanctioned loan included both loan towards project cost as well as towards margin money for BG/FDR. Therefore, the limit of 25 *per cent* of the total loan was exceeded. As regard payment of ₹ 1.50 crore directly towards M/s Canbank Factors Limited for supplies made towards the project of M/s PSKL, Audit does not agree that it was a normal practice to release payments directly to a third party with which IREDA had no direct dealings. IREDA had the first charge on the revenue from the sale of generated electricity, which was kept in TRA. Therefore, any payment from TRA to lenders other than IREDA would require IREDA's permission. As such, the contention of the Management that the borrowers and other lenders were free to negotiate the settlement without seeking permission of IREDA is not tenable.

4.10.3 M/s Jain Farms and Resorts Limited

M/s Jain Farms and Resorts Limited was sanctioned (August 1996) a loan of ₹ 2.15 crore for taking over of a 1.10 MW wind power project at Tirunelveli in Tamil Nadu. The loan was secured against the mortgage of immovable assets and hypothecation of movable assets of the borrower company, including personal guarantees of the promoters/directors[25].

The project was operative at the time of sanction of loan (August 1996) but it turned inoperative between February 1997 and March 2000, due to dispute between the borrower company with trade parties for settlement of dues. Thereafter, the generation of electricity reduced in 2000-01 and stopped subsequently. The borrower company defaulted in repayment of IREDA's loan since March 1998, when the first instalment was due. Considering the borrower's request, IREDA approved (September 2009) the settlement of the case through OTS.

Audit observed that:

- The first disbursement of ₹ 1.93 crore was made (March 1997) without inspection of the project.
- As per the prevailing financing guidelines of IREDA, only those applicants who as on the date of tendering the loan application had no accumulated losses and had earned profits in the immediately preceding year of operation, were eligible for financial assistance from IREDA. The borrower company, however, had suffered a loss of ₹ 0.06 crore during 1994-95. The project proposal was stated to be eligible for financing on the basis of unaudited accounts of the borrower company for the six month period ending on September 1995 showing a profit of ₹ 1.37 crore.
- The borrower company had approached IREDA for a loan for the same project in March 1996, which was turned down by the latter on the grounds that it was not a financially viable project. The reasons for IREDA's approval for loan to the company, which was denied a few months earlier on the basis of unsustainable financial condition, were not found on record.

[25] *Shri K. Mangal Chand Jain, Shri B. Mahendra Kumar and Shri V. K. Padmanabhan.*

IREDA could recover (September 2009) only ₹ 1.93 crore against the total dues of ₹ 22.79 crore (₹ 1.93 crore-principal, ₹ 16.76 crore-interest and ₹ 4.10 crore-other charges) through OTS.

The Management stated (September 2013 and April 2014) that initially the loan application was rejected based on the working results of the borrower company as on 31 March 1995, which reflected a loss of ₹ 0.06 crore. The borrower company was listed on the stock exchange and subsequently, the project proposal was considered based on the unaudited financial result of six months period ended 30 September 1995 which indicated a profit of ₹ 1.37 crore.

The Management also added that the proposal of the borrower for OTS was examined in terms of IREDA's OTS guidelines and the sanction was accorded as the proposal was permissible in terms of the said guidelines. Sanction of OTS ensured recovery of principal outstanding from a loss asset. IREDA recovered 100 *per cent* principal outstanding from a project which was not operational and the loan was classified as non-performing asset (loss category). As on the date of account becoming NPA i.e. 31 March 1998, the total dues were ₹ 2.33 crore, comprising of principal ₹ 1.93 crore and interest ₹ 0.40 crore, against which the recovery of ₹ 1.93 crore had been made. The project was commissioned and commissioning certificate received from Tamil Nadu Electricity Board was submitted by the company before the disbursement. Hence, considering the commissioning certificate as a valid document, which confirms the commissioning of the project, inspection was not done. The account became non performing due to other reasons and the OTS was sanctioned in terms of OTS guidelines to ensure recovery from a bad loan.

Audit is of the view that IREDA relaxing its own guidelines for a company which was loss making earlier, may not be a prudent decision.

4.10.4 M/s Sandur Manganese & Iron Ores Limited

IREDA sanctioned (March 1996) a term loan of ₹ 35 crore to M/s Sandur Manganese & Iron Ores Limited (SMIORE) for setting up Hemavathy Left Branch Canal small hydro project (4 x 4 MW) in Hasan District, Karnataka. The loan agreement was signed in March 1997. The loan was to be repaid in 28 quarterly instalments commencing from March 2000. The borrower was disbursed ₹ 31.50 crore in seven instalments up to March 1999. The project became NPA in March 2000.

Audit observed that:

- IREDA waived the condition of personal guarantee of the promoters/directors and also waived the physical inspection on the request of the borrower before the first disbursement.
- The borrower was in a major dispute with Karnataka Electricity Board (KEB) since 1981. KEB's appeal for the dismissal of the borrower's writ petition in April 1988 in

the Hon'ble High Court of Karnataka was upheld in July 1996 by the Court. KEB demanded payment of ₹ 25 crore which was disputed by the company. Besides this, the borrower company had to pay (July 1997) a sum of ₹ 17 crore to KEB as undisputed dues towards electricity charges. These facts came to the notice of IREDA (March 1998) but despite the position that the borrower company had became a potentially sick company, IREDA continued to disburse loan.

- Though IREDA had *pari passu* charge over the securities with other terms and conditions, yet Government of Karnataka's order of January 1999 directed the borrower that sale proceeds of power generated by the project funded by IREDA would be paid over to KEB towards dues for over a period of seven years. This was not contested by IREDA.

- Despite having a Nominee Director on the Board of the borrower company, IREDA did not ascertain the actual financial status of the company. Merely by relying on the Chartered Accountant's certificates and other documents justifying the financial progress, IREDA continued to release the loan amount to the borrower.

- Despite the fact that the borrower company's net worth had already been eroded to the extent of 50 *per cen*t and the matter having been referred to BIFR under the category of potential sick company, IREDA continued to disburse the loan instalments. IREDA's dues were ₹ 38.31 crore (June 2002).

IREDA in its 155th BOD meeting (November 2004) approved the settlement of term loan through OTS proposal of M/s SMIORE at ₹ 32.63 crore and thus, IREDA could recover this amount against the total dues of ₹ 50.19 crore.

The Management stated (June 2013) that the project got commissioned on 1 October 1999 and thereby a performing asset was created with sufficient revenue to service the debt. It was unfortunate that though IREDA had *pari passu* charge over the security with other term lenders, yet Government of Karnataka's order directed the borrower that sale proceeds of the power generated by the project funded by IREDA would be paid over to KEB towards dues for over a period of seven years. On such a directive from the State Government neither the borrower nor IREDA had any control.

The Management further added that during the implementation phase of the project when IREDA had already released part of the disbursement, the company eroded 50 *per cent* of its net worth and was referred to BIFR as a potentially sick company. The project was a performing asset technically but due to other factors beyond the control of the borrower, the account became NPA.

The fact, however, remains that IREDA had knowledge of the dispute and liabilities of the borrower with KEB and had waived the condition of the personal guarantee of the promoters/directors and physical inspection at the request of the borrower before the first disbursement. The Nominee Director also failed to assess the actual financial position of the borrower company.

4.10.5 M/s BVV Paper Industries Private Limited

IREDA sanctioned a loan of ₹ 0.72 crore to M/s BVV Paper Industries Private Limited for a 0.25 MW Wind Farm Project, to be set up in Tamil Nadu under Equipment Financing Scheme, in June 1995 during a Business Meet on wind energy, organised by IREDA itself at Coimbatore, without adequate diligence. The IREDA disbursed (September 1995) an amount of ₹ 0.36 crore as first instalment (50 *per cent* of the loan amount). The project was commissioned in September 1995.

On scrutiny of records, Audit observed that:

- IREDA financed 90 *per cent* of the equipment cost in contravention of the financial guidelines prescribing a limit of 75 *per cent.*

- Bank guarantee (10 *per cent*) of the loan was not obtained as security for loan, though required as per financial guidelines.

- Actual net worth of the guarantors was not assessed by IREDA at the time of guarantee.

- IREDA did not take over the possession of the assets of the borrower and guarantors despite failure to realise the loan.

IREDA rescheduled the loan at the request of the borrower, but the borrower did not pay and at last went to BIFR. The borrower submitted an OTS settlement proposal to IREDA in December 2000.

IREDA finalised (August 2008) OTS of the above loan by receiving ₹ 0.40 crore out of ₹ 4.24 crore which resulted in financial sacrifice of ₹ 0.25 crore in respect of principal amount and ₹ 3.59 crore in respect of interest and other charges.

The Management stated (September 2013) that the loan was sanctioned in the Business Meet and appraisal was carried out there itself. IREDA estimated eligible equipment cost of ₹ 0.80 crore and considered loan amount of ₹ 0.72 crore, 90 *per cent* of the eligible equipment cost as per the then prevailing norms and the same had been sanctioned to the company. The amount was disbursed as per the terms of sanction.

No documentary evidences were, however, furnished by the Management in support of their reply for due diligence. The fact remains that due to various lapses IREDA suffered a financial loss of ₹ 3.84 crore in case of the above loan.

4.11 Summary of deficiencies noticed in OTS cases

Based on examination of OTS cases, the issues leading to default were identified as under:

- Allowing OTS to wilful defaulters;
- Not carrying out physical verification and inadequate monitoring of progress of projects before releasing disbursements;
- Acceptance of personal guarantee of same promoter/directors in multiple projects;
- Exceeding the prescribed limits while releasing disbursement;
- Inadequate monitoring of financial conditions of borrower;
- Inadequate monitoring of compliance relating to deposit of sale revenue in TRA;
- Financing for bank guarantees required to securitise its own loans; and
- The financing guidelines were silent about relaxing the norms for co-financed projects.

In view of the above observations which underlined the need for strict monitoring of NPA cases Audit recommends that:

Recommendation No. 6

Outstanding loans should be closely monitored in order to further reduce the level of Non-Performing Assets.

The Management partially accepted the recommendation stating that this was already being done. A separate Recovery Cell has been put in place.

Chapter - 5
Subsidy for renewable energy projects

5.1 Introduction

To encourage investment in the Renewable Energy (RE) sector, MNRE implements different schemes from time to time for grant of financial incentives in the form of capital and interest subsidy on loans, which can be availed from financial institutions in respect of RE projects. Under these schemes, MNRE issues specific sanctions for grant of capital/interest subsidy to individual borrowers after assessing the viability of the project. IREDA is one of the financial institutions which receives subsidy from MNRE for passing on to the borrowers. Audit's evaluation of the performance of IREDA on these subsidy schemes is brought out in this chapter.

5.2 Terms and conditions governing the grant of interest/capital subsidy

5.2.1 Interest subsidy

Interest subsidy was given by MNRE to reduce the rate of interest on the loans given by IREDA. It was released to borrowers for implementing various MNRE programs pertaining to RE sector. The subsidy was released on a quarterly basis subject to compliance with the terms and conditions of sanction.

The terms and conditions for interest subsidy, *inter-alia* stipulated that in case the project was not completed as per time schedule or was abandoned, then subsidy amount would be refunded to MNRE along with other penalties mentioned in the loan agreement. Further the borrower would continue to operate the project for a minimum of ten years after its completion and in case of failure to do so, would be liable to refund the entire amount of subsidy to MNRE. The promoters would also not sell, gift, lease, rent, transfer or dispose of in any other manner, the project for which interest subsidy was granted, for a period of ten years after commissioning. For compliance of these terms and conditions, IREDA obtained an undertaking from the borrower.

5.2.2 Capital subsidy

MNRE gave capital subsidy through IREDA. It was disbursed on a *pro-rata* basis in the same proportion as disbursement of loans. After receiving the subsidy, IREDA reduced the loan by the same amount.

The terms and conditions for release of capital subsidy were similar to those of interest subsidy except that the borrower would continue to operate the project for a minimum of five/ten[26] years after its completion, and in case of failure to do so, would refund the entire amount of subsidy to MNRE. It would also not sell, gift, lease, rent, transfer or dispose of the project for which subsidy was being granted, for a period of five/ten years.

5.3 Capital and interest subsidy given by IREDA

Capital and interest subsidy of ₹ 148.99 crore was received from MNRE for 123 projects financed by IREDA since inception. Out of these 123 projects, interest subsidy of ₹ 122.88 crore was released for 110 projects and for the remaining 13 projects capital subsidy of ₹ 23.14 crore was granted. Thus, out of ₹ 148.99 crore (₹ 125.85 crore for interest subsidy and ₹ 23.14 crore for capital subsidy) received, ₹ 146.02 crore was passed on to the borrowers (March 2013).

The details of capital and interest subsidy received during the period covered by the performance audit are given in Tables No. 5.1 and 5.2 below:-

Table 5.1: Capital subsidy passed on by IREDA

₹ in crore

Particulars	2008-09*	2009-10*	2010-11*	2011-12	2012-13
Opening Balance	0.37	0.37	0.37	0.00	0.00
Subsidy received from MNRE	0.00	0.00	0.00	20.29	4.00
Subsidy passed on during the year	0.00	0.00	0.00	20.29	4.00
Subsidy refunded to MNRE	0.00	0.00	0.00	0.00	0.00
Adjustment	0.00	0.00	0.37	0.00	0.00
Closing balance	0.37	0.37	0.00	0.00	0.00

**No capital subsidy was received during these years*
Source: Annual reports of IREDA

Table 5.2: Interest subsidy passed on by IREDA

₹ in crore

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13*
Opening balance	28.92	14.15	3.23	4.90	1.77
Subsidy received from MNRE	9.65	8.27	15.05	3.47	0.00
Refunded during the year	1.14	0.74	0.47	1.27	0.00
Interest received on Fixed Deposit Receipts	0.47	0.08	0.06	0.003	0.00
Subsidy passed on during the year	23.75	18.53	12.97	5.33	1.61
Closing balance	14.15	3.23	4.90	1.77	0.16

**No Interest subsidy was received during 2012-13*
Source: Annual reports of IREDA

[26] *MNRE prescribes the period of continued operation and restricts the sale/transfer of project for a specified period in the sanction letter of each case.*

5.4 Audit observations on subsidy

Out of 123 projects where subsidy was granted, Audit examined the records in respect of 12 projects (10 projects for interest subsidy and 2 projects for capital subsidy) wherein capital/interest subsidy received (₹ 18.10 crore) from MNRE was passed on (₹ 14.48 crore) by IREDA to the borrowers. Various irregularities in implementation of MNRE's subsidy schemes such as continued passing on, of subsidy to borrowers who became ineligible, non-recovery of subsidy and absence of mechanisms to ensure continuity of the project were observed. Five cases involving deviations are discussed in the following paragraphs:

5.4.1. In the case of **M/s Purti Sakhar Karkhana Limited** (Project No. 1546), a bagasse based co-generation project, MNRE sanctioned an amount of ₹ 1.92 crore as interest subsidy and against this released ₹ 1.37 crore (June 2004) to IREDA on Net Present Value[27] (NPV) basis for disbursement to the borrower.

Audit observed that:

- The borrower did not comply with the conditions for interest subsidy i.e. the RE project was to operate for a minimum of ten years after its completion;
- The project which was to be commissioned in February 2004 was finally commissioned in March 2007 and subsequently switched over (June 2009) to 100 *per cent* coal-based operation as against allowance of up to 25 *per cent* prescribed in the subsidy scheme;
- Though the loan became NPA in March 2007, actual benefit of subsidy amounting to ₹ 1.66 crore (Interest subsidy: ₹ 1.17 crore and accrued interest: ₹ 0.49 crore thereon) was passed on till December 2009 and unutilised subsidy of ₹ 0.22 crore (Interest subsidy: ₹ 0.20 crore and accrued interest: ₹ 0.02 crore) was refunded to MNRE (August 2010); and
- The borrower settled its outstanding dues by way of OTS (December 2009) for an amount of ₹ 71.35 crore, against ₹ 84.12 crore but IREDA did not initiate any action for recovery of the interest subsidy of ₹ 1.66 crore.

Thus, though the borrower violated the terms and conditions for subsidy schemes, IREDA continued giving subsidy.

The Management stated (April 2014) that the borrower settled the account with IREDA and paid the entire loan outstanding as per OTS sanction. The implementation of the project was delayed due to various reasons. As regards the use of coal for operation of the plant, the same needs to be seen on the entire fuel mix used during the year and not at a particular point of time. The subsidy of ₹ 1.17 crore was passed on to the borrower upto the period the borrower

[27] *The difference between the present value of the future cash flows from an investment and the amount of investment. Present value of the expected cash flows is computed by discounting them at the required rate of return.*

settled IREDA's dues and for the remaining period of the loan, the subsidy which was not passed on to the borrower was refunded to MNRE.

The Management further stated that any account becoming NPA does not necessarily require that the interest subsidy will not be passed. In the instant case, the borrower paid its dues as per OTS as per sanction accorded in December 2009. The subsidy was passed up to the quarter ended September 2009. The project had been commissioned and not abandoned needing recalling the interest subsidy.

The reply of the Management may be seen in the context that avoiding default on repayment by the borrower and limited deviation from renewable energy sources (up to 25 *per cent)* were important components of the scheme and as such IREDA cannot change/interpret specific conditions for grant of subsidy of GOI scheme. Further, the OTS proposal was sanctioned on the ground that the project was no longer an RE project.

5.4.2 In the case of **M/s Ind Barath Energies (Thoothukkudi) Limited** (Project No. 1655), a biomass project, MNRE had sanctioned (January 2007) interest subsidy of ₹ 1.83 crore to the borrower on the term loan of ₹ 16.94 crore provided by IREDA. IREDA released subsidy of ₹ 1.36 crore on NPV basis during 2006-07 to 2009-10. In July 2009, Tamil Nadu Energy Development Agency communicated to IREDA that the plant would be operated with 100 *per cent* coal instead of biomass. Consequently, the Power Purchase Agreement between the borrower and Tamil Nadu Electricity Board was terminated. IREDA directed (August 2009) the borrower to initiate action for pre-closing the loan and refund unutilised subsidy amount of ₹ 0.51 crore to MNRE. IREDA issued (June 2010) a recall notice to the borrower on behalf of MNRE for recalling the actual benefit of subsidy of ₹ 1.91 crore (Interest subsidy: ₹ 1.36 crore and accrued interest: ₹ 0.55 crore thereon) passed on. In response, the borrower repaid the entire outstanding loan amount of ₹ 10.17 crore in September 2010 but refused to repay the subsidy. This remittance was, however, apportioned by IREDA against the principal of ₹ 8.19 crore and interest subsidy dues of ₹ 1.98 crore (Interest subsidy: ₹ 1.36 crore and accrued interest: ₹ 0.62 crore thereon). The interest subsidy was, however, not transferred to MNRE.

Thus the borrower, despite violating the MNRE guidelines (July 2003) which stipulated usage of a maximum limit of 25 *per cent* fossil fuels, availed the benefits of interest subsidy of ₹ 1.98 crore. This amount should have been recovered from the borrower and refunded back to MNRE. Further, IREDA did not carry out any inspection of the project to verify whether the borrower was using biomass or had switched over to use of fossil fuel in its plant.

While agreeing with the facts, the Management stated (April 2014) that as per the directions of MNRE, IREDA had recalled the subsidy amount from the borrower. Though the borrower pre-closed the entire outstanding of ₹ 10.17 crore in September 2010, the IREDA loan was not fully adjusted. However, since the borrower has filed a writ petition in the Hon'ble High Court of Delhi against MNRE/IREDA for recalling of the interest subsidy, the said amount had not been refunded to MNRE and kept separately for want of decision of the Hon'ble Court in this regard.

The reply may be seen in the context that the purpose of subsidy to generate electricity through renewable resources was defeated and IREDA did not recover subsidy from the borrower once the plant had switched over to use of fossil fuel.

5.4.3 In the case of **M/s GK Bio Energy Limited** (Project No. 1190) though the project was commissioned in village District Namakkal, Tamil Nadu in August 2005, the borrower was irregular in repayment of IREDA's dues and the case was classified as NPA in March 2007. The project was shut down in May 2007 due to shortage of funds and non-availability of fuel. Though a recall notice was issued (February 2008) to the borrower for the recovery of principal, interest, Liquidated Damages, etc., amounting to ₹ 14.36 crore, the capital subsidy of ₹ 3.51 crore passed on to the borrower by the end of August 2005 was not recalled. MNRE directed (August 2008) IREDA to refund the entire capital subsidy given for this project as the term loan had been recalled but this was not done and instead IREDA requested MNRE in October 2009 and November 2009 to review their decision to recall the subsidy as the project had been commissioned and IREDA had not cancelled/withdrawn the loan.The case was settled through OTS for ₹ 7.27 crore in December 2009. Thus, although the plant was shut down in May 2007 and had run for less than two years, capital subsidy granted was not recovered by IREDA from the borrower.

The Management stated (September 2013) that MNRE was fully aware of the delay in implementation of the project as MNRE granted extension in validity of capital subsidy. There was also a delay in release of capital subsidy from MNRE which had further contributed to delay in commissioning. As IREDA recalled its loan, MNRE also directed IREDA to recall the capital subsidy released to the company. IREDA however referred the matter to MNRE in January 2009 and had submitted that the entire term loan had been released by IREDA and the project had already got commissioned in August 2005 and therefore the recall of capital subsidy was not in line with the sanction. MNRE was again requested in October 2009 and November 2009 to review their decision to recall the subsidy. IREDA was not in a position to recover capital subsidy as the value of the assets of the company had deteriorated over a period of time.

The fact remains that IREDA did not recover the capital subsidy and instead issued a no-dues certificate to the borrower in June 2010.

5.4.4 In the case of **M/s HCL Agro Power Limited** (Project No. 340) IREDA sanctioned a loan of ₹ three crore (November 1994) for setting up a Thermal Power Plant of 6.75 MW capacity at Vedadri in Andhra Pradesh based on utilising agro/wood wastes. MNRE sanctioned subsidy of ₹ 4.20 crore (1994) out of which IREDA released 90 *per cent* subsidy of ₹ 3.78 crore in three instalments *i.e.* ₹ 2.10 crore (March 1995), ₹ 0.92 crore (June 1996) and ₹ 0.76 crore (July 1996). The project which was initially scheduled to be commissioned in October 1996 was commissioned in September 2000 and synchronised with the grid in January 2001. The project became NPA in 1997-98. The plant remained shut down during January 2007 to September 2008. While recalling IREDA's dues in January 2004, the MNRE subsidy was not recalled. IREDA took up (August 2004) the matter with MNRE stating that the subsidy should be recalled. MNRE however informed (September 2004) IREDA that since the project had not violated the terms and sanction for grant of capital subsidy and had been in operation since January 2001, it would not be proper to recall the subsidy.

Audit observed that:

- As per the MNRE sanction (May 1995) last 20 *per cent* of the subsidy amount would be disbursed after the project had operated for a minimum period of 30 days. However, 90 *per cent* of the sanctioned subsidy (₹ 3.78 crore) was released up to July 1996 on the directions of MNRE.

- IREDA extended a bridge loan of ₹ 0.42 crore for the project against the capital subsidy received from MNRE. In the OTS proposal, it was stated that this amount could not be adjusted with MNRE capital subsidy as the final 10 *per cent* of subsidy was not released to the company. Information provided by IREDA to Audit indicated that out of ₹ 4.20 crore of the capital subsidy received from MNRE, ₹ 3.78 crore was passed on to the borrower, but the balance amount was not refunded by IREDA to MNRE.

The Management stated (April 2014) that MNRE has clarified that capital subsidy is not to be recovered since the project is commissioned.

The reply of the Management may be viewed in the light that though the project was commissioned in September 2000 yet it was not in operation during January 2007 to September 2008. Hence, not recalling the capital subsidy was in violation of basic terms and conditions of subsidy scheme.

5.4.5 A term loan of ₹ 16.95 crore was sanctioned to **M/s Bhagyanagar Solvent Extractions Private Limited** (Project No. 1469) for setting up a biomass based power project at Raichur, Karnataka during the year 2001-02. The project was commissioned in September 2003. Subsequently, on account of default in repayment of loan by the borrower, the case was classified as NPA in March 2007. Interest subsidy of ₹ 1.57 crore was sanctioned to the borrower in March 2007 by MNRE. Later, MNRE changed the undisbursed interest subsidy amounting to ₹ 1.28 crore into capital subsidy at the request of the borrower in November 2007. Subsequently, IREDA adjusted this capital subsidy amount of ₹ 1.28 crore from the outstanding loan of ₹ 16.95 crore of the borrower and initiated action under SARFAESI Act, 2002 to recover the dues.

Audit observed that the project was not operational since September 2010. As such the project was not operated for the prescribed period of 10 years after its completion. However, IREDA did not take any action for recovery of subsidy from the borrower. Further, though action had been initiated under SARFAESI, no action was taken to recover the subsidy.

The Management stated (September 2013) that the interest subsidy amount of ₹ 1.57 crore was sanctioned to the company by MNRE during March 2007 and remained undisbursed with IREDA. Considering this, the company approached MNRE in June 2007 and requested for conversion of the undisbursed interest subsidy amount into capital subsidy. Accordingly, MNRE in November 2007 approved conversion of undisbursed interest subsidy to capital subsidy and authorised IREDA to adjust the same against the outstanding loan amount. Accordingly IREDA converted the interest subsidy into capital subsidy and adjusted the same against the loan amount. IREDA initiated action under SARFAESI Act, 2002 on 08 June 2012. However, later the Hon'ble High Court of Andhra Pradesh appointed an Official Liquidator (OL) who has taken possession of the project assets. Further action for sale of assets by the Hon'ble High Court is in progress.

The reply of the Management may be viewed in the light that the loan had been categorised as NPA and the project was not operative since September 2010 with the result that the project could not operate for the required period of 10 years after its completion, thereby violating the terms and conditions for availing subsidy. Further, IREDA had resorted to legal action for recovery of its dues which also mandates recall of subsidy.

Audit observed that subsidy was not called back by IREDA inspite of violation of the terms and conditions governing subsidy scheme, as summarised below:

- In case of M/s Purti Sakhar Karkhana Limited and M/s Ind Barath Energies (Thoothukkudi) Limited subsidy was not recovered although the projects had switched over to use of conventional energy;
- In case of M/s Purti Sakhar Karkhana Limited and M/s HCL Agro Power Limited, the projects had become NPA and the cases were subsequently settled through OTS ;
- In the case of M/s GK Bio Energy Limited, though MNRE directed IREDA to refund the entire capital subsidy as the term loan had been recalled, IREDA requested MNRE not to recall the subsidy on the ground that the project had been commissioned. However, in the case of M/s HCL Agro Power Limited IREDA requested MNRE to recall the subsidy which the latter did not agree on the grounds that the project was in operation.
- IREDA did not have any mechanism in place to ensure continuity of operation of the projects on Renewable Energy fuel for prescribed period (M/s Purti Sakhar Karkhana Limited and M/s G K Bio Energy Limited).
- Subsidy of ₹ 14.48 crore was incorrectly passed on/not recovered in eight cases included in **Annexure III.**

Recommendation No. 7

IREDA may develop a mechanism to monitor continuity of the projects for the specified period after their commencement, to ensure electricity generation through RE projects in lieu of grant of subsidy. Further, subsidy should be recalled in all cases where projects do not run for the specified period as this dilutes the objective of the scheme.

While partially accepting the recommendation the Management stated that IREDA is already putting Lender's Engineers/Concurrent Auditors to monitor the continuity of the projects. Further, subsidy is recalled in line with the terms of grant of subsidy.

Chapter - 6
Internal Control Mechanism

6.1 Internal controls

Internal control is an important management tool and comprises all the methods and procedures adopted by the management of an entity to assist in achieving management's objective of ensuring orderly and efficient conduct of its business, including adherence to policies, the safeguarding of assets, prevention and detection of fraud and error, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information. A well-defined monitoring mechanism and Management Information System (MIS), reflect the existence of systems to make available timely, adequate and accurate information to the relevant authority in the organisation.

6.2 Deficiencies in the computerised MIS for project monitoring

IREDA has computerised several of its operations. One such computerised application is the PIDMOS (Project Information and Documentation Monitoring System) which was implemented in September 2009 to streamline business processes like application receipt, registration, appraisal, sanction, pre-execution, post-execution, disbursement and monitoring projects upto their financial closure. PIDMOS also serves as a key MIS tool. The Operational Guidelines of IREDA state that PIDMOS is to be used for monitoring of loan sanctions.

Audit reviewed the PIDMOS database and noticed the following deficiencies:

- Data relating to projects sanctioned prior to September 2009 (1776 cases) was not fully captured as key fields like capacity sanctioned (518 cases), loan amount (17 cases) and project cost (1759 cases) were left blank.
- In the status report date-wise implementation schedule was not reflected.
- In five out of 211 test-checked cases the date of sanction of loan was shown as prior to the date of registration of the application. This indicated absence of validation controls in the software.
- The figures of capacity and amount of sanctioned projects disclosed in the Annual Reports of IREDA and that reflected in PIDMOS did not tally. The capacity for 2007-08 to 2011-12 was 3633.48 MW as per Annual Reports and 6219.18 MW as per

PIDMOS. Similarly, the figures of amounts disbursed disclosed in the Annual Reports and PIDMOS for the same period also did not tally. The disbursement amount as per Annual Report was ₹ 5,293.85 crore while PIDMOS showed the same as ₹ 5,276.17 crore.

- While the PIDMOS data shows that 211 projects were sanctioned during the period under review, the Annual Reports indicated that 219 projects were sanctioned.
- There was no uniformity in the procedure for registering loan applications in PIDMOS as certain applications for additional loans were treated as a fresh loan (*e.g.* Project No 1714 and 1715) while in other cases it was treated as a single loan (Project No. 1814).
- In 25 out of 96 cases checked, the scheduled date of commissioning as per project records and as per the MIS report generated by PIDMOS on project status did not match.
- Projects which were closed under OTS were still being shown as ongoing in PIDMOS with the comments "documents for next disbursement awaited".
- Information regarding loan recovery along with up-to-date interest was not available in PIDMOS.

The above deficiencies in the PIDMOS software rendered the database incomplete and unreliable. Audit also observed that IREDA did not have an approved IT policy.

The Management stated (March 2013 and April 2014) that PIDMOS was implemented *w.e.f.* 11 September 2009. Hence, the cut off period for capturing the data was set as the year 2009. The data for the projects sanctioned prior to 2009 is maintained manually and reports prior to implementation cannot be generated. The implementation schedule would be developed later. During the year 2012, data relating to implementation of the projects was being considered for outsourcing but the same could not materialise. It was further stated that the amounts and capacity of loans sanctioned and disbursed as reflected in the Annual Reports were correct and the PIDMOS data needs to be reconciled. However, system improvement is a continuous process and the points observed by Audit will be constantly reviewed for updation of the system in future, on continuous basis and IREDA would work towards making an IT Policy.

6.3 Operational controls – Deficiencies in the monitoring mechanism

In a financing company like IREDA, strong operational controls, including periodical review of annual accounts of borrowers, updating of basic data of loanee units, periodical physical inspections, etc., are necessary.

Audit observed that the status of project-wise outstanding dues and recovery position was being submitted to the BOD to enable monitoring of the outstanding dues at the highest level. However, the following deficiencies in the monitoring mechanism were noticed:

- IREDA's operational controls were not fully implemented as there were instances where projects were not physically inspected before first disbursement and subsequently to ascertain the safety and security of the financed assets and to monitor and follow up financial health of borrowers with a view to avoid default and its assets running into NPA. Loose operational control was one of the reasons for high levels of NPA.

- As discussed in paragraph 2.4, the BOD was not monitoring implementation of its Corporate Plan.

- According to the terms of sanction of the loans, IREDA is empowered to nominate directors in the Board of assisted companies and Concurrent Engineers to monitor the status of implementation of the projects. As highlighted in Chapters 3 and 4 of this Report, Audit came across instances where IREDA either did not appoint Nominee Directors in the Board of the borrower companies or the Nominee Directors did not attend the Board meetings or IREDA did not ensure that the borrower companies had taken IREDA's nominee in their Board. Concurrent Engineers were also not appointed in some cases.

- The functional manuals provide guidelines to the personnel concerned to discharge their duties more effectively. Division/section specific manuals including accounting manual were not prepared, which would have strengthened the Internal Control Systems in important areas of activities.

The Management stated (April 2014) that all the projects are physically inspected. However, a methodology shall be developed to ensure better monitoring of the projects and it has proposed to consider creating a Project Monitoring Cell. IREDA was appointing Concurrent Engineers in almost all the projects. However, the issue of appointment of Nominee Directors is under examination in line with other Financial Institutions. IREDA has laid down financing norms and operational guidelines duly approved by the Competent Authority for its day to day operations. In addition, all the operations of IREDA are in the process of computerisation. Some of the activities have already been completed and some activities are in progress for computerisation/upgradation of system. As regards the accounting manual, IREDA has in place a complete integrated accounting system and all the activities of finance and accounts department are transacted through the computerised system with defined delegations to various officials. Accordingly, all the authorities are also clearly defined in the system itself.

The fact remains that there were cases where physical inspection of projects was not done and the projects turned NPA (*e.g.* M/s Silical Metallurgic Limited and M/s Sri Vasavi Group) or had switched over to use of alternate fuels (M/s Ind Barath Energies (Thoothukkudi) Limited and M/s GK Bio Energy Limited). Audit noticed cases where Concurrent Engineers (*e.g.* M/s Bothe Wind Farms Development Limited and M/s Panchor Hydro Power Limited) or Nominee Directors (e.g. M/s KU Hydro Power Limited and M/s Bothe Wind Farms Development Limited) were not appointed. Non-invoking of these control mechanisms was fraught with increased risk of default. The financing norms and operational guidelines of IREDA are generic guidelines and do not detail the Division-wise duties and responsibilities. PIDMOS is still to be made fully operational.

6.4 Internal Audit

Internal Audit is one of the constituents of the internal control mechanism. It is an independent and objective assurance designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

IREDA had outsourced the Internal Audit activity to a Chartered Accountant firm. At BOD level there is an Audit Committee which meets quarterly to discuss the Internal Audit reports.

The scope of Internal Audit as communicated to the Chartered Accountant firm included audit of operations, policies, plans and procedures, as well as economy and efficiency audit. Audit however observed during examination of the Internal Audit reports for the quarters ending 30 June 2011 and 31 December 2012 that the Internal Auditors had not commented upon these systemic aspects in their reports. It was further observed that IREDA had not framed an Internal Audit manual.

The Management stated (April 2014) that the Internal Audit function has been outsourced to a Chartered Accountant firm and the firm has been provided with the scope of work and Terms of Reference and therefore a separate manual is not required. The said firm chalks out its audit programme as per Terms of Reference and scope of work. A detailed scope of work is assigned to the Chartered Accountant firm which covers all the activities enlisted in the corporate governance guidelines issued by DPE.

The fact remains that the Chartered Accountant firm was not conducting a thorough audit of IREDA which could have brought many a weaknesses in the internal controls to the notice of the Management.

6.5 Manpower management - Shortage of personnel

The organisational set-up of IREDA comprises of one corporate and one technical office in New Delhi, two branch offices at Chennai and Hyderabad and two camp offices at Ahmedabad and Kolkata. Adequacy of human resources is a key factor in ensuring that the Company is properly equipped to discharge its functions.

The sanctioned strength and persons in position in IREDA during 2008-09 to 2012-13 was as shown in the following Table 6.1:

Table 6.1: Sanctioned strength (SS) and persons in position (PIP) during 2008-09 to 2012-13

As on 31st	March 2009			March 2010			March 2011			March 2012			March 2013		
Level	**SS**	**PIP**	**(Short) /Excess**	**SS**	**PIP**	**(Short) /Excess**	**SS**	**PIP**	**(Short)/ Excess**	**SS**	**PIP**	**(Short)/ Excess**	**SS**	**PIP**	**(Short)/ Excess**
Board level officials	3	3	0	3	3	0	3	3	0	3	3	0	4	4	0
Executives	132	75	(57)	128	80	(48)	127	89	(38)	126	88	(38)	116	84	(32)
Non-unionised Supervisors	-	-	-	13	13	0	13	13	0	13	13	0	11	11	0
Non-Executives	47	35	(12)	38	24	(14)	39	26	(13)	40	26	(14)	51	30*	(21)
Total	182	113	(69)	182	120	(62)	182	131	(51)	182	130	(52)	182	129	(53)

**including 6 Management/Engineering trainees*
Source: Corporate Office, IREDA

It would be seen from the Table 6.1 that:

- During the five year period from 2008-09 to 2012-13, against the total sanctioned strength of 182 employees, there was a shortage of persons-in-position in each year, both in the categories of executives and non-executives. The shortfall ranged between 51 and 69 persons.

- The sanctioned strength of executives decreased from 132 in 2008-09 to 116 in 2012-13 while that of non-executives increased from 47 to 51. The overall sanctioned strength however remained constant during the period from 2008-09 to 2012-13.

During the same period the volume of work in terms of cumulative projects sanctioned rose from 1892 to 2064 as indicated in Table 6.2 below.

Table 6.2: Statement showing cumulative number of projects sanctioned during the last 5 years

As on March	No. of projects sanctioned during the year	Cumulative no. of projects sanctioned
2009	47	1892
2010	29	1921
2011	34	1955
2012	64	2019
2013	45	2064

Source: Annual Reports of IREDA

The shortage of manpower could have adversely affect IREDA's capacity to ensure timely processing of loan applications and effective monitoring of projects for ensuring timely recovery of loans.

The Management stated (April 2014) that the audit observation is noted and necessary action is being taken. In order to keep pace with the changed market requirements and expectations, a study is being undertaken by Administrative Staff College of India (ASCI) to suggest an organisation restructuring and required manpower for different disciplines and levels.

Recommendation No. 8

Weaknesses in the internal control mechanism may be redressed.

In response, IREDA partially accepted the recommendation stating that PIDMOS will be further strengthened. External credit rating of projects by independent rating agencies is now being done and Lender's Engineers/Concurrent Auditors are being appointed.

Chapter - 7
Conclusion and recommendations

7.1 Conclusion

IREDA is a key central public sector enterprise exclusively financing Renewable Energy projects. The renewable energy sector is growing at a fast pace and has attracted competitors in the financing arena. These changes in the external environment pose new challenges for IREDA. Audit observed that IREDA's share in the total commissioned capacity of Renewable Energy sources was 52.83 *per cent* at the beginning of the Tenth Five Year Plan which declined to 19.21 *per cent* at the end of the Tenth Five Year Plan and further to 7.66 *per cent* at the end of the Eleventh Five Year Plan. Thus, IREDA was not able to sustain its position as a leading financial institution in the renewable energy sector.

Although IREDA had appointed a consultant to draw up a Corporate Plan for the period 2007-12 with a view to equip the Company to assess the various risks faced from the external environment, the Plan effectively existed only on paper. The prescribed timeframes laid down for achieving various activities were either not adhered to or the activities were not taken up during the Plan period, necessitating their being carried forward to the subsequent Corporate Plan for 2012-17. This defeated the purpose of having a Corporate Plan in the first place. The implementation of the Plan was also not monitored at the BOD level.

In effect, the MoU signed annually with MNRE constituted the sole basis against which IREDA benchmarked its achievements. However, the targets fixed in the MoU were not derived from the Corporate Plan, and varied substantially from it. The targets for sanctions and disbursements were understated, as each year IREDA consistently and significantly exceeded these. Recoveries effected against NPAs were overstated in MoUs.

There were delays in sanctioning projects. Nearly 40 *per cent* of all projects sanctioned during the period 2008-09 to 2012-13 were sanctioned after an average delay of 66 days, beyond the prescribed limit of three months. This indicates that there is a need to streamline the procedures. More than 65 *per cent* of the loan applications received during the period 2008-09 to 2012-13 were dropped by IREDA.

IREDA did not observe due diligence while sanctioning and monitoring some of the loan cases. The prescribed control measures such as mandatory pre-inspection of the site before sanction and disbursement, obtaining the necessary securities and required promoter's contribution, verifying the borrower's antecedents and appointing Nominee Directors/ Lender's Engineers were not carried out. There were instances where IREDA violated its own norms for credit exposure, in one case even sanctioning loan of upto 56 *per cent* of its own net worth.

Although IREDA's NPA have come down over the years, the level still remains much higher in comparison to other power financing companies like REC and PFC. This would affect IREDA's credit rating and in turn its ability to raise low cost funds from the market.

During 2008-09 to 2012-13, IREDA settled 29 cases under OTS, which resulted in recovery of ₹ 208.85 crore and sacrifice of a total amount of ₹ 237.85 crore i.e. 53.25 *per cent,* due to write off of principal and waiver of interest. Although this helped in improving the liquidity position of the Company and reducing the NPAs from 13.34 *per cent* in 2008-09 to 3.86 *per cent* in 2012-13, it has resulted in considerable financial loss. While a project may become NPA due to factors beyond IREDA's control, Audit observed instances where red flags were ignored and the cases became NPA. There were instances where the viability of the projects was not assessed properly resulting in failure of the projects and settlements under OTS. The benefit of the OTS scheme was irregularly extended even to wilful defaulters, in violation of the prescribed guidelines which may encourage a culture of non-payment amongst its borrowers. Audit observed that there were cases where IREDA failed to carry out due diligence in terms of ensuring required collaterals and promoter's contribution for the loans sanctioned, conducting required inspection of the projects or ensuring that credit exposure limits were not exceeded.

The purpose of grant of capital/interest subsidy by MNRE was to ensure generation of electricity through RE projects in return for the subsidy granted. IREDA did not have any mechanism to monitor the continuation of RE projects for the specified time period in the absence of which undue passing of the benefit of subsidy to the defaulters cannot be ruled out. Projects which subsequently converted to usage of 100 *per cent* fossil fuels were given the benefit of subsidy. Audit also found instances where MNRE agreed with IREDA not to recover the subsidy even in case of non-continuance of RE projects up to prescribed period of operation. This diluted the purposes for which the scheme was framed.

The PIDMOS database lacked data integrity and completeness and hence could not be considered a reliable management tool. The shortage of manpower, particularly in the executive cadre, could hamper the efficiency of operations.

7.2 Recommendations

The recommendations made in different Chapters of this Report are summarised below:

1. *The Board of Directors of IREDA may coordinate and monitor execution of the Corporate plan to improve efficiency and effectiveness of IREDA's operations and to explore new business opportunities.*
2. *The targets fixed in the annual MoU signed with MNRE should be realistic and flow from the Corporate Plan and be reflected appropriately in the Outcome Budget of MNRE.*

3. *Quantifiable physical dimensions of the new and ongoing projects be reflected in the MoU.*
4. *The prescribed credit exposure limits should not be exceeded.*
5. *IREDA may ensure that while sanctioning loans, due diligence is conducted with adequate care. The Renewable Energy and Energy Efficiency Financing Guidelines may be followed in right earnest; deviations should be made only in exceptional cases with adequate justification.*
6. *Outstanding loans should be closely monitored in order to further reduce the level of Non-Performing Assets.*
7. *IREDA may develop a mechanism to monitor continuity of the projects for specified period after their commencement, to ensure electricity generation through RE projects in lieu of grant of subsidy. Further, subsidy should be recalled in all cases where projects do not run for the specified period as this dilutes the objective of the scheme.*
8. *Weaknesses in the internal control mechanism may be redressed.*

(A. K. SINGH)
Deputy Comptroller and Auditor General
(Report Central and Local Bodies)

New Delhi
Dated : 01 April 2015

Countersigned

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

New Delhi
Dated : 06 April 2015

ANNEXURES

Annexure I

(Ref: Para 1.10)

Response of the Management/Ministry to Audit Recommendations

Recommendations	Management/Ministry's Reply	Audit's further remarks
The recommendations made in different Chapters of this Report are summarised below: 1. The Board of Directors of IREDA may coordinate and monitor execution of the Corporate Plan to improve efficiency and effectiveness of IREDA's operations and to explore new business opportunities.	Accepted.	No further remarks.
2. The targets fixed in the annual MoU signed with MNRE should be realistic and flow from the Corporate Plan and be reflected appropriately in the Outcome Budget of MNRE.	Partially accepted. Corporate plan is a long term five year exercise and gives a broad outline with regard to the targets to be achieved based on a fair estimate of the market scenario likely to be in future. However setting the targets as per MoU is an yearly exercise and is based on the actual performance of the previous years and the broader economic scenario prevailing at that time. Therefore, it can be construed that the MoU Targets are set on realistic basis.	Management's reply may be seen in the context of IREDA consistently exceeding its MoU targets and its declining market share.
3. Quantifiable physical dimensions of the new and ongoing projects be reflected in the MoU.	Partially accepted. In the MoU, sanction and disbursement targets are set in monetary terms, not in physical dimension of the new and on-going projects. It may be appreciated that IREDA's role is to provide the financial assistance for the project to be set up by the project developers. The actual execution of the project is the responsibility of the project developer. Accordingly, MoU targets are set in monetary terms not in physical terms. However, in future MW Capacity expected from our financial assistance could be indicated separately.	Audit is of the opinion that quantifiable physical targets may be incorporated in the MoU, as was done in the past, as these provide benchmarks for evaluating the productivity and efficiency of the IREDA.
4. The prescribed credit exposure limits should not be exceeded.	Partially accepted. It is being exceeded only in specific cases with proper justification and approval of the Competent Authority.	Exceeding credit limit exposure as was observed in 29 *per cent* of the selected cases may not justify the stand of IREDA.
5. IREDA may ensure that while sanctioning loans, due diligence is conducted with adequate care. The Renewable Energy and Energy	Not accepted. IREDA is already following its	IREDA's stand may be seen in the context that deviations were found in 40 *per cent* of selected cases.

Recommendations	Management/Ministry's Reply	Audit's further remarks
Efficiency Financing Guidelines may be followed in right earnest; deviations should be made only in exceptional cases with adequate justification.	lending policy and deviations are considered wherever required, with adequate justification to the competent authority at the time of approval.	
6. Outstanding loans should be closely monitored in order to further reduce the level of Non-Performing Assets.	Partially accepted. Outstanding loans are being monitored closely. A separate Recovery Cell has also been created for the purpose. The Board of Directors review the status of recovery/NPAs in every Board Meeting.	Audit observed that 35 *per cent* of cases were pending for recovery for more than 5 years, which shows lack of close monitoring.
7. IREDA may develop a mechanism to monitor continuity of the projects for specified period after their commencement, to ensure electricity generation through RE projects in lieu of grant of subsidy. Further, subsidy should be recalled in all cases where projects do not run for the specified period as this dilutes the objective of the scheme.	Partially accepted. IREDA engages Lender's Engineers/ Concurrent Auditors to monitor continuity of the projects. Further, subsidy is recalled in line with the terms of grant of subsidy.	Out of 12 projects reviewed in audit, five projects were either shut down or switched over to fossil fuel before expiry of the stipulated prescribed period. Further, subsidy of ₹14.48 crore was either wrongly passed on /not recovered in eight projects in spite of violation of terms of grant of subsidy.
8. Weaknesses in the internal control mechanism may be redressed.	Partially accepted. IREDA has put in place following mechanisms to strengthen the internal control: i) Credit Rating of projects by independent rating agencies has been introduced. ii) Lender's Engineers/ Concurrent Engineers/ Auditors are being appointed whenever required. iii) Credit Committee has been put in place for review of the project proposal before they are put up to respective delegated authority for sanction of project. iv) Integrated Risk Management Committee to assess and mitigate overall risk has been put in place. The above systems and procedures are consistently reviewed periodically from time to time and for addressing any deficiency/ weakness in the systems and procedures.	IREDA has instituted some operational controls. However, fruitful outcome of these is yet to emerge and to be established. Other issues relating to PIDMOS database, its reconciliation with financial accounting and manpower etc. were yet to be addressed.

Annexure II

(Ref: Para 1.4)

Financial Position of IREDA as on 31st March

₹ in crore

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
RESOURSES					
(i) Equity Capital	520.00	539.60	589.60	639.60	699.60
(ii) Reserves & Surplus	257.51	313.24	567.26	818.39	988.75
(iii) International Assistance	1040.82	1154.43	1432.11	2945.55	3793.96
(iv) Domestic Borrowings	773.36	1193.98	1024.29	1187.77	1406.15
Total (i to iv)	**2591.69**	**3201.25**	**3613.26**	**5591.31**	**6888.46**
OPERATIONS					
Loan Sanctions	1489.93	1823.91	3126.42	3405.96	3747.36
Disbursements	770.95	890.03	1224.17	1855.03	2125.50
Repayment by the borrower	361.42	437.17	816.93	336.71	436.80
Outstanding loans (IREDA only)	2581.53	3033.87	3449.25	4972.13	6674.90

Source: Annual reports of IREDA

Working Results

₹ in crore

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Gross income	275.11	345.25	402.46	534.82	729.56
Profit Before Tax	85.90	141.05	166.70	208.12	250.58
Profit After Tax	56.21	72.69	120.46	173.13	202.65
Net Profit (after adding profit brought forward)	66.00	85.22	160.49	173.13	202.65
Earnings Per Share (₹)	110.30	136.88	209.20	273.14	300.90

Source: Annual reports of IREDA

ANNEXURE-III

(Refer Para 1.9)

Sample selection
Sanctioned cases

₹ in lakh

S No.	Project No.	Applicant Name	Loan Amount
1	1838	M/s Tata Power Company Limited	36200
2	1906	M/s Emmvee Solar System Private Limited	700
3	1909	M/s Everest Power Private Limited	14600
4	1911	M/s KU Hydro Power Private Limited	12850
5	1916	M/s Athena Demwe Power Private Limited	50000
6	1919	M/s Vaayu Indian Power Corporation Limited	30000
7	1931	M/s Tata Power Company Limited	45000
8	1937	M/S Tamil Nadu Electricity Board	14255
9	1939	M/s IL & FS Wind Power Limited	31729
10	1941	M/s SCI India Limited	850
11	1949	M/s Bhilwara Green Energy Limited	20000
12	1967	M/s Gangakhed Sugar and Energy Limited	10000
13	1972	M/s Titan Energy Systems Limited	2780
14	1978	M/s Saikrupa Sakhar Karkhana Limited	12104
15	1998	M/s NJC Hydro Power Limited	25000
16	2008	M/s Panchhor Hydro Power Private Limited	12843
17	2013	M/s Naraingarh Sugar Mills Limited	10339
18	2018	M/s Uttarakhand Jal Vidyut Nigam Limited	15211
19	2023	M/s Bothe Windfarm Development Private Limited	25000
20	2030	M/s Dharani Sugar & Chemical Limited	13830
21	2033	M/s Renew Wind Energy (Rajasthan) Private Limited	24800
22	2034	M/s Clean Wind Power (Devgarh) Private Limited	25177
23	2038	M/s Emmvee Energy Private Limited	6200
24	2040	M/s Jaiprakash Power Ventures Limited	30000
25	2047	M/s Fonroche Saaras Energy Private Limited	10370
		TOTAL	**479838** **or say ₹ 4798.38 crore**

ANNEXURE-III- Contd.
(Refer Para 1.9)

Sample selection
Dropped cases

₹ in lakh

S. No.	Project No.	Applicant Name	Loan Amount
1	Before sanction	M/s Azure Solar Private Limited	38700
2	Before sanction	M/s Super Wind Project Private Limited	36548
3	Before sanction	M/s Leap Green Energy Private Limited	30000
4	Before sanction	M/s Alex Astral Power Private Limited	28000
5	Before sanction	M/s Yoga Anjaneya Bioenergies Private Limited	26000
6	Before sanction	M/s Melkhet Power Private Limited	17968
7	Before sanction	M/s NSL Tidong Power Generation Private Limited	14000
8	Before sanction	M/s Savitri Power Projects Private Limited	12961
9	Before sanction	M/s Laila Sugars Private Limited	10061
10	Before sanction	M/s R K Cogen and Distilleries Private Limited	9244
11	Before sanction	M/s N R Ispat and Power Private Limited	4314
12	1736	M/s Anjani Portland Cement Limited	96
13	1766	M/s Indespa Technical Services Private Limited	114
14	1821	M/s Hind Metals and Industries Private Limited	415
15	1829	M/s Venika Green Power Private Limited	9810
16	1839	M/s PTC India Limited	3125
17	1848	M/s S M Hydro Power Private Limited	3775
18	1852	M/s Bhagwati Oxygen Limited	266
19	1853	M/s Elpro Energy Dimensions Private Limited	20
20	1856	M/s Tanaaya Gems and Jewellery Exports Limited	837
21	1862	M/s Super Wind Project Private Limited	3917
22	1869	M/s Nucifera Renewable Energy Systems	30
23	1871	M/s The Godavari Sugar Mills Limited	7686
24	1889	M/s Auro Mira Vaayu Energy Company Limited	7172

S. No.	Project No.	Applicant Name	Loan Amount
25	1895	M/s Super Hydro Electric Private Limited	9639
26	1907	M/s Super Hydro Electric Private Limited	1789
27	1950	M/s Abellon Clean Energy Limited	3500
28	1958	M/s RVS Medical Trust - RVS Siddha Medical College & Hospital	75
29	1959	M/s RVS Medical Trust - RVS Homoeopathic Medical College & Hospital	75
30	1960	M/s RVS Educational Trust - RVS Polytechnic College	75
31	1961	M/s RVS Educational Trust - RVS College of Arts & Science	75
32	1962	M/s RVS Educational Trust - RVS College of Engineering. & Technology	75
33	1963	M/s RVS Educational Trust - Rathnavel Subramaniam Industrial Training Centre	75
34	1965	M/s GHI Energy Private Limited	10575
35	1966	M/s RVS Educational Trust - RVS Polytechnic College	75
36	1969	M/s RVS Educational Trust - RVS Industrial Training Institute	75
37	1970	M/s RVS Educational Trust - RVS Institute Of Management Studies And Research	75
38	1971	M/s RVS Educational Trust - RVS College of Engineering & Technology	75
39	1984	M/s Rishi Ganga Power Corporation Limited	8650
40	2004	M/s Lakshmi Sugar Mills Corporation Limited	8608
41	Not Available	M/s Arun Power Projects Limited	3202
42	Not Available	M/s Kakatiya Chemicals Private Limited	2520
43	Not Available	M/s Raghupreet Hydro Project Private Limited	1376
		TOTAL	**315668** **or say ₹ 3156.68 crore**

ANNEXURE-III- Contd.
(Refer Para 1.9)

Sample selection
Disbursement cases

₹ in lakh

S No.	Project no.	Applicant Name	Amount disbursed
1	1790	M/s Raus Power Limited	304
2	1802	M/s Noble Distilleries & Power Limited	1402
3	1803	M/s Shree Kedarnath Sugar And Agro Products Limited	659
4	1823	M/s Bhadragiri Power Private Limited	643
5	1838	M/s Tata Power Company Limited	36200
6	1836	M/s Emmvee Solar Systems Private Limited	2592
7	1909	M/s Everest Power Private Limited	5585
8	1911	M/s KU Hydro Power Private Limited	4355
9	1919	M/s Vaayu India Power Corporation Private Limited	30000
10	1931	M/s Tata Power Company Limited	42727
11	1935	M/s Nido Energy Systems Private Limited	1088
12	1939	M/s IL & FS Wind Power Limited	31729
13	1956	M/s Taxus Infrastructure And Power Projects Private Limited	2782
14	1978	M/s Saikrupa Sakhar Karkhana Limited	9072
15	1967	M/s Gangakhed Sugar And Energy Limited	10000
16	2023	M/s Bothe Windfarm Development Private Limited	2630
17	2038	M/s Emmvee Energy Private Limited	4812
		TOTAL	**186580** **or say ₹ 1865.80 crore**

ANNEXURE-III- Contd.
(Refer Para 1.9)

Sample selection
Non-Performing Assets cases

₹ in lakh

S. No.	Project No.	Name Of The Party	Loan outstanding as on 31 March 2013
1	265	M/s GSL (India) Limited	498
2	485	M/s Silical Metallurgic Limited	890
3	529	M/s Zen Global Finance Limited	535
4	968	M/s Arunachalam Sugar Mills Limited	4114
5	1083	M/s Sree Suryachandra Synergetics India Private Limited	640
6	1091	M/s Kay Pulp & Paper Mills Limited	1039
7	1092	M/s Sree Suryachandra Synergetics India Private Limited	630
8	1154	M/s New Horizon Sugar Mills Limited	1464
9	1283	M/s Model Chit Corporation Limited	185
10	1469	M/s Bhagyanagar Solvent Extractions Private Limited	1695
11	1728	M/s Sri Venkateswara Sponge & Power Private Limited	2181
		TOTAL	**13871 or say ₹ 138.71 crore**

ANNEXURE-III- Contd.
(Refer Para 1.9)
Sample selection
One Time Settlement cases

₹ in lakh

S. No.	Name of Companies financed by IREDA/Project Nos.	Sector	Total amount due				Total recoveries				Date of OTS
			Principal	Interest	Others	Total	Principal	Interest	Others	Total	
1	M/s HCL Agro Power Limited (340)	Biomass	399.00	1212.83	222.05	1833.88	399.00	0	3.25	402.25	12.10.2009
2	M/s Circars Power Industries Limited (1227)	Biomass	977.00	1678.72	397.29	3053.01	977.00	10.00	0	987.00	18.09.2008
3	M/s Purti Sakhar Karkhana Limited (1546)	Co-generation	4663.75	3496.02	252.43	8412.20	4663.75	2471.25	0	7135.00	30.12.2009
4	M/s Som Distelleries Limited (824)	Methane	324.00	2250.17	600.59	3174.76	324.00	0	0	324.00	12.09.2012
5	M/s Sandur Manganese & Iron Ores Limited (615)	Small hydro	3150.00	1784.14	85.26	5019.40	3150.00	113.00	0	3263.00	Not available
6	M/s Sarita Steel & Industries Limited (1014)	Solar	146.86	0	0	146.86	146.86	0	0	146.86	25.10.2008
7	M/s Nagarjuna Finance Limited (NA)	Solar	184.45	33.84	3.00	221.29	100.00	0	0	100.00	12.02.2009
8	M/s G K Bio Energy Limited (1190)	Waste To Energy	1161.99	1260.13	131.15	2553.27	727.11	0	0	727.11	02.12.2009
9	M/s Devi Corn Limited (1441)	Waste To Energy	315.00	468.27	125.04	908.31	190.00	0	0	190.00	28.01.2011
10	M/s Jain Farms and Resorts Limited (742)	Wind	193.00	1675.77	410.47	2279.24	193.00	0	0	193.00	24.09.2009
11	M/s Sri Vasavi Industries Limited (987)	Wind	422.70	1110.46	338.67	1871.83	422.70	0	5.67	428.37	25.10.2008
12	M/s Sarita Steel & Industries Limited (986)	Wind	282.70	726.65	244.98	1254.33	282.70	0	2.77	285.47	25.10.2008
13	M/s Sarita Software & Industries Limited (985)	Wind	395.70	1170.15	313.45	1879.30	395.70	0	8.65	404.35	25.10.2008
14	M/s Manasa Industries Private Limited (1051)	Wind	295.20	1012.08	300.16	1607.44	295.20	0	4.60	299.80	25.10.2008
15	M/s SML Dyetex Private Limited (1058)	Wind	295.20	1001.96	298.73	1595.89	295.20	0	4.60	299.80	25.10.2008
16	M/s SVR Cables Private Limited (1059)	Wind	295.20	1011.35	301.03	1607.58	295.20	0	4.17	299.37	25.10.2008
17	M/s BVV Paper Industries Limited (482)	Wind	64.65	311.65	46.87	423.17	40.00	0	0	40.00	18.07.2008
	TOTAL		**13566.40**	**20204.19**	**4071.17**	**37841.76**	**12897.42**	**2594.25**	**33.71**	**15525.38**	

ANNEXURE-III- Contd.
(Refer Para 1.9)

Sample selection
Abandoned projects

₹ in lakh

S. No.	Project No.	Name of Project	Disbursed Amount
1	1146	M/s Enbee Infrastructure Limited	171
2	1381	M/s Satyanarayana Power Private Limited	692
3	1440	M/s Mahita Power Private Limited	86
4	1728	M/s Sri Venkateswara Sponge & Power Private Limited	2181
5	1802	M/s Noble Distilleries & Power Limited	1402
		TOTAL	**4532** **or say ₹ 45.32 crore**

ANNEXURE-III- Contd.
(Refer Para 1.9)

Sample selection
Subsidy cases

₹ in lakh

S. No.	Party Name	Type of Subsidy involved	Project Status	Subsidy		
				Total Received from MNRE	Passed on to the borrower	Refunded to MNRE
1	M/s GK Bio Energy Limited	Capital	OTS	351.00	351.00	0.00
2	M/s HCL Agro Power Limited	Capital	OTS	420.00	378.00	0.00
3	M/s Ind Barath Energies (Thoothukkudi) Limited	Capital	NPA	183.00	183.00	0.00
4	M/S Sri Satyanarayan Power Private Limited	Interest	Abandoned	44.78	0 .00	44.78
5	M/S Mahita Power Projects Private Limited	Interest	Abandoned	17.75	0 .00	17.75
6	M/S Som Distelleries Limited	Interest	NPA	98.39	63.09	35.30
7	M/S Arunachalam Sugar Mills Limited	Interest	NPA	189.40	90.04	99.36
8	M/S Kay Pulp & Paper Mills Limited	Interest	NPA	45.12	0.00	45.12
9	M/S Circars Power Limited	Interest	OTS	56.31	0.00	56.31
10	M/S Gayatri Agro Power Limited	Interest	OTS	109.37	109.37	0.00
11	M/S Purti Sakhar Karkhana Limited	Interest	OTS	137.67	116.53	21.14
12	M/S Bhagyanagar Solvent Extractions Private Limited	Interest	NPA	157.01	157.01	0.00
Total				**1809.80**	**1448.04**	**319.76**

ANNEXURE IV
(Refer para 3.7.1)

S. No.	Types of deviations	Name of the projects
1	Credit exposure limits exceeded	1. M/s Tata Power Company Limited (Project No. 1931) 2. M/s Tata Power Company Limited (Projects No. 1838) 3. M/s Vaayu Indian Power Corporation Limited (Project No. 1919) 4. M/s IL&FS Wind Power Limited (Project No. 1939) 5. M/s Athena Dewme Power Limited (Project No. 1916)
2	Non creation of mortgage before disbursement	1. M/s Vaayu Indian Power Corporation Limited (Project No. 1919) 2. M/s Taxus Infrastructure and Power Projects Private Limited. (Project No. 1956) 3. M/s Sri Venkateswara Sponge & Power Private Limited (Project No. 1728) 4. M/s Mahita Power Projects Private Limited (Project No. 1440) 5. M/s Bhilwara Green Energy Limited (Project No. 1949) 6. M/s Renew Wind Energy Limited (Project No. 2033)
3	Promoter's contribution not brought in time	1. M/s Enbee Infrastructure Limited (Project No. 1146) 2. M/s IL&FS Wind Power Limited (Project No. 1939) 3. M/s Bhadragiri Power Private Limited (Project No. 1823) 4. M/s Sri Venkateswara Sponge& Power Private Limited (Project No. 1728)
4	Trust and retention account not created	1. M/s Uttaranchal Jal Vidyut Nigam Limited (Project No. 2018) 2. M/s Taxus Infrastructure and Power Projects Private Limited (Project No. 1956)
5	Longer repayment period permitted	1. M/s Vaayu Indian Power Corporation Limited (Project No. 1919) 2. M/s Renew Wind Energy Limited (Project No. 2033)
6	Required inspection not conducted	1. M/s Tata Power Company Limited. (Project No. 1931) 2. M/s Tata Power Company Limited (Project No. 1838) 3. M/s IL&FS Wind Power Limited. (Project No. 1939) 4. M/s Noble Distilleries & Power Limited (Project No. 1802) 5. M/s Enbee Infrastructure Limited (Project No. 1146) 6. M/s Mahita Power Project Private Limited (Project No. 1440) 7. M/s Bhilwara Green Energy Limited (Project No. 1949) 8. M/s Uttaranchal Jal Vidyut Nigam Limited (Project No. 1823) 9. M/s Uttaranchal Jal Vidyut Nigam Limited (Project No. 2018) 10. M/s Taxus Infrastructure and Power Projects Private Limited (Project No. 1956) 11. M/s Vaayu Indian Power Corporation Limited (Project No. 1919)
7	Nominee Directors/Lender's Engineer not appointed	1. M/s KU Hydro Power Private Limited (Project No. 1911) 2. M/s Bothe Wind farms Development Private Limited (Project No. 2023) 3. M/s Panchhor Hydro Power Private Limited. (Project No. 2008) 4. M/s Vaayu Indian Power Corporation Limited (Project No. 1919)

ANNEXURE V

(Refer Para 4.9)

Loan cases processed under OTS during the period 2008-09 to 2012-13

₹ in lakh

Loan cases processed under OTS during the period 2008-09 to 2012-13											
S. No.	Name of Companies financed by IREDA/Project Nos.	Sector	Total amount due				Total recoveries				Date of OTS
			Principal	Interest	Others	Total	Principal	Interest	Others	Total	
1	M/s HCL Agro Power Limited (340)	Biomass	399.00	1212.83	222.05	1833.88	399.00	0	3.25	402.25	12.10.2009
2	M/s Circars Power Limited (1227)	Biomass	977.00	1678.72	397.29	3053.01	977.00	10.00	0	987.00	18.09.2008
3	M/s Sri Sai Bio Energy Limited (1457)	Briquetting	22.47	18.43	5.54	46.44	13.00	0	0	13.00	28.01.2011
4	M/s Parasvanath Biotech Limited (921)	Briquetting	34.68	30.26	16.43	81.37	18.00	0	0	18.00	25.09.2009
5	M/s BS Fuels Private Limited (305)	Briquetting	0	8.69	4.58	13.27	0	0.57	0	0.57	26.03.2010
6	M/s Mitra Fuels Private Limited (433)	Briquetting	14.56	30.38	6.69	51.63	9.50	0	0	9.50	16.02.2009
7	M/s Gayatri Agro Power Limited (NA)	Co-generation	1408.00	785.56	26.44	2220.00	1408.00	372.00	0	1780.00	26.10.2010
8	M/s Purti Sakhar Karkhana Limited (1546)	Co-generation	4663.75	3496.02	252.43	8412.20	4663.75	2471.25	0	7135.00	30.12.2009
9	M/s Gayatri Agro Power Limited (1088)	Co-generation	719.08	194.55	16.74	930.37	719.08	210.34	0.95	930.37	26.03.2010
10	M/s Som Distelleries Private Limited (824)	Methane	324.00	2250.17	600.59	3174.76	324.00	0	0	324.00	12.09.2012
11	M/s Mangalam Energy Private Limited (NA)	Small Hydro	1168.50	389.01	6.71	1564.22	1100.00	210.00	0	1310.00	30.12.2010
12	M/s Sandur Manganese & Iron Ores Limited (615)	Small Hydro	3150.00	1784.14	85.26	5019.40	3150.00	113.00	0	3263.00	Not available
13	M/s Sarita Steel & Industries Private Limited (1014)	Solar	146.86	0	0	146.86	146.86	0	0	146.86	25.10.2008
14	M/s Printed Circuit Board Limited (NA)	Solar	0.10	0	0	0.10	0.10	0	0	0.10	31.12.2009
15	M/s Wahan Dharak Limited (NA)	Solar	33.10	4.65	8.83	46.58	33.10	0	0	33.10	26.03.2010
16	M/s Nagarjuna Finance Limited (NA)	Solar	184.45	33.84	3.00	221.29	100.00	0	0	100.00	12.02.2009
17	M/s G K Bio Energy Limited (1190)	Waste to Energy	1161.99	1260.13	131.15	2553.27	727.11	0	0	727.11	02.12.2009

18	M/s Devi Corn Products Limited (1441)	Waste To Energy	315.00	468.27	125.04	908.31	190.00	0	0	190.00	28.01.2011
19	M/s Sai Renewable Power Private Limited (1503)	Waste To Energy	817.00	313.10	73.32	1203.42	817.00	111.85	0	928.85	16.02.2009
20	M/s Jain Farms and Resorts Limited (742)	Wind	193.00	1675.77	410.47	2279.24	193.00	0	0	193.00	24.09.2009
21	M/s Shree Ramdeobaba Steel Limited (1574)	Wind	253.44	205.89	48.89	508.22	253.44	34.56	0	288.00	26.03.2010
22	M/s Sri Vasavi Industries Limited (987)	Wind	422.70	1110.46	338.67	1871.83	422.70	0	5.67	428.37	25.10.2008
23	M/s Sarita Steel & Industries Limited (986)	Wind	282.70	726.65	244.98	1254.33	282.70	0	2.77	285.47	25.10.2008
24	M/s Sarita Software & Industries Limited (985)	Wind	395.70	1170.15	313.45	1879.30	395.70	0	8.65	404.35	25.10.2008
25	M/s Manasa Industries Private Limited (1051)	Wind	295.20	1012.08	300.16	1607.44	295.20	0	4.60	299.80	25.10.2008
26	M/s SML Dyetex Private Limited (1058)	Wind	295.20	1001.96	298.73	1595.89	295.20	0	4.60	299.80	25.10.2008
27	M/s SVR Cables Private Limited (1059)	Wind	295.20	1011.35	301.03	1607.58	295.20	0	4.17	299.37	25.10.2008
28	M/s BVV Paper Industries Private Limited (482)	Wind	64.65	311.65	46.87	423.17	40.00	0	0	40.00	18.07.2008
29	M/s HMTD Private Limited (963 & 1455)	Wind	79.89	54.84	28.26	162.99	48.00	0	0	48.00	04.10.2011
TOTAL			**18117.22**	**22239.55**	**4313.60**	**44670.37**	**17316.64**	**3533.57**	**34.66**	**20884.87**	

NA-Not Available

List of abbreviations used in the Report

Sl. No	Term used in Report	Description
	A	
1.	AAIFR	Appellate Authority for Industrial and Financial Reconstruction
2.	ASCI	Administrative Staff College of India
	B	
3.	BG	Bank Guarantee
4.	BIFR	Board for Industrial and Financial Reconstruction
5.	BOD	Board of Directors
	C	
6.	CA	Chartered Accountant
7.	CMD	Chairman & Managing Director
8.	CPSE	Central Public Sector Enterprise
9.	CRISIL	Credit Rating Information Services of India Limited
	D	
10.	DPE	Department of Public Enterprises
11.	DRAT	Debt Recovery Appellate Tribunal
12.	DRT	Debts Recovery Tribunal
	E	
13.	EEC	Energy Efficiency and Conservation
	F	
14.	FBCB	Fluidised Bed Combustion Boiler
15.	FDR	Fixed Deposit Receipts
16	FPC	Fair Practices Code
	G	
17.	GEDA	Gujarat Energy Development Agency
18.	GOI	Government of India
19.	GW	Giga Watt
	I	
20.	IDFC	Industrial Development Financial Corporation
21.	IEBR	Internal and External Budgetary Resources
22.	IPO	Initial Public Offering
23.	IREDA	Indian Renewable Energy Development Agency Limited
24.	IT	Information Technology
	K	
25.	KEB	Karnataka Electricity Board
	L	
26.	LOC	Line of Credit
	M	
27.	MIS	Management Information System
28.	MNES	Ministry of Non-Conventional Energy Sources
29.	MNRE	Ministry of New and Renewable Energy
30.	MoA	Memorandum of Association
31.	MoU	Memorandum of Understanding
32.	MSW	Municipal Solid Waste
33.	MW	Mega Watt

Sl. No	Term used in Report	Description
	N	
34.	NBFCs	Non-Banking Financial Companies
35.	NOC	No Objection Certificate
36.	NPAs	Non-Performing Assets
37.	NPV	Net Present Value
	O	
38.	OL	Official Liquidator
39.	OTS	One Time Settlement
	P	
40.	PFC	Power Finance Corporation
41.	PIDMOS	Project Information and Documentation Monitoring System
42.	PIP	Person in Position
43.	PSKL	Purti Sakhar Karkhana Limited
44.	PTS	Project Technical Sanction
45.	PwC	PricewaterhouseCoopers
	R	
46.	RBI	Reserve Bank of India
47.	RE	Renewable Energy
48.	REC	Rural Electrification Corporation
49.	RFD	Result Framework Document
	S	
50.	SAC	Settlement Advisory Committee
51.	SARFAESI	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests
52.	SASF	Stressed Assets Stabilisation Fund
53.	SEB	State Electricity Board
54.	SMIORE	Sandur Manganese & Iron Ores Limited
55.	SS	Sanctioned Strength
	T	
56.	TPCL	Tata Power Company Ltd.
57.	TRA	Trust and Retention Account
58.	TS	Technical Staff
	U	
59.	UNEP	United Nations Environment Programme
	W	
60.	w.r.t.	With reference to
61.	WHRB	Waste Heat Recovery Boiler